

Financial Results for the Year Ended March 31, 2013

Fukoku Mutual Life Insurance Company (President: Yoshiteru Yoneyama) announces financial results for the year ended March 31, 2013.

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Attached: Supplementary Materials for the Year Ended March 31, 2013

Financial Summary for the Year Ended March 31, 2013

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 March 31, 2013			
		Number of policies		Amount		Number of policies		Amount	
		(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
	Individual insurance	2,983	100.5	259,536	95.9	3,008	100.8	248,851	95.9
	Individual annuities	770	102.0	29,989	100.8	783	101.7	30,341	101.2
	Subtotal	3,753	100.8	289,526	96.3	3,791	101.0	279,192	96.4
	Group insurance	—	—	160,562	98.8	—	—	163,902	102.1
	Group annuities	—	—	19,720	100.3	—	—	19,946	101.1

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

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

(ii) New Policies

Year ended March 31, 2012		Total				New business		Net increase by conversion	
		Number of policies		Amount		Amount		Amount	
		(Thousands)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)	(100 millions of yen)	Changes (%, YoY)
	Individual insurance	387	94.0	13,310	112.0	15,226	103.2	(1,916)	—
	Individual annuities	43	115.7	1,427	118.1	1,452	117.2	(24)	—
	Subtotal	430	95.8	14,737	112.6	16,678	104.3	(1,940)	—
	Group insurance	—	—	185	35.0	185	35.0	—	—
	Group annuities	—	—	0	17.4	0	17.4	—	—

Year ended March 31, 2013		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	398	102.8	13,438	101.0	15,472	101.6	(2,034)	—
	Individual annuities	43	100.8	1,521	106.5	1,548	106.7	(27)	—
	Subtotal	441	102.6	14,959	101.5	17,021	102.1	(2,061)	—
	Group insurance	—	—	201	108.4	201	108.4	—	—
	Group annuities	—	—	91	12,438.6	91	12,438.6	—	—

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

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

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

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

	Year ended March 31, 2012		Year ended March 31, 2013	
		Changes(%, YoY)		Changes(%, YoY)
Amount of surrender and lapses (100 millions of yen)	16,469	93.1	16,065	97.6
Surrender and lapse ratio(%)	5.48	(0.13)	5.55	0.07

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 March 31, 2013	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	2,809	98.6	2,770	98.6
Individual annuities	1,302	102.6	1,335	102.5
Total	4,111	99.8	4,106	99.9
Medical coverage and living benefits	1,035	101.7	1,053	101.7

(ii) New Policies

(100 millions of yen except percentage)

	Year ended March 31, 2012		Year ended March 31, 2013	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	205	105.0	208	101.6
Individual annuities	63	115.6	60	94.0
Total	268	107.4	268	99.8
Medical coverage and living benefits	83	108.7	85	102.4

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

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

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

(3) Selected Items of Statements of Operations

(100 millions of yen except percentage)

	Year ended March 31, 2012		Year ended March 31, 2013	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	5,899	88.6	6,477	109.8
Investment income	1,456	99.5	1,788	122.7
Claims and other payments	4,827	78.6	5,202	107.7
Investment expenses	546	109.1	596	109.3
Ordinary profits	504	85.5	693	137.5

(4) Statements of Surplus

(100 millions of yen except percentage)

	Year ended March 31, 2012		Year ended March 31, 2013	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	578	83.2	712	123.1
Reserve for dividends to policyholders	239	98.4	277	115.7
Net surplus	135	79.9	197	145.4
Unappropriated surplus carried forward	203	72.0	237	116.9

Note: Unappropriated surplus for the years ended March 31, 2012 and 2013 included reversal of voluntary surplus reserve of ¥32 million and ¥144 million, respectively.

(5) Total Assets

(100 millions of yen except percentage)

	As of March 31, 2012		As of March 31, 2013	
		Changes (%, YoY)		Changes (%, YoY)
Total assets	56,995	100.4	60,072	105.4

2. Policies in Force by Coverage Type

[As of March 31, 2013]

(Thousands of number, 100 millions of yen)

	Individual insurance		Individual annuities		Group insurance		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Death coverage								
Illness and accident	1,866	175,621	—	905	18,342	163,875	20,208	340,403
Accident	1,448	29,753	298	835	2,584	6,234	4,330	36,824
Others	—	—	—	—	0	6	0	6
Survival coverage	1,142	65,232	783	29,432	7	27	1,933	94,691
Hospitalization coverage								
Accident	1,479	86	—	—	1,119	3	2,598	89
Illness	1,476	86	—	—	—	—	1,476	86
Others	2,001	99	—	—	0	0	2,001	99
Injury coverage	1,349	—	3	—	2,082	—	3,436	—
Surgical coverage	3,382	—	—	—	—	—	3,382	—
Disability coverage	131	7,997	0	3	—	—	131	8,000

(Thousands of number, 100 millions of yen)

	Group annuities		Worker's asset formation insurance and annuities		Total	
	Number	Amount	Number	Amount	Number	Amount
Survival coverage	9,931	19,946	17	351	9,948	20,298

(Thousands of number, millions of yen)

	Medical care insurance	
	Number	Amount
Hospitalization coverage	318	113

(Thousands of number, millions of yen)

	Group disability insurance	
	Number	Amount
Disability coverage	4	75

- Notes: 1. Number of group insurance, group annuities, worker's asset formation insurance and annuities, medical care insurance and group disability insurance show the number of insured.
2. Amounts in survival coverage for individual insurance and group insurance (other than annuity rider) show the sum of survival benefits, survival claims and nursing care benefits. Amounts in survival coverage for individual annuities, annuity rider for group insurance, worker's asset formation annuities (other than worker's asset formation funding annuities) show the sum of (a) the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced, and (b) the amount of policy reserve for an annuity for which payments have commenced. Amounts in survival coverage for group annuities, worker's asset formation insurance and worker's asset formation funding annuities show the amount of outstanding policy reserve.
3. Amounts in hospitalization coverage show daily hospitalization benefits.
4. Amount in hospitalization coverage for medical care insurance shows daily hospitalization benefits due to illness.
5. Amount for group disability insurance shows monthly disability benefits.

3. Investment Activities of General Account Assets

(1) Asset Composition

(Millions of yen)

	As of March 31, 2012		As of March 31, 2013	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	94,857	1.7 %	103,767	1.7 %
Monetary claims bought	1,351	0.0	1,111	0.0
Money held in trust	35,194	0.6	31,322	0.5
Securities	4,075,938	72.5	4,557,314	76.9
Domestic bonds	2,737,371	48.7	2,971,689	50.1
Domestic stocks	353,248	6.3	431,715	7.3
Foreign securities	927,377	16.5	1,087,223	18.3
Foreign bonds	729,001	13.0	855,410	14.4
Foreign stocks and other securities	198,375	3.5	231,812	3.9
Other securities	57,940	1.0	66,686	1.1
Loans	1,039,363	18.5	907,508	15.3
Policy loans	70,164	1.2	66,807	1.1
Ordinary loans	969,199	17.2	840,701	14.2
Real estate	273,246	4.9	267,554	4.5
Deferred tax assets	47,130	0.8	—	—
Others	54,482	1.0	63,307	1.1
Allowance for possible loan losses	(2,299)	(0.0)	(2,201)	(0.0)
Total	5,619,265	100.0	5,929,684	100.0
Foreign currency denominated assets	770,441	13.7	959,813	16.2

(2) Changes (Increase/Decrease) in Assets

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Cash, deposits, call loans	(142,881)	8,909
Monetary claims bought	(73)	(239)
Money held in trust	2,024	(3,872)
Securities	376,192	481,376
Domestic bonds	306,702	234,317
Domestic stocks	606	78,467
Foreign securities	65,302	159,845
Foreign bonds	41,167	126,408
Foreign stocks and other securities	24,134	33,436
Other securities	3,581	8,745
Loans	(104,500)	(131,854)
Policy loans	(1,315)	(3,356)
Ordinary loans	(103,184)	(128,497)
Real estate	(8,041)	(5,692)
Deferred tax assets	(40,201)	(47,130)
Others	(57,984)	8,825
Allowance for possible loan losses	213	98
Total	24,747	310,419
Foreign currency denominated assets	74,233	189,371

(3) Investment Income

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Interest, dividends and other income	113,517	119,020
Interest from deposits	93	19
Interest and dividends from securities	76,265	83,604
Interest from loans	22,163	19,136
Income from real estate for rent	14,775	16,041
Other interest and dividends	219	217
Gains from money held in trust, net	162	1,157
Gains from trading securities, net	12,872	38,498
Gains on sales of securities	16,854	7,917
Gains on sales of domestic bonds	11,747	4,732
Gains on sales of domestic stocks	3,780	2,220
Gains on sales of foreign securities	1,326	862
Others	—	102
Gains on redemption of securities	338	—
Foreign exchange gains, net	—	908
Reversal of allowance for possible loan losses	103	—
Other investment income	148	1,230
Total	143,996	168,732

(4) Investment Expenses

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Interest expenses	1,409	1,777
Losses from trading securities, net	—	—
Losses on sales of securities	24,925	10,596
Losses on sales of domestic bonds	1,324	1,208
Losses on sales of domestic stocks	17,027	5,729
Losses on sales of foreign securities	6,573	3,429
Others	—	228
Losses on valuation of securities	7,986	1,009
Losses on valuation of domestic bonds	1,444	—
Losses on valuation of domestic stocks	6,017	1,009
Losses on valuation of foreign securities	—	—
Others	524	—
Losses from derivative instruments, net	5,725	34,773
Foreign exchange losses, net	1,874	—
Provision for allowance for possible loan losses	—	58
Depreciation of real estate for rent and other assets	6,477	5,802
Other investment expenses	6,208	5,658
Total	54,608	59,677

(5) Net Investment Income

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Net investment income	89,388	109,055

(6) Other Information on Investments

(i) Investment Yield by Asset Categories

(%)

	Year ended March 31, 2012	Year ended March 31, 2013
Cash, deposits, call loans	0.09	(0.00)
Monetary claims bought	(2.37)	2.41
Money held in trust	0.47	3.77
Securities	1.59	2.09
Domestic bonds	2.19	1.89
Domestic stocks	(3.58)	1.01
Foreign securities	2.00	2.95
Foreign bonds	2.27	2.86
Foreign stocks and other securities	0.97	3.26
Loans	2.04	2.09
Ordinary loans	1.88	1.92
Real estate	1.48	2.38
Total	1.60	1.93
Overseas investments	2.07	3.38

