MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
March 31, 2008 and 2009

	2008	2009
	(Yen in millions)	
ASSETS		
Investments — other than investments in affiliates (Notes 5 and 17):		
Securities available for sale:		
Fixed maturities, at fair value	¥3,334,185	2,994,870
Equity securities, at fair value	2,547,773	1,703,433
Securities held to maturity:		
Fixed maturities, at amortized cost	449,474	475,576
Mortgage loans on real estate	9,859	9,224
Investment real estate, at cost less accumulated depreciation of ¥50,327 million in 2008; ¥ 48,570 million in 2009	43,151	40,992
Policy loans	39,536	43,254
Other long-term investments	749,385	711,653
Short-term investments	120,086	106,852
Total investments	7,293,449	6,085,854
Cash and cash equivalents	368,290	455,444
Investments in and indebtedness from affiliates:		
Investments	56,351	66,523
Indebtedness (Note 17)	2,961	2,857
Total investments in and indebtedness from affiliates	59,312	69,380
Accrued investment income	24,798	20,228
Premiums receivable and agents' balances	140,562	144,005
Prepaid reinsurance premiums	215,233	203,477
Funds held by or deposited with ceding reinsurers	76,884	78,756
Reinsurance recoverable on paid losses	58,264	58,149
Reinsurance recoverable on unpaid losses	253,092	304,228
Property and equipment, net of accumulated depreciation (Note 6)	245,522	232,047
Deferred policy acquisition costs (Note 2(h))	360,152	325,539
Goodwill (Note 8)	69,248	63,254
Other assets (Note 13)	161,519	194,494
Total assets	¥9,326,325	8,234,855

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS — (Continued)
March 31, 2008 and 2009

	2008	2009
	(Yen in millions, except share data)	
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY		
Liabilities:		
Losses and claims (Note 9):		
Reported and estimated losses and claims	¥1,144,000	1,196,144
Adjustment expenses	53,820	60,378
Total losses and claims	1,197,820	1,256,522
Unearned premiums	1,489,956	1,385,290
Future policy benefits for life insurance contracts	911,165	970,217
Investment deposits by policyholders (Notes 10 and 17)	2,119,153	2,043,991
Indebtedness to affiliates	2,232	1,616
Income tax payable (Note 13)	4,283	9,401
Deferred tax liabilities (Note 13)	605,153	238,083
Retirement and severance benefits (Note 15)	116,287	126,538
Ceded reinsurance balances payable	77,423	74,000
Short-term debt (Note 11)	37,604	70,000
Long-term debt (Notes 11 and 17)	99,992	94,961
Other liabilities	237,372	274,720
Total liabilities	6,898,440	6,545,339
Minority interests	18,586	12,832
Shareholders' equity:		
Common stock:		
Authorized — 900,000,000 shares; issued — 421,320,739 shares (Note 14(a))	100,000	100,000
Other shareholders' equity:		
Additional paid-in capital (Note 14(a))	123,981	123,969
Retained earnings (Note 14(b))	1,471,651	1,377,400
Accumulated other comprehensive income (Note 14(c))	713,667	79,960
Treasury stock, 2,020,600 shares in 2009, at cost	—	(4,645)
Total shareholders' equity	2,409,299	1,676,684
Commitments and contingent liabilities (Note 20)		
Total liabilities, minority interests and shareholders' equity	¥9,326,325	8,234,855