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

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

(ii) Average Daily Balance

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Cash, deposits, call loans	118,319	99,713
Monetary claims bought	1,386	1,289
Money held in trust	34,832	30,698
Securities	3,896,952	4,126,502
Domestic bonds	2,531,543	2,782,634
Domestic stocks	339,239	315,681
Foreign securities	965,504	966,250
Foreign bonds	766,140	758,175
Foreign stocks and other securities	199,363	208,075
Loans	1,097,945	973,484
Ordinary loans	1,027,906	905,234
Real estate	280,305	273,496
Total	5,594,403	5,651,326
Overseas investments	974,312	991,385

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2012		As of March 31, 2013	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	248,248	8,474	288,515	33,508

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

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

(Millions of yen)

	As of March 31, 2012					As of March 31, 2013				
	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	822,875	902,871	79,996	80,084	88
Domestic bonds	777,527	804,084	26,556	26,868	311	772,539	849,531	76,992	76,992	—
Foreign bonds	46,002	48,258	2,256	2,394	138	50,335	53,339	3,003	3,091	88
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	684,915	722,269	37,354	38,994	1,640	1,037,091	1,121,931	84,840	85,184	344
Domestic bonds	669,991	707,412	37,420	38,971	1,550	1,015,980	1,100,527	84,547	84,891	344
Foreign bonds	14,923	14,857	(66)	23	90	21,110	21,403	292	292	—
Investments in subsidiaries and affiliates	1,393	854	(538)	—	538	1,393	948	(444)	—	444
Available-for-sale securities	2,202,478	2,300,260	97,782	135,997	38,215	2,074,912	2,386,795	311,883	323,232	11,349
Domestic bonds	1,218,715	1,273,929	55,213	58,002	2,788	1,050,811	1,155,266	104,455	104,882	426
Domestic stocks	268,766	309,191	40,424	54,341	13,916	269,432	388,416	118,984	126,549	7,565
Foreign securities	663,501	666,928	3,426	21,996	18,569	703,721	784,093	80,371	83,532	3,160
Foreign bonds	458,405	469,945	11,540	18,340	6,800	490,828	553,673	62,844	64,074	1,229
Foreign stocks and other securities	205,095	196,982	(8,113)	3,656	11,769	212,892	230,419	17,526	19,457	1,930
Other securities	51,494	50,211	(1,283)	1,658	2,941	50,947	59,018	8,071	8,268	197
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	3,936,271	4,412,547	476,275	488,502	12,226
Domestic bonds	2,666,234	2,785,425	119,191	123,841	4,650	2,839,330	3,105,326	265,995	266,766	770
Domestic stocks	268,766	309,191	40,424	54,341	13,916	269,432	388,416	118,984	126,549	7,565
Foreign securities	725,821	730,898	5,077	24,415	19,337	776,561	859,785	83,223	86,916	3,692
Foreign bonds	519,332	533,061	13,729	20,758	7,028	562,275	628,416	66,141	67,459	1,317
Foreign stocks and other securities	206,489	197,836	(8,652)	3,656	12,308	214,285	231,368	17,082	19,457	2,375
Other securities	51,494	50,211	(1,283)	1,658	2,941	50,947	59,018	8,071	8,268	197
Money held in trust	—	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

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

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,969	35,560
Available-for-sale securities	15,816	15,405
Unlisted domestic stocks (except over-the-counter stocks)	8,086	7,738
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	7,729	7,667
Total	51,785	50,966

(v) Fair Value Information on Money Held in Trust

(Millions of yen)

	As of March 31, 2012					As of March 31, 2013				
	Carrying value on the balance sheet	Fair value	Gains/losses			Carrying value on the balance sheet	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Money held in trust	35,194	35,194	—	—	—	31,322	31,322	—	—	—

* Money held in trust for trading purpose

(Millions of yen)

	As of March 31, 2012		As of March 31, 2013	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Money held in trust for trading purpose	34,194	0	30,322	0

* 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 March 31, 2013				
	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 March 31, 2013	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	93	(888)	—	—	—	(795)
Hedge accounting not applied	(137)	967	—	(498)	—	331
Total	(43)	78	—	(498)	—	(463)

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 ¥888 million as of March 31, 2013) 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, 2013			
	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	12,495	495	93	93
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	[—]	—	—	—	[—]	—	—	—
500,000	500,000	—	—	—	300,000	—	—	—
1,376	[1,376]	—	555	(820)	[307]	—	170	(137)
Total				(570)				(43)

* Interest rate swap contracts by contractual maturity dates

(Millions of yen)

	As of March 31, 2012			As of March 31, 2013		
	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	12,000	495	—
Average fixed rate (receipt)	1.64%	1.66%	2.47%	1.65%	2.30%	—
Average floating rate (payment)	0.61%	0.61%	1.24%	0.53%	1.15%	—
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 March 31, 2013			
	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	286,498	—	290,984	(4,486)	330,489	—	330,378	111
US dollar	146,877	—	148,620	(1,742)	149,706	—	150,340	(633)
Euro	67,933	—	70,477	(2,544)	86,793	—	85,403	1,390
Australian dollar	31,075	—	30,896	178	45,840	—	46,417	(576)
Canadian dollar	23,669	—	23,921	(251)	29,554	—	29,611	(57)
British Pound	16,941	—	17,068	(126)	18,595	—	18,606	(11)
Bought	—	—	—	—	—	—	—	—
Currency Options								
Sold								
Calls	—	—	—	—	15,681	—	—	—
US dollar	[—]	—	—	—	[108]	—	33	74
Euro	[—]	—	—	—	[66]	—	32	34
Puts	—	—	—	—	6,279	—	1	40
Puts	[—]	—	—	—	[41]	—	—	—
Bought								
Calls	—	—	—	—	—	—	—	—
Puts	[—]	—	—	—	[—]	—	—	—
Puts	46,215	—	77	(31)	20,550	—	9	(107)
Euro	[109]	—	18	2	[116]	—	9	(41)
US dollar	[16]	—	59	(34)	[50]	—	0	(66)
US dollar	[35,715]	—	—	—	[9,000]	—	—	—
US dollar	[93]	—	—	—	[66]	—	—	—
Total				(4,518)				78

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

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

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

(iv) Stock-related Transactions

(Millions of yen)

	As of March 31, 2012				As of March 31, 2013			
	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)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Total				(32)				—

(v) Bond-related Transactions

(Millions of yen)

	As of March 31, 2012				As of March 31, 2013			
	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	174,087	—	174,552	(464)
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	10,771	—	10,642	128	10,517	—	10,551	(34)
Bought	—	—	—	—	—	—	—	—
Total				172				(498)

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

(Millions of yen)

As of March 31, 2012			As of March 31, 2013		
Carrying value on the balance sheet	Fair value	Gains(losses)	Carrying value on the balance sheet	Fair value	Gains(losses)
161,252	223,596	62,343	160,530	228,982	68,451

Notes: 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.
2. As of March 31, 2013, fair value is based on the appraisal value by the real-estate appraiser, the appraisal value for property tax as of January 1, 2013 and the road rate as of January 1, 2012.

4. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013		As of March 31, 2012	As of March 31, 2013
Assets:			Liabilities:		
Cash and deposits	29,345	33,566	Policy reserves	5,266,726	5,343,750
Cash	154	169	Reserve for outstanding claims	22,615	22,673
Bank deposits	29,191	33,396	Policy reserve	5,190,141	5,268,768
Call loans	65,600	70,300	Reserve for dividends to policyholders	53,969	52,307
Monetary claims bought	1,351	1,111	Reinsurance payables	67	86
Money held in trust	35,194	31,322	Subordinated bonds	32,896	66,187
Securities	4,148,127	4,633,067	Other liabilities	48,377	49,813
Government bonds	1,991,905	2,181,123	Corporate income tax payable	1,291	8,352
Local government bonds	158,459	168,921	Accounts payable	5,894	2,717
Corporate bonds	614,449	652,931	Accrued expenses	11,169	11,268
Stocks	377,385	454,902	Unearned income	435	411
Foreign securities	947,574	1,108,137	Deposits received	5,301	5,289
Other securities	58,354	67,050	Guarantee deposits received	13,577	13,584
Loans	1,039,363	907,508	Differential account for futures trading	142	—
Policy loans	70,164	66,807	Derivatives	6,530	3,937
Ordinary loans	969,199	840,701	Asset retirement obligations	2,846	2,966
Tangible fixed assets	276,619	271,841	Suspense receipts	1,188	1,284
Land	161,076	160,528	Reserve for employees' retirement benefits	46,320	44,965
Buildings	109,935	105,728	Reserve for price fluctuation of securities	35,488	41,628
Lease assets	117	1,430	Deferred tax liabilities	—	16,938
Construction in progress	2,234	1,297	Deferred tax liabilities for revaluation reserve for land	16,195	16,119
Other tangible fixed assets	3,255	2,855	Total liabilities	5,446,071	5,579,488
Intangible fixed assets	8,573	11,652	Net assets:		
Software	8,126	11,378	Foundation funds	35,000	35,000
Other intangible fixed assets	446	273	Accumulated foundation funds redeemed	71,000	71,000
Reinsurance receivables	117	42	Reserve for revaluation	112	112
Other assets	50,404	49,020	Surplus	76,104	102,260
Accounts receivable	10,577	7,479	Legal reserve for future losses	2,325	2,399
Prepaid expenses	1,249	1,155	Other surplus	73,779	99,861
Accrued income	23,784	27,005	Reserve for redemption of foundation funds	—	9,000
Deposits	2,058	2,055	Reserve for dividend allowances	3,895	3,895
Differential account for futures trading	42	978	Accumulated fund for price fluctuation	11,000	11,000
Derivatives	1,588	3,473	Reserve for advanced depreciation of real estate for tax purpose	289	4,114
Suspense payments	6,497	3,222	Other reserves	767	767
Lease investment assets	—	868	Unappropriated surplus	57,827	71,084
Other assets	4,606	2,780	Total foundation funds, surplus and others	182,216	208,372
Deferred tax assets	47,130	—	Net unrealized gains (losses) on available-for-sale securities, net of tax	67,684	215,885
Allowance for possible loan losses	(2,299)	(2,201)	Deferred valuation gains (losses) under hedge accounting	170	62
			Revaluation reserve for land, net of tax	3,383	3,421
			Total valuation and translation adjustments	71,239	219,370
			Total net assets	253,455	427,742

5. Non-consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Ordinary revenues:		
Premium and other income	589,918	647,798
Premium income	589,599	647,446
Reinsurance income	319	352
Investment income	145,676	178,808
Interest, dividends and other income	113,517	119,020
Interest on deposits	93	19
Interest and dividends on securities	76,265	83,604
Interest on loans	22,163	19,136
Income from real estate for rent	14,775	16,041
Other interest and dividends	219	217
Gains from money held in trust, net	162	1,157
Gains from trading securities, net	12,872	38,498
Gains on sales of securities	16,854	7,917
Gains from redemption of securities	338	—
Foreign exchange gains, net	—	908
Reversal of allowance for possible loan losses	103	—
Other investment income	148	1,230
Gains from separate accounts, net	1,679	10,075
Other ordinary revenues	19,247	10,129
Fund receipt from annuity rider	1,347	1,071
Fund receipt from deposit of claims paid	6,422	5,123
Reversal of reserve for outstanding claims	8,438	—
Reversal of reserve for employees' retirement benefits	639	1,351
Others	2,399	2,583
Total ordinary revenues	754,842	836,736
Ordinary expenditures:		
Claims and other payments	482,797	520,212
Claims	140,375	168,766
Annuities	94,983	101,437
Benefits	127,082	129,048
Surrenders	94,006	89,348
Other payments	26,070	31,283
Reinsurance premiums	278	328
Provision for policy reserve and others	57,906	78,762
Provision for reserve for outstanding claims	—	58
Provision for policy reserve	57,823	78,627
Interest on accumulated dividends to policyholders	83	76
Investment expenses	54,608	59,677
Interest expenses	1,409	1,777
Losses on sales of securities	24,925	10,596
Losses on valuation of securities	7,986	1,009
Losses from derivative instruments, net	5,725	34,773
Foreign exchange losses, net	1,874	—
Provision for allowance for possible loan losses	—	58
Depreciation of real estate for rent and other assets	6,477	5,802
Other investment expenses	6,208	5,658
Operating expenses	88,725	88,846
Other ordinary expenditures	20,375	19,897
Claim deposit payments	9,746	8,976
Taxes	4,831	4,771
Depreciation	5,276	5,571
Others	520	578
Total ordinary expenditures	704,413	767,395
Ordinary profits	50,429	69,340
Extraordinary gains:		
Gains on disposal of fixed assets	4,645	60
Other extraordinary gains	—	193
Total extraordinary gains	4,645	254
Extraordinary losses:		
Losses on disposal of fixed assets	160	348
Impairment losses	433	600
Provision for reserve for price fluctuation of securities	2,056	6,140
Losses on reduction entry of real estate for tax purpose	9	—
Total extraordinary losses	2,659	7,088
Surplus before income taxes	52,414	62,506
Income taxes:		
Current	8,623	13,553
Deferred	15,013	(1,870)
Total income taxes	23,636	11,683
Net surplus for the year	28,778	50,822

Notes to the Non-consolidated Financial Statements

I. Presentation of the Non-consolidated Financial Statements

1. Basis of Presentation

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

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

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

II. Notes to Balance Sheets

1. Significant Accounting Policies

(1) Valuation Methods of Securities

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

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

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

(2) Valuation Methods of Derivative Instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of Land

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

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

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

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

(4) Depreciation of Tangible Fixed Assets

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

- 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 March 31, 2013 was ¥308 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 "other investment expenses", which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

(11) Accounting for Hedge Activities

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

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

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

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

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

(12) Accounting for Consumption Taxes

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

(13) Policy Reserve

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

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

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

As of March 31, 2013, in order to improve future income and expenditure, the Company raised an additional policy reserve based on the provision of paragraph 5, Article 69 of the Enforcement Regulation of the Insurance Business Law for individual annuity insurance policies with an assumed rate of 5.00% or more for which annuity payment commenced on or before March 31, 2013 (excluding the wife's annuity insurance additional rider). On raising this reserve, the Company reversed and allocated a contingency reserve of ¥64,333 million included in the policy reserve, and there is no impact on provision for policy reserve, ordinary profits, and surplus before income taxes.

The Company also raised an additional policy reserve of ¥984 million under the provision of paragraph 5, Article 69 of the Enforcement Regulation of the Insurance Business Law based on the written opinion of an actuary provided for in paragraph 1, Article 121 of the Insurance Business Law for hospitalization riders with surgery benefits and long-term hospitalization benefits (sold between August 1977 and March 1981) and non-participating tuition insurance. As a result, the provision for policy reserve increased by ¥984 million and ordinary profits and surplus before income taxes decreased by ¥984 million compared with if the additional reserve had not been raised.

(14) Software

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

(15) Deferred Assets

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

(16) Policy-reserve-matching Bonds

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

Effective for the fiscal year ended March 31, 2013, 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 March 31, 2013.

2. Accounting Changes and Error Corrections and its Implementation

- (1) Effective for the fiscal year ended March 31, 2013, 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 fiscal year ended March 31, 2013, increased by ¥29 million, both compared to those calculated using the previous depreciation method.

- (2) Effective for the fiscal year ended March 31, 2013, lease investment assets that were previously recorded under “other assets” on the balance sheet are presented separately in accordance with the revision of the Enforcement Regulation of the Insurance Business Law.

3. The principal accounting standards published before March 31, 2013 but not applied are as follows.

With the publication of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012), the method for calculating retirement benefit obligations, current service cost and others will be changed. Application of the standard is mandatory from the beginning of the fiscal year commencing on or after April 1, 2014, and the Company plans to apply the standard from the beginning of fiscal 2014.

The Company is currently evaluating the impact in the fiscal year after the application of the standard.

4. Financial Instruments

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

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of March 31, 2013 were as follows:

	Carrying amount	Fair value	Difference
			(Millions of yen)
Call loans	¥ 70,300	¥ 70,300	¥ —
Monetary claims bought:			
Claims treated as loans	1,111	1,136	25
Total monetary claims bought	1,111	1,136	25
Money held in trust:			
Trading securities	30,322	30,322	—
Total money held in trust	30,322	30,322	—
Securities:			
Trading securities	258,193	258,193	—
Held-to-maturity debt securities	822,875	902,871	79,996
Policy-reserve-matching bonds	1,037,091	1,121,931	84,840
Investments in subsidiaries and affiliates	1,393	948	(444)
Available-for-sale securities	2,386,795	2,386,795	—
Total securities	4,506,348	4,670,740	164,392
Loans:			
Policy loans	66,807	66,807	(0)
Ordinary loans	840,701	866,908	26,207
Total loans	907,508	933,716	26,207
Derivative instruments:			
Hedge accounting not applied	331	331	—
Hedge accounting applied	(795)	(795)	—
Total derivative instruments	¥ (463)	¥ (463)	¥ —

(1) Call loans:

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

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

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

Investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in subsidiaries and affiliates, unlisted stocks and investments in partnerships as of March 31, 2013 were ¥35,560 million, ¥7,738 million and ¥7,667 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.

5. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of these investment and rental properties as of March 31, 2013 were ¥221,052 million and ¥277,714 million, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥1,275 million as of March 31, 2013.

6. Securities lent under lending agreements

The amount of securities lent under lending agreements was ¥45,887 million as of March 31, 2013.

7. Loans Receivable

The amounts of credits to bankrupt borrowers, delinquent loans and restructured loans, which were included in loans, were ¥217 million, ¥590 million and ¥950 million, respectively and their total amount was ¥1,759 million as of March 31, 2013. There was no balance of delinquent loans past 3 months or more as of March 31, 2013.

The direct write-offs related to loans decreased credits to bankrupt borrowers by ¥1 million and delinquent loans by ¥288 million as of March 31, 2013.

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.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥142,941 million as of March 31, 2013.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥78,815 million as of March 31, 2013. The amount of separate account liabilities was the same as separate account assets.

10. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥3,400 million and ¥1,415 million as of March 31, 2013, respectively.

11. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2013 were ¥85,971 million and ¥99,959 million, respectively. Valuation allowance for deferred tax assets was ¥2,950 million.

Major components of deferred tax assets were ¥50,154 million of policy reserves, ¥13,840 million of reserve for employees' retirement benefits and ¥12,813 million of reserve for price fluctuation of securities as of March 31, 2013.

Major component of deferred tax liabilities was ¥95,997 million of net unrealized gains on available-for-sale securities as of March 31, 2013.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2013 were 33.3% and 18.7%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was (14.8%) of reserve for dividends to the policyholders.

12. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the year ended March 31, 2013 were as follows:

	(Millions of yen)
Balance at the beginning of current fiscal year.....	¥ 53,969
Transfer from surplus in previous fiscal year	23,989
Dividends paid in the current fiscal year	(25,727)
Increase in interest	76
Balance at the end of current fiscal year	<u>¥ 52,307</u>

13. Stocks of Subsidiaries

The amount of stocks of subsidiaries the Company held as of March 31, 2013 was ¥36,953 million.

14. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2013 were ¥26,930 million of securities and ¥ 163 million of bank deposits. Secured debts as of March 31, 2013 were ¥4,583 million.

15. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥1 million as of March 31, 2013.

Policy reserve for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called “policy reserve for ceded reinsurance”) was ¥30 million as of March 31, 2013.

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

The total amount of adjustment items for redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Law was ¥219,482 million as of March 31, 2013.

17. Commitment Line

As of March 31, 2013, there were unused commitment line agreements under which the Company is the lender of ¥972 million.

18. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

19. Assets Denominated in Foreign Currencies

Assets denominated in foreign currencies as of March 31, 2013 totaled to ¥980,866 million. The principal foreign currency asset amounts as of March 31, 2013 were US\$5,007 million and 2,136 million euros.

Liabilities denominated in foreign currencies as of March 31, 2013 totaled to ¥37,079 million. The principal foreign currency liability amount as of March 31, 2013 was 306 million euros.

20. Contribution to Policyholders Protection Corporation

The future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Law was estimated at ¥10,972 million as of March 31, 2013. The contribution was charged as operating expenses in the year in which it was paid.