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2007, 2008 and 2009

	2007	2008	2009
	(Yen in millions, except per share data)		
Revenues:			
Net premiums written	¥1,489,379	1,537,616	1,448,273
Less increase (decrease) in unearned premiums	20,299	34,931	(60,130)
Net premiums earned (Note 12)	1,469,080	1,502,685	1,508,403
Premium income for life insurance contracts (Note 12)	193,551	192,731	190,113
Investment income, net of investment expenses (Note 5)	179,189	185,265	154,012
Net realized gains (losses) on investments (Note 5)	24,315	(17,370)	(134,885)
Total revenues	1,866,135	1,863,311	1,717,643
Expenses:			
Losses, claims and loss adjustment expenses (Note 12):			
Losses and claims incurred and provided for	909,656	906,257	960,041
Related adjustment expenses	70,001	82,370	90,235
Policyholder benefits for life insurance contracts (Note 12)	156,591	156,683	154,056
Amortization of policy acquisition costs	367,224	372,025	398,660
Investment income credited to investment deposits by policyholders (Note 10)	48,482	48,498	44,573
Other expenses, net (Note 7)	146,742	143,719	152,054
Total expenses	1,698,696	1,709,552	1,799,619
Earnings (loss) before income taxes and minority interests	167,439	153,759	(81,976)
Income taxes (Note 13):			
Current	43,747	25,368	29,874
Deferred	9,208	22,769	(41,910)
Total income taxes	52,955	48,137	(12,036)
Minority interests	568	826	300
Net income (loss)	¥ 113,916	104,796	(70,240)
Earnings (loss) per share (Notes 2(p) and 14(b)):			
Basic and diluted	¥ 267.47	247.59	(166.82)

See accompanying notes to consolidated financial statements.

**MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years ended March 31, 2007, 2008 and 2009**

	2007	2008	2009
		(Yen in millions)	
Net income (loss)	¥ 113,916	104,796	(70,240)
Other comprehensive income (loss), net of tax (Note 14(c)):			
Foreign currency translation adjustments	10,950	(4,015)	(61,870)
Unrealized gains (losses) on securities	135,407	(526,138)	(564,918)
Net gains (losses) on derivative instruments	1	(24)	—
Minimum pension liability adjustment	(15)	—	—
Pension liability adjustments	—	(11,922)	(6,919)
Other comprehensive income (loss)	146,343	(542,099)	(633,707)
Comprehensive income (loss)	¥ 260,259	(437,303)	(703,947)

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended March 31, 2007, 2008 and 2009

	2007	2008	2009
	(Yen in millions, except per share data)		
Common stock:			
Balance at beginning and end of year	¥ 100,000	100,000	100,000
Additional paid-in capital:			
Balance at beginning of year	124,002	124,014	123,981
Gain on sales of treasury stock	12	18	1
Retirement of treasury stock	—	(51)	(13)
Balance at end of year	124,014	123,981	123,969
Retained earnings:			
Balance at beginning of year	1,386,963	1,485,823	1,471,651
Net income (loss) for the year	113,916	104,796	(70,240)
Dividends paid (Note 14(b))	(21,308)	(21,166)	(24,011)
Retirement of treasury stock	—	(98,657)	—
Other	6,252	855	—
Balance at end of year (Note 14(b))	1,485,823	1,471,651	1,377,400
Accumulated other comprehensive income (Note 14(c)):			
Balance at beginning of year	1,119,324	1,255,766	713,667
Other comprehensive income (loss), net of tax	146,343	(542,099)	(633,707)
Adjustment upon adoption of SFAS No. 158, net of tax	(9,901)	—	—
Balance at end of year	1,255,766	713,667	79,960
Treasury stock:			
Balance at beginning of year	(77,321)	(91,143)	—
Purchase of common shares	(13,840)	(7,629)	(4,725)
Sale of common shares	18	64	80
Retirement of treasury stock	—	98,708	—
Balance at end of year	(91,143)	—	(4,645)
Total shareholders' equity	¥2,874,460	2,409,299	1,676,684
Cash dividends per share (Note 14(b))	¥ 50.00	50.00	57.00

See accompanying notes to consolidated financial statements.

**MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2007, 2008 and 2009**

	2007	2008	2009
		(Yen in millions)	
Net cash provided by operating activities (Note 21)	¥ 325,256	308,007	157,480
Cash flows from investing activities:			
Proceeds from:			
Securities available for sale:			
Fixed maturities	449,649	412,764	475,425
Equity securities	105,222	87,796	181,957
Fixed maturities available for sale matured	225,542	228,766	295,677
Fixed maturities held to maturity matured	3,866	9,345	4,044
Investment real estate	850	8,560	32
Property and equipment	4,343	14,351	2,744
Collection of:			
Mortgage loans on real estate	4,250	2,445	1,785
Policy loans	37,144	41,974	45,194
Other long-term investments	228,689	180,235	193,644
Purchases of:			
Securities available for sale:			
Fixed maturities	(834,568)	(667,878)	(572,987)
Equity securities	(96,805)	(107,609)	(274,390)
Securities held to maturity:			
Fixed maturities	(4,957)	(73,191)	(38,518)
Investments in:			
Mortgage loans on real estate	(515)	(789)	(1,185)
Investment real estate	(719)	(8,631)	(1,448)
Policy loans	(37,052)	(42,987)	(33,899)
Other long-term investments	(240,871)	(214,654)	(172,408)
Property and equipment	(22,949)	(41,883)	(16,125)
Increase (decrease) in cash received under securities lending transactions	(20,429)	6,766	24,466
Increase in short-term investments, net	(4,249)	(13,361)	(11,382)
Increase in investments in and indebtedness from affiliates	(4,193)	(9,188)	(4,250)
Business acquired, net of cash acquired	(7,337)	—	—
Other, net	(2,311)	(10,710)	(13,683)
Net cash (used in) provided by investing activities	(217,400)	(197,879)	84,693

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
Years ended March 31, 2007, 2008 and 2009

	2007	2008	2009
		(Yen in millions)	
Cash flows from financing activities:			
Investment deposits funded by policyholders	¥ 324,907	290,741	256,301
Withdrawals of investment deposits by policyholders	(418,195)	(396,597)	(361,941)
Increase (decrease) in commercial paper, net	(2,532)	29,688	(37,670)
Proceeds from long-term debt	—	29,991	64,968
Repayment of short-term debt	(300)	(30,000)	—
Acquisition of treasury stock	(13,840)	(7,629)	(4,725)
Dividends paid to shareholders	(21,588)	(21,867)	(25,223)
Other, net	(883)	(800)	(785)
Net cash used in financing activities	(132,431)	(106,473)	(109,075)
Effect of exchange rate changes on cash and cash equivalents	9,351	(5,306)	(45,944)
Net change in cash and cash equivalents	(15,224)	(1,651)	87,154
Cash and cash equivalents at beginning of year	385,165	369,941	368,290
Cash and cash equivalents at end of year	¥369,941	368,290	455,444

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

(a) Nature of Operations

On October 1, 2001, Mitsui Sumitomo Insurance Company, Limited ("MSI") was formed through the merger of Mitsui Marine and Fire Insurance Company, Limited ("Mitsui") and The Sumitomo Marine & Fire Insurance Company, Limited ("Sumitomo").

On April 1, 2008, MSI established a holding company, Mitsui Sumitomo Insurance Group Holdings, Inc. ("MSIGH"), through a share transfer and became its wholly owned subsidiary. The share transfer is considered a transaction between entities that have a high degree of common ownership (the "Exchange Transaction"). The only net assets of MSIGH immediately after the Exchange Transaction are those of MSI and its subsidiaries immediately prior to the Exchange Transaction, and the shareholders (and their respective relative ownership percentages) of MSIGH immediately after the Exchange Transaction are identical to the shareholders of MSI immediately prior to the Exchange Transaction. Therefore, the assets and liabilities of MSI and its subsidiaries, as well as their previously reported results of operations and cash flows have been included in MSIGH's consolidated financial statements at their historical amounts because the Exchange Transaction is deemed to lack substance. Further, the consolidated financial statements present MSIGH's financial condition and results of operations as if MSIGH had been in existence, and the Exchange Transaction had occurred, as of the beginning of the earliest period presented. Earnings per share for prior periods have also been retrospectively adjusted to reflect the Exchange Transaction as of the earliest period presented.