21. Reserve for Employees' Retirement Benefits

(1) The reserve for employees' retirement benefits as of March 31, 2013 was calculated as follows:

	(Millions of yen)
a. Projected benefit obligation	¥ (72,507)
b. Fair value of pension plan assets	20,006
c. Unfunded benefit obligation (a+b)	(52,500)
d. Unrecognized actuarial differences	8,134
e. Unrecognized prior service cost	(598)
f. Reserve for employees' retirement benefits (c+d+e)	¥ (44,965)

(2) Gross amount of retirement benefit expenses for the year ended March 31, 2013 was as follows:

	(Millions of yen)
Service cost	¥ 2,866
Interest cost	1,456
Expected return on pension plan assets	(515)
Amortization of actuarial differences	1,361
Amortization of prior service cost	(38)
	¥ 5,131

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

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

III. Notes to Statements of Operations

1. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥1,427 million and ¥7,738 million for the year ended March 31, 2013.

2. Gains on Sales of Securities

Major items of gains on sales of securities for the year ended March 31, 2013 were as follows:

	(Millions of yen)
Domestic bonds	¥ 4,732
Domestic stocks and others.....	2,220
Foreign securities	862

3. Losses on Sales of Securities

Major items of losses on sales of securities for the year ended March 31, 2013 were as follows:

	(Millions of yen)
Domestic bonds	¥ 1,208
Domestic stocks and others.....	5,729
Foreign securities	3,429

4. Losses on Valuation of Securities

Major items of losses on valuation of securities for the year ended March 31, 2013 were as follows:

	(Millions of yen)
Domestic stocks and others.....	¥ 1,009

5. Policy Reserves for the Reinsurance Contracts

For the year ended March 31, 2013, provision for reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥0 million and provision for policy reserve for ceded reinsurance considered in calculation of reversal of policy reserve was ¥0 million.

6. Gains from Trading Securities

Major items of gains from trading securities for the year ended March 31, 2013 were as follows:

	(Millions of yen)
Interest, dividends and other income.....	¥ 7,532
Gains (Losses) on sales of trading securities.....	258
Gains (Losses) on valuation of trading securities.....	33,508

7. Gains from Money Held in Trust

Gains from money held in trust for the year ended March 31, 2013 included valuation gains of ¥0 million.

8. Losses from Derivative Instruments

Losses from derivative instruments for the year ended March 31, 2013 included valuation gains of ¥1,774 million.

9. Impairment Losses of Fixed Assets

For the year ended March 31, 2013, impairment losses of fixed assets was as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified as one group individually.

(2) Background of recognizing the impairment losses

Profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend of market prices of land. The Company reduced its book values of such real estate for rent and unused real estate to their recoverable amounts. The amounts reduced were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups recognized impairment losses and losses by fixed assets

Asset	Impairment losses		
	Land	Buildings and others	Total
			(Millions of yen)
(i) Real estate for rent...	¥ 183	¥ 26	¥ 210
(ii) Unused real estate ...	177	212	390
Total (i)+(ii)	¥ 361	¥ 239	¥ 600

(4) Calculation method of recoverable amount

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

6. Breakdown of Ordinary Profits (Fundamental Profit)

(Millions of yen)

		Year ended March 31, 2012	Year ended March 31, 2013
Fundamental profit	A	69,209	77,593
Capital gains		22,191	40,727
Gains from money held in trust, net		22	934
Gains from trading securities, net		5,315	30,966
Gains on sales of securities		16,854	7,917
Gains from derivative instruments, net		—	—
Foreign exchange gains, net		—	908
Other capital gains		—	—
Capital losses		40,512	46,379
Losses from money held in trust, net		—	—
Losses from trading securities, net		—	—
Losses on sales of securities		24,925	10,596
Losses on valuation of securities		7,986	1,009
Losses from derivative instruments, net		5,725	34,773
Foreign exchange losses, net		1,874	—
Other capital losses		—	—
Net capital gains (losses)	B	(18,321)	(5,652)
Fundamental profit plus net capital gains (losses)	A+B	50,888	71,940
Other one-time gains		—	62,741
Reinsurance income		—	—
Reversal of contingency reserve		—	62,741
Reversal for specific allowance for possible loan losses		—	—
Others		—	—
Other one-time losses		459	65,342
Reinsurance premiums		—	—
Provision for contingency reserve		115	—
Provision for specific allowance for possible loan losses		92	24
Allowance for specified overseas loans		—	—
Write-off of loans		—	—
Others		251	65,317
Other one-time gains (losses)	C	(459)	(2,600)
Ordinary profits	A+B+C	50,429	69,340

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): ¥140 million in respect of the year ended March 31, 2012 and ¥223 million in respect of the year ended March 31, 2013.

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): ¥7,556 million in respect of the year ended March 31, 2012 and ¥7,532 million in respect of the year ended March 31, 2013.

3. For the year ended March 31, 2012, other non-recurring losses represent the losses relating to revision of the Company's retirement benefit plans.

4. For the year ended March 31, 2013, other non-recurring losses represent the losses relating to provision of the additional policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

7. Non-consolidated Statements of Changes in Net Assets

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Foundation funds, surplus and others:		
Foundation funds		
Balance at the beginning of current fiscal year	40,000	35,000
Changes in the current fiscal year		
Financing of additional foundation funds	20,000	—
Redemption of foundation funds	(25,000)	—
Total changes in the current fiscal year	(5,000)	—
Balance at the end of current fiscal year	35,000	35,000
Accumulated foundation funds redeemed		
Balance at the beginning of current fiscal year	46,000	71,000
Changes in the current fiscal year		
Additions to accumulated foundation funds redeemed	25,000	—
Total changes in the current fiscal year	25,000	—
Balance at the end of current fiscal year	71,000	71,000
Reserve for revaluation		
Balance at the beginning of current fiscal year	112	112
Changes in the current fiscal year		
Total changes in the current fiscal year	—	—
Balance at the end of current fiscal year	112	112
Surplus		
Legal reserve for future losses		
Balance at the beginning of current fiscal year	2,249	2,325
Changes in the current fiscal year		
Additions to legal reserve for future losses	76	74
Total changes in the current fiscal year	76	74
Balance at the end of current fiscal year	2,325	2,399
Other surplus		
Reserve for redemption of foundation funds		
Balance at the beginning of current fiscal year	20,000	—
Changes in the current fiscal year		
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 fiscal year	(20,000)	9,000
Balance at the end of current fiscal year	—	9,000
Reserve for dividend allowances		
Balance at the beginning of current fiscal year	3,895	3,895
Changes in the current fiscal year		
Total changes in the current fiscal year	—	—
Balance at the end of current fiscal year	3,895	3,895
Accumulated fund for price fluctuation		
Balance at the beginning of current fiscal year	—	11,000
Changes in the current fiscal year		
Additions to accumulated fund for price fluctuation	11,000	—
Total changes in the current fiscal year	11,000	—
Balance at the end of current fiscal year	11,000	11,000
Reserve for advanced depreciation of real estate for tax purpose		
Balance at the beginning of current fiscal year	296	289
Changes in the current fiscal year		
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 fiscal year	(7)	3,825
Balance at the end of current fiscal year	289	4,114
Other reserves		
Balance at the beginning of current fiscal year	767	767
Changes in the current fiscal year		
Total changes in the current fiscal year	—	—
Balance at the end of current fiscal year	767	767
Unappropriated surplus		
Balance at the beginning of current fiscal year	69,554	57,827
Changes in the current fiscal year		
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 year	28,778	50,822
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	837	(55)
Total changes in the current fiscal year	(11,727)	13,256
Balance at the end of current fiscal year	57,827	71,084

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

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Total surplus		
Balance at the beginning of current fiscal year	96,763	76,104
Changes in the current fiscal year		
Additions to reserve for dividends to policyholders	(24,381)	(23,989)
Payment of interest on foundation funds	(892)	(621)
Net surplus for the year	28,778	50,822
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	837	(55)
Total changes in the current fiscal year	(20,658)	26,155
Balance at the end of current fiscal year	76,104	102,260
Total foundation funds, surplus and others		
Balance at the beginning of current fiscal year	182,875	182,216
Changes in the current fiscal year		
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 year	28,778	50,822
Redemption of foundation funds	(25,000)	—
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	837	(55)
Total changes in the current fiscal year	(658)	26,155
Balance at the end of current fiscal year	182,216	208,372
Valuation and translation adjustments:		
Net unrealized gains (losses) on available-for-sale securities, net of tax		
Balance at the beginning of current fiscal year	9,994	67,684
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	57,690	148,200
Total changes in the current fiscal year	57,690	148,200
Balance at the end of current fiscal year	67,684	215,885
Deferred valuation gains (losses) under hedge accounting		
Balance at the beginning of current fiscal year	365	170
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	(194)	(107)
Total changes in the current fiscal year	(194)	(107)
Balance at the end of current fiscal year	170	62
Revaluation reserve for land, net of tax		
Balance at the beginning of current fiscal year	1,366	3,383
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	2,016	38
Total changes in the current fiscal year	2,016	38
Balance at the end of current fiscal year	3,383	3,421
Total valuation and translation adjustments		
Balance at the beginning of current fiscal year	11,726	71,239
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	59,512	148,131
Total changes in the current fiscal year	59,512	148,131
Balance at the end of current fiscal year	71,239	219,370
Total net assets:		
Balance at the beginning of current fiscal year	194,601	253,455
Changes in the current fiscal year		
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 year	28,778	50,822
Redemption of foundation funds	(25,000)	—
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	837	(55)
Net changes, excluding foundation funds, surplus and others	59,512	148,131
Total changes in the current fiscal year	58,854	174,287
Balance at the end of current fiscal year	253,455	427,742

8. Non-consolidated Statements of Surplus

(Millions of Yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Unappropriated surplus	57,827	71,084
Reversal of voluntary surplus reserve	32	144
Reversal of reserve for advanced depreciation of real estate for tax purpose	32	144
Total	57,859	71,228
Appropriation of surplus	37,542	47,470
Reserve for dividends to policyholders	23,989	27,762
Net surplus	13,552	19,707
Legal reserve for future losses	74	86
Interest payment for foundation funds	621	621
Voluntary surplus reserve	12,857	19,000
Reserve for redemption of foundation funds	9,000	9,000
Accumulated fund for price fluctuation	—	10,000
Revaluation reserve for land, net of tax	3,857	—
Unappropriated surplus carried forward	20,317	23,758

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

9. Disclosed Claims Based on Categories of Obligors

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Claims against bankrupt and quasi-bankrupt obligors	360	326
Claims with collection risk	620	526
Claims for special attention	2,303	950
Subtotal	3,284	1,803
[Percentage of total]	[0.31%]	[0.19%]
Claims against normal obligors	1,040,933	955,991
Total	1,044,218	957,795

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

10. Risk-monitored Loans

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Credits to bankrupt borrowers	280	217
Delinquent loans	689	590
Delinquent loans past three months or more	—	—
Restructured loans	2,053	950
Total	3,023	1,759
[Percentage of total loans]	[0.29%]	[0.19%]

Notes: 1. For the credits of legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees is written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to credits to bankrupt borrowers were ¥1 million as of March 31, 2012 and ¥1 million as of March 31, 2013. The amounts written-off related to delinquent loans were ¥286 million as of March 31, 2012 and ¥288 million as of March 31, 2013.

2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

11. Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Total solvency margin (A)	642,235	919,451
Foundation funds and surplus	156,393	178,622
Reserve for price fluctuation of securities	35,488	41,628
Contingency reserve	146,187	83,446
Allowance for possible loan losses	1,761	1,796
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)	88,004	280,694
Net unrealized gains on real estate x 85%	67,494	72,441
Excess amount of policy reserve based on full-time Zillmer method	113,157	187,478
Qualifying subordinated debt	32,896	66,187
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	26,155
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	173,308	189,414
Insurance risk R_1	27,630	27,301
3rd sector insurance risk R_8	9,568	9,634
Assumed investment yield risk R_2	42,266	35,956
Investment risk R_3	122,852	145,367
Minimum guarantee risk R_7	5	2
Business risk R_4	4,046	4,365
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	741.1%	970.8%

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.

12. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
	Amount	Amount
Individual variable insurance	—	—
Individual variable annuities	500	461
Group annuities	81,552	78,353
Total	82,053	78,815

(2) Individual Variable Insurance (Separate Account)

The company has not sold the individual variable insurance.

(3) Individual Variable Annuities (Separate Account)

(i) Policies in Force

(Millions of yen except number of policies)

	As of March 31, 2012		As of March 31, 2013	
	Number of policies	Amount	Number of policies	Amount
Individual variable annuities	174	551	140	468
Total	174	551	140	468

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

(Millions of yen)

	As of March 31, 2012		As of March 31, 2013	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	86	17.3	97	21.0
Securities	413	82.7	364	79.0
Domestic bonds	—	—	—	—
Domestic stocks	—	—	—	—
Foreign securities	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	413	82.7	364	79.0
Loans	—	—	—	—
Others	—	—	—	—
Allowance for possible loan losses	—	—	—	—
Total	500	100.0	461	100.0

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

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
	Amount	Amount
Interest, dividends and other income	2	6
Gains on sales of securities	—	—
Gains of redemption of securities	—	—
Gains on valuation of securities	47	66
Foreign exchange gains, net	—	—
Gains from derivative instruments	—	—
Other investment income	—	—
Losses on sales of securities	2	5
Losses on redemption of securities	—	—
Losses on valuation of securities	36	15
Foreign exchange losses, net	—	—
Losses from derivative instruments	—	—
Other investment expenses	—	—
Net investment income	11	52

(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 March 31, 2013	
	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations	Carrying value on the balance sheet	Net valuation gains/losses included in the statement of operations
Trading securities	413	11	364	51

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

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

Net Valuation Gains/Losses on Trading Securities

(Millions of yen)

	As of March 31, 2012		As of March 31, 2013	
	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	364,268	42,594

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 March 31, 2013				
	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	822,875	902,871	79,996	80,084	88
Domestic bonds	777,527	804,084	26,556	26,868	311	772,539	849,531	76,992	76,992	—
Foreign bonds	46,002	48,258	2,256	2,394	138	50,335	53,339	3,003	3,091	88
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Policy-reserve-matching bonds	684,915	722,269	37,354	38,994	1,640	1,037,091	1,121,931	84,840	85,184	344
Domestic bonds	669,991	707,412	37,420	38,971	1,550	1,015,980	1,100,527	84,547	84,891	344
Foreign bonds	14,923	14,857	(66)	23	90	21,110	21,403	292	292	—
Investments in subsidiaries and affiliates	1,393	854	(538)	—	538	1,393	948	(444)	—	444
Available-for-sale securities	2,202,478	2,300,260	97,782	135,997	38,215	2,074,912	2,386,795	311,883	323,232	11,349
Domestic bonds	1,218,715	1,273,929	55,213	58,002	2,788	1,050,811	1,155,266	104,455	104,882	426
Domestic stocks	268,766	309,191	40,424	54,341	13,916	269,432	388,416	118,984	126,549	7,565
Foreign securities	663,501	666,928	3,426	21,996	18,569	703,721	784,093	80,371	83,532	3,160
Foreign bonds	458,405	469,945	11,540	18,340	6,800	490,828	553,673	62,844	64,074	1,229
Foreign stocks and other securities	205,095	196,982	(8,113)	3,656	11,769	212,892	230,419	17,526	19,457	1,930
Other securities	51,494	50,211	(1,283)	1,658	2,941	50,947	59,018	8,071	8,268	197
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	3,936,271	4,412,547	476,275	488,502	12,226
Domestic bonds	2,666,234	2,785,425	119,191	123,841	4,650	2,839,330	3,105,326	265,995	266,766	770
Domestic stocks	268,766	309,191	40,424	54,341	13,916	269,432	388,416	118,984	126,549	7,565
Foreign securities	725,821	730,898	5,077	24,415	19,337	776,561	859,785	83,223	86,916	3,692
Foreign bonds	519,332	533,061	13,729	20,758	7,028	562,275	628,416	66,141	67,459	1,317
Foreign stocks and other securities	206,489	197,836	(8,652)	3,656	12,308	214,285	231,368	17,082	19,457	2,375
Other securities	51,494	50,211	(1,283)	1,658	2,941	50,947	59,018	8,071	8,268	197
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 March 31, 2013		
	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	819,253	899,337	80,084
Domestic bonds	672,831	699,699	26,868	772,539	849,531	76,992
Foreign bonds	41,416	43,811	2,394	46,714	49,805	3,091
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)	3,621	3,533	(88)
Domestic bonds	104,696	104,384	(311)	—	—	—
Foreign bonds	4,586	4,447	(138)	3,621	3,533	(88)
Money claims bought	—	—	—	—	—	—
Negotiable certificate of deposits	—	—	—	—	—	—
Others	—	—	—	—	—	—

• Policy-reserve-matching Bonds

(Millions of yen)

	As of March 31, 2012			As of March 31, 2013		
	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	1,032,379	1,117,564	85,184
Domestic bonds	634,014	672,985	38,971	1,011,268	1,096,160	84,891
Foreign bonds	7,279	7,302	23	21,110	21,403	292
Others	—	—	—	—	—	—
Bonds whose fair value does not exceed the carrying value on the balance sheet	43,621	41,980	(1,640)	4,711	4,367	(344)
Domestic bonds	35,976	34,426	(1,550)	4,711	4,367	(344)
Foreign bonds	7,644	7,554	(90)	—	—	—
Others	—	—	—	—	—	—

• Available-for-sale Securities

(Millions of yen)

	As of March 31, 2012			As of March 31, 2013		
	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	1,929,626	2,252,859	323,232
Domestic bonds	1,130,116	1,188,118	58,002	1,033,793	1,138,675	104,882
Domestic stocks	180,283	234,624	54,341	209,314	335,864	126,549
Foreign securities	428,491	450,488	21,996	644,141	727,674	83,532
Foreign bonds	357,504	375,845	18,340	464,221	528,295	64,074
Foreign stocks	70,986	74,642	3,656	179,920	199,378	19,457
Other securities	24,845	26,503	1,658	42,376	50,644	8,268
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)	145,286	133,936	(11,349)
Domestic bonds	88,599	85,810	(2,788)	17,017	16,591	(426)
Domestic stocks	88,483	74,567	(13,916)	60,117	52,552	(7,565)
Foreign securities	235,010	216,440	(18,569)	59,579	56,419	(3,160)
Foreign bonds	100,900	94,100	(6,800)	26,607	25,377	(1,229)
Foreign stocks	134,109	122,339	(11,769)	32,972	31,041	(1,930)
Other securities	26,649	23,707	(2,941)	8,570	8,373	(197)
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 March 31, 2013
Held-to-maturity bonds	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliates	35,969	35,560
Available-for-sale securities	15,816	15,405
Unlisted domestic stocks (except over-the-counter stocks)	8,086	7,738
Unlisted foreign stocks (except over-the-counter stocks)	—	—
Unlisted foreign bonds	—	—
Others	7,729	7,667
Total	51,785	50,966

(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 March 31, 2013	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	93	(888)	—	—	—	(795)
Hedge accounting not applied	(137)	967	—	(498)	—	331
Total	(43)	78	—	(498)	—	(463)

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 ¥888 million as of March 31, 2013) included in gains and losses with hedge accounting applied, and gains and losses with hedge accounting not applied are reported in the statements of operations.

(ii) Hedge Accounting not Applied

• Interest-related Transactions

(Millions of yen)

	As of March 31, 2012				As of March 31, 2013			
	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	—	555	(820)	300,000	—	170	(137)
	[1,376]				[307]			
Total				(820)				(137)

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

• Currency-related Transactions

(Millions of yen)

	As of March 31, 2012				As of March 31, 2013			
	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	171,638	—	172,361	(723)	190,966	—	189,966	999
US dollar	64,265	—	64,400	(135)	54,731	—	54,070	660
Euro	44,076	—	44,432	(355)	52,090	—	50,993	1,097
Australian dollar	22,587	—	22,442	145	35,994	—	36,684	(690)
Canadian dollar	23,689	—	23,941	(251)	29,554	—	29,611	(57)
British pound	17,007	—	17,134	(126)	18,595	—	18,606	(11)
Singapore dollar	3	—	3	0	0	—	0	0
Svensk krona	5	—	5	0	—	—	—	—
Norwegian krone	1	—	1	0	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Currency Options								
Sold								
Calls	—	—	—	—	15,681	—	—	—
US dollar	[—]	—	—	—	[108]	—	33	74
Euro	[—]	—	—	—	[66]	—	32	34
Puts	—	—	—	—	6,279	—	1	40
US dollar	[—]	—	—	—	[41]	—	—	—
Bought								
Calls	—	—	—	—	—	—	—	—
Puts	46,215	—	—	—	20,550	—	—	—
Euro	[109]	—	77	(31)	[116]	—	9	(107)
US dollar	[16]	—	18	2	[50]	—	9	(41)
	[35,715]	—	59	(34)	[9,000]	—	0	(66)
	[93]				[66]			
Total				(755)				967

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

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

• Stock-related Transactions

(Millions of yen)

	As of March 31, 2012				As of March 31, 2013			
	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)	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Total				(32)				—

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

• Bond-related Transactions

(Millions of yen)

	As of March 31, 2012				As of March 31, 2013			
	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	174,087	—	174,552	(464)
Bought	—	—	—	—	—	—	—	—
Foreign bond futures								
Sold	10,771	—	10,642	128	10,517	—	10,551	(34)
Bought	—	—	—	—	—	—	—	—
Total				172				(498)

(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 Receipt fixed, payment floating Payment fixed, receipt floating	Loans	17,700	12,700	249
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 March 31, 2013]

(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 Receipt fixed, payment floating Payment fixed, receipt floating	Loans	12,495	495	93
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)	12,000	495	—
Average fixed rate (receipt)	1.65%	2.30%	—
Average floating rate (payment)	0.53%	1.15%	—
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 March 31, 2013]

(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		139,523	—	140,412
	US dollar		94,974	—	96,269
	Euro		34,703	—	34,409
	Australian dollar		9,845	—	9,732
	Bought		—	—	—
Total					

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

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

• Stock-related Transactions

No ending balance as of March 31, 2012 and 2013.