MSIGH and its subsidiaries (collectively referred to as "the Company") operate mainly in the Japanese domestic insurance industry and sell a wide range of property and casualty insurance products. Also, the Company sells life insurance products through a wholly owned subsidiary and a joint venture company. Overseas operations are conducted mostly in Southeast Asia, Europe and the United States of America through overseas branches and subsidiaries.

(b) Basis of Financial Statements

MSIGH and its domestic subsidiaries maintain their books of account in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), and its foreign subsidiaries generally maintain their books of account in accordance with those of the countries of their domicile.

Certain adjustments and reclassifications have been made in the accompanying consolidated financial statements to conform with U.S. generally accepted accounting principles ("U.S. GAAP").

The accompanying consolidated financial statements are expressed in yen.

(c) Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Company to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amount of: securities, property and equipment, investment real estate, intangibles and goodwill; valuation allowances for receivables and deferred income tax assets; valuation of derivative instruments; insurance-related liabilities; assets and obligations related to employee benefits, income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions. Also see Note 3 for further discussion of changes in accounting estimates made during the year ended March 31, 2009.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of MSIGH and its majority-owned subsidiaries.

In December 2003, the Financial Accounting Standards Board ("FASB") issued Revised Interpretation No. 46, "Consolidation of Variable Interest Entities ("FIN46R")". FIN46R clarifies how to identify variable interest entities ("VIEs") and how to determine when a business enterprise should include the assets, liabilities and non-controlling interests of VIEs in its consolidated financial statements. A company that absorbs a majority of a VIE's expected losses, receives a majority of a VIE's expected residual returns, or both, is the primary beneficiary and is required to consolidate the VIEs into its financial statements. The Company relies on a qualitative and/or quantitative analysis, including an analysis of the design of the entity, to determine if it is the primary beneficiary of the VIE and therefore must consolidate the VIE. See Note 19 for additional information required by FIN46R.

All material intercompany balances and transactions have been eliminated in consolidation.

Investments in affiliates over which the Company has the ability to exercise significant influence, but not control, are accounted for by the equity method. The nature of the minority interest rights is considered in determining whether the Company's control for majority owned affiliates exists, and consolidation would be precluded to the extent that the minority interest holds substantive participating rights. Under the equity method of accounting, investments are stated at their underlying net equity value after elimination of intercompany profits. The cost method is used for non-marketable equity securities when the Company does not have the ability to exercise significant influence or control the investee.

The excess of investments in affiliates over the Company's share of their net assets at the acquisition date, included in the equity investment balance, is recognized as investor level goodwill. Such goodwill is not amortized and is included in the overall carrying value of the investment, which is tested for impairment if there are indications that the decline in value below carrying value of the investment is other than temporary. The cost of investments in affiliates as of March 31, 2008 and 2009 amounted to ¥56,351 million and ¥66,523 million, respectively. There were no differences between the cost of these investments and the amount of underlying equity in net assets of the investees.

The proportionate share of the affiliates' income which were included in "other expenses, net" for the years ended March 31, 2007, 2008 and 2009 were gains of ¥3,398 million, ¥12,312 million and ¥8,658 million, respectively.

The affiliates include Mitsui Sumitomo MetLife Insurance Co., Ltd. ("MS MetLife"), which offers variable annuity life insurance products to individuals. MS MetLife is a 51%-owned affiliate of the Company and is accounted for under the equity method based on an evaluation of the rights held by the minority interest shareholders pursuant to the joint venture agreement, which overcome the presumption that the subsidiary should be consolidated.