• Bond-related Transactions

No ending balance as of March 31, 2012 and 2013.

13. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Ordinary revenues	1,137,810	1,073,135
Ordinary profits	53,832	72,868
Net surplus for the year	28,391	50,267
Comprehensive income	90,033	201,755

	As of March 31, 2012	As of March 31, 2013
Total assets	7,033,729	7,538,862
Solvency Margin Ratio	763.4%	994.6%

(2) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 5

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

Number of affiliates accounted for under the equity method: 0

Changes in the number of consolidated subsidiaries during the fiscal year:

decrease 1 (Fukoku Shinyo Hosho Company Limited.)

(3) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013		As of March 31, 2012	As of March 31, 2013
Assets:			Liabilities:		
Cash and deposits	73,260	72,868	Policy reserves	6,589,577	6,856,928
Call loans	65,600	70,300	Reserve for outstanding claims	24,149	24,663
Monetary claims bought	1,351	1,111	Policy reserve	6,510,809	6,779,259
Money held in trust	35,194	31,322	Reserve for dividends to policyholders	53,969	52,307
Securities	5,422,669	6,108,723	Reserve for dividends to policyholders (subsidiary)	648	697
Loans	1,042,359	910,657	Agency payables	560	375
Tangible fixed assets	276,828	272,228	Reinsurance payables	88	113
Land	161,076	160,528	Subordinated bonds	32,896	66,187
Buildings	110,051	105,882	Other liabilities	50,593	53,918
Lease assets	117	1,430	Reserve for employees' retirement benefits	46,384	45,153
Construction in progress	2,234	1,297	Reserve for price fluctuation of securities	38,183	46,625
Other tangible fixed assets	3,348	3,089	Deferred tax liabilities	—	16,938
Intangible fixed assets	14,529	18,727	Deferred tax liabilities for revaluation reserve for land	16,195	16,119
Software	8,696	12,321	Total liabilities	6,774,480	7,102,360
Goodwill	4,618	3,855	Net assets:		
Lease assets	761	2,271	Foundation funds	35,000	35,000
Other intangible fixed assets	453	279	Accumulated foundation funds redeemed	71,000	71,000
Agency receivables	7	6	Reserve for revaluation	112	112
Reinsurance receivables	123	56	Consolidated surplus	77,183	102,904
Other assets	56,062	54,698	Total foundation funds, surplus and others	183,295	209,016
Deferred tax assets	48,211	362	Net unrealized gains (losses) on available-for-sale securities, net of tax	68,806	219,719
Allowance for possible loan losses	(2,468)	(2,201)	Deferred valuation gains (losses) under hedge accounting	170	62
			Revaluation reserve for land, net of tax	3,383	3,421
			Foreign currency translation adjustment	(828)	(635)
			Total accumulated other comprehensive income	71,532	222,569
			Minority interests	4,421	4,916
			Total net assets	259,249	436,502

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

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Ordinary revenues:		
Premium and other income	950,986	862,225
Investment income	166,427	200,056
Interest, dividends and other income	131,529	139,897
Gains from money held in trust, net	162	1,157
Gains from trading securities, net	12,872	38,498
Gains on sales of securities	19,630	8,290
Gains from redemption of securities	338	—
Foreign exchange gains, net	—	907
Reversal of allowance for possible loan losses	57	—
Other investment income	156	1,230
Gains from separate accounts, net	1,679	10,075
Other ordinary revenues	20,396	10,854
Total ordinary revenues	1,137,810	1,073,135
Ordinary expenditures:		
Claims and other payments	505,831	550,677
Claims	142,771	171,223
Annuities	95,211	101,713
Benefits	133,356	136,427
Surrenders	107,691	109,133
Other payments	26,800	32,179
Provision for policy reserve and others	394,979	269,040
Provision for reserve for outstanding claims	—	514
Provision for policy reserve	394,895	268,449
Interest on accumulated dividends to policyholders	83	76
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Investment expenses	56,740	59,072
Interest expenses	1,423	1,801
Losses on sales of securities	26,405	10,790
Losses on valuation of securities	9,222	1,009
Losses from derivative instruments, net	5,725	34,773
Foreign exchange losses, net	1,876	—
Provision for allowance for possible loan losses	—	74
Depreciation of real estate for rent and other assets	6,477	5,802
Other investment expenses	5,607	4,820
Operating expenses	103,441	99,232
Other ordinary expenditures	22,985	22,244
Total ordinary expenditures	1,083,978	1,000,266
Ordinary profits	53,832	72,868
Extraordinary gains:		
Gains on disposal of fixed assets	4,645	60
Gain on change in equity	55	—
Total extraordinary gains	4,700	60
Extraordinary losses:		
Losses on disposal of fixed assets	161	395
Impairment losses	433	600
Provision for reserve for price fluctuation of securities	4,318	8,441
Losses on reduction entry of real estate for tax purpose	9	—
Other extraordinary losses	—	2
Total extraordinary losses	4,923	9,439
Provision for reserve for dividends to policyholders (subsidiary)	440	455
Surplus before income taxes	53,168	63,034
Income taxes:		
Current	9,859	15,138
Deferred	14,823	(2,499)
Total income taxes	24,683	12,639
Net surplus before minority interests	28,485	50,395
Minority interests	93	128
Net surplus for the year	28,391	50,267

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

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Net surplus before minority interests	28,485	50,395
Other comprehensive income	61,548	151,359
Net unrealized gains (losses) on available-for-sale securities, net of tax	58,955	151,291
Deferred valuation gains (losses) under hedge accounting	(194)	(107)
Revaluation reserve for land, net of tax	2,854	(17)
Foreign currency translation adjustment	(67)	193
Comprehensive income	90,033	201,755
Parent company	89,784	201,248
Minority interests	248	507

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Cash flows from operating activities:		
Surplus before income taxes	53,168	63,034
Depreciation of real estate for rent and other assets	6,477	5,802
Depreciation	5,802	6,528
Impairment losses	433	600
Amortization of goodwill	763	763
Increase (Decrease) in reserve for outstanding claims	(8,643)	514
Increase (Decrease) in policy reserve	394,895	268,449
Interest on accumulated dividends to policyholders	83	76
Interest on accumulated dividends to policyholders (subsidiary)	0	0
Provision for reserve for dividends to policyholders (subsidiary)	440	455
Increase (Decrease) in allowance for possible loan losses	(196)	(74)
Increase (Decrease) in reserve for employees' retirement benefits	(3,768)	(1,231)
Increase (Decrease) in reserve for price fluctuation of securities	4,318	8,441
Interest, dividends and other income	(131,529)	(139,897)
(Gains) Losses on securities	6,670	(11,447)
Interest expenses	1,423	1,801
Foreign exchange (gains) losses, net	1,876	(907)
(Gains) Losses on tangible fixed assets	(4,496)	174
(Increase) Decrease in agency receivables	(2)	0
(Increase) Decrease in reinsurance receivables	51	67
(Increase) Decrease in other assets except from investing and financing activities	(1,365)	145
Increase (Decrease) in agency payables	(1,124)	(184)
Increase (Decrease) in reinsurance payables	(12)	24
Increase (Decrease) in other liabilities except from investing and financing activities	2,364	(1,494)
Others	18,780	16,632
Subtotal	346,411	218,275
Interest, dividends and other income received	140,383	146,798
Interest paid	(1,439)	(1,392)
Dividends to policyholders paid	(23,700)	(25,727)
Dividends to policyholders paid (subsidiary)	(446)	(406)
Corporate income tax (paid) refunded	(19,825)	(7,647)
Net cash provided by (used in) operating activities (I)	441,382	329,899
Cash flows from investing activities:		
(Increase) Decrease in deposits	84	(191)
Proceeds from sales and redemption of monetary claims bought	73	220
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	(1,758,975)	(1,048,127)
Proceeds from sales and redemption of securities	1,066,150	638,224
Payments for additions to loans	(101,397)	(94,197)
Proceeds from collections of loans	193,911	214,939
Proceeds from settlement of derivatives	(9,825)	(37,627)
Others	(2,328)	(24,962)
Subtotal (IIa)	(614,177)	(346,686)
(I+IIa)	(172,795)	(16,787)
Payments for purchase of tangible fixed assets	(3,226)	(4,704)
Proceeds from sales of tangible fixed assets	7,078	444
Payments for purchase of intangible fixed assets	(2,225)	(3,616)
Proceeds from sales of intangible fixed assets	—	173
Payments for stocks of subsidiaries and affiliates with change of scope of consolidation	—	(330)
Net cash provided by (used in) investing activities	(612,551)	(354,721)

(5) Consolidated Statements of Cash Flows (Continued)

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Cash flows from financing activities:		
Financing of subordinated bonds	—	30,000
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	(252)	(518)
Net cash provided by (used in) financing activities	(4,157)	28,847
Effect of exchange rate changes on cash and cash equivalents	(108)	67
Net increase (decrease) in cash and cash equivalents	(175,434)	4,091
Cash and cash equivalents at the beginning of the year	313,939	138,504
Cash and cash equivalents at the end of the year	138,504	142,596

(6) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Foundation funds, surplus and others:		
Foundation funds		
Balance at the beginning of current fiscal year	40,000	35,000
Changes in the current fiscal year		
Financing of additional foundation funds	20,000	—
Redemption of foundation funds	(25,000)	—
Total changes in the current fiscal year	(5,000)	—
Balance at the end of current fiscal year	35,000	35,000
Accumulated foundation funds redeemed		
Balance at the beginning of current fiscal year	46,000	71,000
Changes in the current fiscal year		
Additions to accumulated foundation funds redeemed	25,000	—
Total changes in the current fiscal year	25,000	—
Balance at the end of current fiscal year	71,000	71,000
Reserve for revaluation		
Balance at the beginning of current fiscal year	112	112
Changes in the current fiscal year		
Total changes in the current fiscal year	—	—
Balance at the end of current fiscal year	112	112
Consolidated surplus		
Balance at the beginning of current fiscal year	98,228	77,183
Changes in the current fiscal year		
Additions to reserve for dividends to policyholders	(24,381)	(23,989)
Payment of interest on foundation funds	(892)	(621)
Net surplus for the year	28,391	50,267
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	837	(55)
Change of scope of consolidation	—	120
Total changes in the current fiscal year	(21,045)	25,721
Balance at the end of current fiscal year	77,183	102,904
Total foundation funds, surplus and others		
Balance at the beginning of current fiscal year	184,340	183,295
Changes in the current fiscal year		
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 year	28,391	50,267
Redemption of foundation funds	(25,000)	—
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	837	(55)
Change of scope of consolidation	—	120
Total changes in the current fiscal year	(1,045)	25,721
Balance at the end of current fiscal year	183,295	209,016

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

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Accumulated other comprehensive income:		
Net unrealized gains (losses) on available-for-sale securities, net of tax		
Balance at the beginning of current fiscal year	10,006	68,806
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	58,799	150,912
Total changes in the current fiscal year	58,799	150,912
Balance at the end of current fiscal year	68,806	219,719
Deferred valuation gains (losses) under hedge accounting		
Balance at the beginning of current fiscal year	365	170
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	(194)	(107)
Total changes in the current fiscal year	(194)	(107)
Balance at the end of current fiscal year	170	62
Revaluation reserve for land, net of tax		
Balance at the beginning of current fiscal year	1,366	3,383
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	2,016	38
Total changes in the current fiscal year	2,016	38
Balance at the end of current fiscal year	3,383	3,421
Foreign currency translation adjustment		
Balance at the beginning of current fiscal year	(761)	(828)
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	(67)	193
Total changes in the current fiscal year	(67)	193
Balance at the end of current fiscal year	(828)	(635)
Total accumulated other comprehensive income		
Balance at the beginning of current fiscal year	10,977	71,532
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	60,555	151,036
Total changes in the current fiscal year	60,555	151,036
Balance at the end of current fiscal year	71,532	222,569
Minority interests:		
Balance at the beginning of current fiscal year	2,378	4,421
Changes in the current fiscal year		
Net changes, excluding foundation funds, surplus and others	2,043	495
Total changes in the current fiscal year	2,043	495
Balance at the end of current fiscal year	4,421	4,916
Total net assets:		
Balance at the beginning of current fiscal year	197,696	259,249
Changes in the current fiscal year		
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 year	28,391	50,267
Redemption of foundation funds	(25,000)	—
Reversal of reserve for redemption of foundation funds	(25,000)	—
Reversal of revaluation reserve for land	837	(55)
Change of scope of consolidation	—	120
Net changes, excluding foundation funds, surplus and others	62,598	151,531
Total changes in the current fiscal year	61,553	177,252
Balance at the end of current fiscal year	259,249	436,502

Notes to the Consolidated Financial Statements

I. Presentation of the Consolidated Financial Statements

1. Basis of Presentation

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

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

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

2. Principles of Consolidation

(1) Scope of Consolidation

Consolidated subsidiaries for the year ended March 31, 2013 are listed below:

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

Effective for the fiscal year ended March 31, 2013, owing to the sale of all shares of Fukoku Shinyo Hosho Company Limited, on the October 31, 2013, the Company excluded it from scope of consolidation.

Major unconsolidated subsidiary is Fukoku Seimei Building Company Limited.

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

(2) Application of Equity Method

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

There are no affiliates for the year ended March 31, 2013.

(3) Fiscal Year of Consolidated Subsidiaries

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

(4) Amortization of Goodwill

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

II. Notes to Balance Sheets

1. Significant Accounting Policies

(1) Valuation Methods of Securities

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

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

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

(2) Valuation Methods of Derivative Instruments

Derivative instruments are stated at fair market value.

(3) Revaluation of Land

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

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

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

(4) Depreciation of Tangible Fixed Assets

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

- 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 March 31, 2013 was ¥308 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 “other investment expenses”, which is calculated by deducting an amount equivalent to the interest allocated over the lease term from the lease fee received.

(11) Accounting for Hedge Activities

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

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

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

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

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

(12) Accounting for Consumption Taxes

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

(13) Policy Reserve

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

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

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

As of March 31, 2013, in order to improve future income and expenditure, the Company raised an additional policy reserve based on the provision of paragraph 5, Article 69 of the Enforcement Regulation of the Insurance Business Law for individual annuity insurance policies with an assumed rate of 5.00% or more for which annuity payment commenced on or before March 31, 2013 (excluding the wife's annuity insurance additional rider). On raising this reserve, the Company reversed and allocated a contingency reserve of ¥64,333 million included in the policy reserve, and there is no impact on provision for policy reserve, ordinary profits, and surplus before income taxes.

The Company also raised an additional policy reserve of ¥984 million under the provision of paragraph 5, Article 69 of the Enforcement Regulation of the Insurance Business Law based on the written opinion of an actuary provided for in paragraph 1, Article 121 of the Insurance Business law for

hospitalization riders with surgery benefits and long-term hospitalization benefits (sold between August 1977 and March 1981) and non-participating tuition insurance. As a result, the provision for policy reserve increased by ¥984 million and ordinary profits and surplus before income taxes decreased by ¥984 million compared with if the additional reserve had not been raised.

(14) Amortization Method for Intangible Fixed Assets

Intangible fixed assets are amortized as follows:

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

(15) Deferred Assets

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

(16) Policy-reserve-matching Bonds

Of the bonds corresponding to the sub-groups of individual insurance and annuities which are set by insurance types and investment policies, the bonds that are held to match the duration of liabilities are classified by the Company 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 fiscal year ended March 31, 2013, 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 March 31, 2013.

2. Accounting Changes and Error Corrections and its Implementation

- (1) Effective for the fiscal year ended March 31, 2013, 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 fiscal year ended March 31, 2013, increased by ¥36 million, both compared to those calculated using the previous depreciation method.

3. The principal accounting standards published before March 31, 2013 but not applied are as follows.

With the publication of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012), the treatment of unrecognized actuarial gain or loss and unrecognized prior service cost, the method for calculating retirement benefit obligations, current service cost and others will be changed and disclosure will be enhanced.

Application of the standards concerning changes in the treatment of unrecognized actuarial differences and unrecognized prior service cost and enhancement of disclosure is mandatory for the consolidated financial statements pertaining to the end of the consolidated fiscal year commencing on or after April 1, 2013, and the Group plans to apply the standard from the end of fiscal 2013.

Application of the standard concerning the change of the method for calculating retirement benefit obligations and current service costs is mandatory from the beginning of the consolidated fiscal years commencing on or after April 1, 2014, and the Group plans to apply the standard from the beginning of fiscal 2014.

The Group is currently evaluating the impact in the consolidated fiscal years after the application of the standards.

4. Financial Instruments

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

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

The carrying amounts, fair values and their related differences of major financial assets and liabilities as of March 31, 2013 were as follows:

	Carrying amount	Fair value	Difference
(Millions of yen)			
Monetary claims bought:			
Claims treated as loans	¥ 1,111	¥ 1,136	¥ 25
Total monetary claims bought	1,111	1,136	25
Money held in trust:			
Trading securities.....	30,322	30,322	—
Total money held in trust.....	30,322	30,322	—
Securities:			
Trading securities.....	258,193	258,193	—
Held-to-maturity debt securities.....	1,230,032	1,348,605	118,573
Policy-reserve-matching bonds	1,888,162	2,036,166	148,003
Available-for-sale securities	2,640,657	2,640,657	—
Total securities	6,017,045	6,283,622	266,577
Loans:			
Policy loans.....	69,956	69,956	(0)
Ordinary loans	840,701	866,908	26,207
Total loans.....	910,657	936,865	26,207
Derivative instruments:			
Hedge accounting not applied	331	331	—
Hedge accounting applied	(795)	(795)	—
Total derivative instruments	¥ (463)	¥ (463)	¥ —

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

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

Investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships whereby partnership assets consist of unlisted stocks whose fair values are deemed extremely difficult to obtain, are excluded from above securities. The carrying amounts of investments in unconsolidated subsidiaries and affiliates, unlisted stocks and investments in partnerships as of March 31, 2013 were ¥519 million, ¥7,738 million and ¥7,667 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.

5. Investment and Rental Property

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of these investment and rental properties as of March 31, 2013 were ¥216,722 million and ¥273,809 million, respectively. The fair value is mainly based on the value calculated by the Company in accordance with real estate appraisal standards which includes some adjustments using the reference prices.

The amount corresponding to asset retirement obligations included in the carrying amount of investment and rental properties was ¥1,256 million as of March 31, 2013.

6. Securities lent under lending agreements

The amount of securities lent under lending agreements was ¥45,887 million as of March 31, 2013.

7. Loans Receivable

The amounts of credits to bankrupt borrowers, delinquent loans and restructured loans, which were included in loans, were ¥218 million, ¥590 million and ¥950 million, respectively and their total amounts were ¥1,759 million as of March 31, 2013. There was no balance of delinquent loans past 3 months or more as of March 31, 2013.

The direct write-offs related to loans decreased credits to bankrupt borrowers by ¥1 million and delinquent loans by ¥288 million as of March 31, 2013.

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.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled to ¥143,241 million as of March 31, 2013.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Law were ¥78,815 million as of March 31, 2013. The amount of separate account liabilities was the same as separate account assets.

10. Receivables from/Payables to Unconsolidated Subsidiaries

The total amounts of receivables from/payables to unconsolidated subsidiaries were ¥3,247 million and ¥184 million as of March 31, 2013, respectively.