Summarized information from the balance sheets and statements of income of MS MetLife as of and for the years ended March 31, 2007, 2008 and 2009 are as follows:

	2007	2008	2009
		(Yen in millions)	
Investments	¥ 136,118	196,770	321,309
Separate account assets	2,153,564	2,288,002	2,095,067
Deferred acquisition costs	108,617	135,094	152,487
Other assets	7,032	10,443	10,391
Total assets	¥2,405,331	2,630,309	2,579,254
Policy benefits and reserves	¥ 153,397	223,934	347,900
Separate account liabilities	2,153,564	2,288,002	2,095,067
Other liabilities	37,998	44,304	43,979
Equity	60,372	74,069	92,308
Total liabilities and equity	¥2,405,331	2,630,309	2,579,254
Revenue	¥ 41,977	83,699	89,915
Expenses	33,818	49,093	63,289
Income taxes	2,578	11,895	9,760
Net income	¥ 5,581	22,711	16,866

(b) Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

(c) Investments in Equity and Fixed Maturity Securities

Trading securities are recorded at fair value with unrealized gains and losses included in income. Securities available for sale are recorded at fair value with net unrealized gains and losses reported, net of tax, in other comprehensive income (loss). Securities held to maturity, which the Company has positive intent and ability to hold to maturity, are recorded at amortized cost.

For investments that have experienced a decline in value below their respective cost that is considered to be other than temporary, the declines are recorded as realized losses on investments in the consolidated statements of operations. Gains and losses on the sale of investments are included in realized gains and losses in the consolidated statements of operations based on the trade date. The cost of investments sold is determined on a moving-average basis.

(d) Investments in Loans

The Company grants mortgage, commercial and consumer loans primarily to customers throughout Japan. As a result of this geographic concentration of outstanding loans, the ability of the Company's debtors to honor their contracts is much more dependent upon the general economic conditions in Japan than those competitors with a greater geographic dispersion of borrowing.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and an allowance for credit losses.

Loans are placed on a cash (non-accrual) basis when it is deemed that the payment of interest or principal is doubtful of collection, or when interest or principal is past due for 90 days or more.

All interest accrued but not collected for loans placed on non-accrual status or charged off is reversed against interest income. The interest on these loans is accounted for on a cash basis until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses

The allowance for credit losses is established as losses are estimated to have occurred through a provision for credit losses charged to earnings. Credit losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific allowance is established for loans that are classified as impaired when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of the loan. The general allowance covers other-than-impaired loans and is established based on historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfalls in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for mortgage and commercial loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent. Large groups of smaller-balance homogeneous loans are collectively evaluated for impairment.

(e) Accounts with Foreign Branches and Agents

The amounts included in the consolidated balance sheets at March 31, 2008 and 2009 with respect to foreign branches and agents of the Company represent data within three months before March 31, 2008 and 2009, respectively. The consolidated statements of operations likewise include amounts for the corresponding periods ended on those dates.

(f) Property and Equipment

Property and equipment, including property classified as investment real estate, are stated principally at cost less accumulated depreciation on buildings and furniture and equipment. Depreciation is computed by the declining-balance method based on the estimated useful lives of the assets. The estimated useful lives for buildings, furniture and equipment are primarily 6 to 60 years, 2 to 20 years, respectively.

The cost and accumulated depreciation with respect to assets retired or otherwise disposed of are eliminated from the respective assets and related accumulated depreciation accounts. Any resulting profit or loss is credited or charged to income.

(g) Impairment or Disposal of Long-Lived Assets

In accordance with Statement of Financial Accounting Standard ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," long-lived assets, such as property, plant and equipment and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are stated at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The fair values of the assets are determined based on either quoted market prices or independent third party appraisals.

(h) Policy Acquisition Costs

Policy acquisition costs are deferred and amortized over the periods in which the related premiums are earned or in relation to estimated gross profits with respect to certain interest-sensitive life and annuity products. Acquisition costs include agent commissions and certain other costs which vary with and are directly related to the acquisition of business. Such deferred costs are limited to the excess of the unearned premiums over the sum of expected claim costs, claim adjustment expenses and policy maintenance expenses.