11. Income Taxes

Deferred tax assets and deferred tax liabilities as of March 31, 2013 were ¥88,575 million and ¥102,048 million, respectively. Valuation allowance for deferred tax assets was ¥3,103 million.

Major components of deferred tax assets were ¥50,755 million of policy reserves, ¥14,351 million of reserve for price fluctuation of securities and ¥13,859 million of reserve for employees' retirement benefits as of March 31, 2013.

Major component of deferred tax liabilities was ¥98,080 million of net unrealized gains on available-for-sale securities as of March 31, 2013.

The statutory tax rate and the actual effective tax rate for the year ended March 31, 2013 were 33.3% and 20.1%, respectively. The major differences between the statutory tax rate and the actual effective tax rate was (14.7%) of reserve for dividends to the policyholders.

12. Reserve for Dividends to Policyholders

Changes in reserve for dividends to policyholders for the year ended March 31, 2013 were as follows:

	(Millions of yen)
Balance at the beginning of current fiscal year.....	¥ 53,969
Transfer from surplus in previous fiscal year	23,989
Dividends paid in the current fiscal year	(25,727)
Increase in interest	76
Balance at the end of current fiscal year	<u>¥ 52,307</u>

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

Changes in reserve for dividends to policyholders for the year ended March 31, 2013 were as follows:

	(Millions of yen)
Balance at the beginning of current fiscal year.....	¥ 648
Dividends paid in the current fiscal year	(406)
Increase in interest	0
Provision for reserve for dividends to policyholders ...	455
Balance at the end of current fiscal year	<u>¥ 697</u>

14. Stocks of Unconsolidated Subsidiaries

The amount of stocks of unconsolidated subsidiaries the Company held as of March 31, 2013 was ¥519 million.

15. Pledged Assets and Secured Debts

Assets pledged as collateral as of March 31, 2013 were ¥26,930 million of securities and ¥ 163 million of deposits. Secured debts as of March 31, 2013 were ¥4,583 million.

16. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Law (hereinafter called “reserve for outstanding claims for ceded reinsurance”) was ¥1 million as of March 31, 2013.

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 ¥52 million as of March 31, 2013.

17. Commitment Line

As of March 31, 2013, there were unused commitment line agreements under which the Company is the lender of ¥972 million.

18. Subordinated Bonds

Repayments of subordinated bonds are subordinated to other obligations.

19. 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 March 31, 2013. The contribution was charged as operating expenses in the year in which it was paid.

20. Reserve for Employees' Retirement Benefits

(1) The reserve for employees' retirement benefits as of March 31, 2013 was calculated as follows:

	(Millions of yen)
a. Projected benefit obligation	¥ (72,695)
b. Fair value of pension plan assets	20,006
c. Unfunded benefit obligation (a+b)	(52,689)
d. Unrecognized actuarial differences	8,134
e. Unrecognized prior service cost	(598)
f. Reserve for employees' retirement benefits (c+d+e).....	¥ (45,153)

(2) Gross amount of retirement benefit expenses for the year ended March 31, 2013 was as follows:

	(Millions of yen)
Service cost	¥ 2,892
Interest cost	1,456
Expected return on pension plan assets	(515)
Amortization of actuarial differences.....	1,361
Amortization of prior service cost.....	(38)
	¥ 5,156

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

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

III. Notes to Statements of Operations

1. Transactions with Unconsolidated Subsidiaries

The total amounts of revenues and expenditures in connection with unconsolidated subsidiaries were ¥97 million and ¥3,054 million for the year ended March 31, 2013.

2. Policy Reserves for the Reinsurance Contracts

For the year ended March 31, 2013, reversal of reserve for outstanding claims for ceded reinsurance considered in calculation of provision for reserve for outstanding claims was ¥3 million and reversal of policy reserve for ceded reinsurance considered in calculation of provision for policy reserve was ¥1 million.

3. Impairment Losses of Fixed Assets

For the year ended March 31, 2013, impairment losses of fixed assets was as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified as one group individually.

(2) Background of recognizing the impairment losses

Profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend of market prices of land. The Company reduced its book values of such real estate for rent and unused real estate to their recoverable amounts. The amounts reduced were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups recognized impairment losses and losses by fixed assets

Asset	Impairment losses		
	Land	Buildings and others	Total
			(Millions of yen)
(i) Real estate for rent...	¥ 183	¥ 26	¥ 210
(ii) Unused real estate ...	177	212	390
Total (i)+(ii).....	¥ 361	¥ 239	¥ 600

(4) Calculation method of recoverable amount

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

IV. Notes to Statement of Comprehensive Income

1. Other Comprehensive Income

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

	(Millions of yen)
Net unrealized gains (losses) on available-for-sale securities, net of tax	
Amount incurred during the fiscal year ended March 31, 2013	¥214,928
Amount recycled	3,637
Before tax adjustment	218,566
Tax effects	(67,274)
Net unrealized gains (losses) on available-for-sale securities, net of tax	151,291
Deferred valuation gains (losses) under hedge accounting, net of tax	
Amount incurred during the fiscal year ended March 31, 2013	(0)
Amount recycled	(160)
Before tax adjustment	(161)
Tax effects	53
Deferred valuation gains (losses) under hedge accounting, net of tax	(107)
Revaluation reserve for land, net of tax	
Amount incurred during the fiscal year ended March 31, 2013	—
Amount recycled	—
Before tax adjustment	—
Tax effects	(17)
Revaluation reserve for land, net of tax	(17)
Foreign currency translation adjustment	
Amount incurred during the fiscal year ended March 31, 2013	193
Amount recycled	—
Before tax adjustment	193
Tax effects	—
Foreign currency translation adjustment	193
Total other comprehensive income	¥151,359

V. Notes to Statements of Cash Flows

1. Scope of Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2013 consist of "Cash", "Deposits in transfer account", "Current deposits", "Ordinary deposits", "Notice deposits", "Time deposits maturing within 3 months of the date of acquisition", "Foreign currency deposits maturing within 3 months of the date of acquisition", "Negotiable certificate of deposits maturing within 3 months of the date of acquisition", "Call loans" and "Monetary claims bought maturing within 3 months of the date of acquisition".

2. Reconciliations of Cash and Cash Equivalents

Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to the consolidated balance sheets accounts as of March 31, 2013 were as follows:

	(Millions of yen)
Cash and deposits	¥72,868
Call loans	70,300
Monetary claims bought.....	1,111
Time deposits maturing over 3 months of the date of acquisition	(200)
Foreign currency deposits maturing over 3 months of the date of acquisition ...	(371)
Monetary claims bought maturing over 3 months of the date of acquisition	(1,111)
Cash and cash equivalents.....	<u>¥ 142,596</u>

3. The breakdown of assets and liabilities affected by the sale as well as the proceeds from the share sale and cash decrease (net) owing to the sale

Owing to the sale of shares, Fukoku Shinyo Hosho Company Limited ceased to be a consolidated subsidiary of the Company. The breakdown of assets and liabilities affected by the sale as well as the proceeds from the share sale and cash decrease (net) owing to the sale were as follows:

	(Millions of yen)
Assets	978
[Cash and deposits]	[932]
Liabilities	(373)
<u>Other extraordinary losses</u>	<u>(2)</u>
Proceeds from sale of shares of subsidiary	602
<u>Cash and cash equivalents of subsidiar</u>	<u>(932)</u>
Difference:Net cash decrease owing to sale of shares of subsidiary	(330)

(7) Risk-monitored Loans

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Credits to bankrupt borrowers	270	218
Delinquent loans	683	590
Delinquent loans past three months or more	—	—
Restructured loans	2,064	950
Total	3,019	1,759
[Percentage of total loans]	[0.29%]	[0.19%]

- 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 ¥12 million as of March 31, 2012 and ¥1 million as of March 31, 2013. The amounts written-off related to delinquent loans were ¥291 million as of March 31, 2012 and ¥288 million as of March 31, 2013.
2. Credits to bankrupt borrowers represent loans which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest of these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payment or for some other reasons.
3. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reasons as described in note 2 above, and exclude credits to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans past three months or more are loans for which interest payment or repayment of principal are delinquent for three months or more from the due date under the terms of the related loan agreements, excluding those loans classified as credits to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due date of principal or interest payment, waiver of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans and delinquent loans past three months or more.

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

Fukokushinrai Life Insurance Company

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Total solvency margin (A)	671,498	956,020
Common stock and others	157,889	180,855
Reserve for price fluctuation of securities	38,183	46,625
Contingency reserve	147,687	85,102
Catastrophe loss reserve	—	—
Allowance for possible loan losses	1,874	1,796
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)	90,058	286,774
Net unrealized gains on real estate x 85%	67,494	72,441
Excess amount of policy reserve based on full-time Zillmer method	115,308	189,458
Qualifying subordinated debt	32,896	66,187
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	26,777
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)	175,909	192,238
Insurance risk R_1	28,229	27,902
General insurance risk R_5	—	—
Catastrophe risk R_6	—	—
3rd sector insurance risk R_8	9,689	9,754
Small amount and short-term insurance risk R_9	—	—
Assumed investment yield risk R_2	42,618	36,326
Minimum guarantee risk R_7	5	2
Investment risk R_3	124,939	147,663
Business risk R_4	4,109	4,432
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	763.4%	994.6%

Notes: 1. Above figures are calculated based on Articles 86-2 and 88 of the Enforcement Regulation of the Insurance Business Law and Notification of the Financial Services Agency No.23,2011.

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

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

Fukokushinrai Life Insurance Company

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Total solvency margin (A)	40,153	47,668
Common stock and others	31,481	32,321
Reserve for price fluctuation of securities	2,695	4,997
Contingency reserve	1,499	1,656
Allowance for possible loan losses	0	0
Net unrealized gains on available - for - sale securities x 90% (multiplied by 100% if losses)	2,072	6,091
Net unrealized gains on real estate x 85%	—	—
Excess amount of policy reserve based on full-time Zillmer method	2,150	1,979
Qualifying subordinated debt	—	—
The amount of "excess amount of policy reserve based on full-time Zillmer method" and "qualifying subordinated debt" excluded from the calculation of solvency margin	—	—
Deductible items	—	—
Others	253	622
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	14,226	16,763
Insurance risk R_1	620	626
3rd sector insurance risk R_8	121	120
Assumed investment yield risk R_2	352	369
Investment risk R_3	13,560	16,033
Minimum guarantee risk R_7	—	—
Business risk R_4	293	342
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	564.4%	568.7%

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.