Details of policy acquisition costs for the years ended March 31, 2007, 2008 and 2009 are as follows:

Property and casualty insurance:

	2007	2008	2009
		(Yen in millions)	
Deferred at beginning of year	¥ 321,407	302,677	287,966
Adjustment in connection with acquisition	1,276	—	—
Capitalized during year:			
Commissions and brokerage	223,316	230,377	221,255
Salaries and other compensation	60,435	62,841	63,019
Other underwriting costs	45,973	57,937	60,261
	329,724	351,155	344,535
Amortized during year	(349,730)	(365,866)	(383,079)
Deferred at end of year	¥ 302,677	287,966	249,422

Life insurance:

	2007	2008	2009
	(Yen in millions)		
Deferred at beginning of year	¥ 55,633	59,583	72,186
Capitalized during year	21,444	19,341	20,097
Change in shadow adjustment	—	(579)	(585)
Amortized during year	(17,494)	(6,159)	(15,581)
Deferred at end of year	¥ 59,583	72,186	76,117

Other underwriting costs include certain policy issuance costs supporting underwriting functions. These costs are related to the acquisition of new business and renewals and include technology costs to process policies, policy forms and travel.

Shadow accounting adjustments to deferred policy acquisition costs, present value of future profit and certain insurance liabilities, is recognized in equity, together with the unrealized gains or losses.

(i) Losses, Claims, Loss Adjustment Expenses and Policyholder Benefits

Liabilities for reported and estimated losses and claims and for related adjustment expenses for property and casualty insurance contracts are based upon the accumulation of case estimates for losses and related adjustment expenses reported prior to the close of the accounting period on direct and assumed business. Provision has also been made based upon past experience for unreported losses and for adjustment expenses not identified with specific claims. The Company believes that the liabilities for unpaid losses and adjustment expenses at March 31, 2008 and 2009 are adequate to cover the ultimate cost of losses and claims incurred to those dates, but the provisions are necessarily based on estimates and no representation is made that the ultimate liability may not exceed or fall short of such estimates.

For life insurance contracts, reserves for future policy benefits are determined principally by the net level premium method. Assumed interest rates range from 1.10% to 3.10%. Anticipated rates of mortality are based on the recent experience of its life insurance subsidiary.

(j) Insurance Revenue Recognition

Property and casualty insurance premiums are earned ratably over the terms of the related insurance contracts. Unearned premiums are recognized to cover the unexpired portion of premiums written. Life insurance premiums of long-duration contracts are recognized as revenue when due from policyholders.

(k) Reinsurance

Reinsurance contracts are accounted for in accordance with SFAS No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts." Under this statement, assets and liabilities relating to reinsurance contracts are reported on a gross basis. SFAS No. 113 also established guidelines for determining whether risk is transferred under a reinsurance contract. If risk is transferred, the conditions for reinsurance accounting are met. If risk is not transferred, the contract is accounted for as a deposit. All of the Company's reinsurance contracts meet the risk transfer criteria and are accounted for as reinsurance.

(l) Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In June 2006, FASB interpretation ("FIN") 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109," was issued. FIN48 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company's accounting policy is to accrue interest and penalties related to unrecognized tax benefits as a component of income tax expense in the consolidated statements of operations. The Company adopted FIN48 on April 1, 2007 and the adoption of FIN48 had no effect on the Company's consolidated financial statements.

(m) Compulsory Automobile Liability Insurance

Japanese law requires that all automobiles be covered by liability insurance for personal injury and that insurance companies may not refuse to issue such policies. The law provides that the regulatory authorities should not approve any application for upward premium rate adjustments if, in the opinion of the regulatory authorities, such adjustments would generate underwriting profits, for the program as a whole, or if it is deemed that the rate adjustments would compensate the insurers for excessive underwriting costs attributable to a lack of effective cost control on the part of the insurers. The law further stipulates that whenever premium rates are such that, in the opinion of the regulatory authorities, such premium revenues generate income which exceeds costs that are effectively controlled by insurers, for the program as a whole, the regulatory authorities may order a downward revision of premium rates.

The Company is not permitted to reflect any profit or loss from underwriting Compulsory Automobile Liability Insurance in the statutory financial statements prepared for distribution to shareholders, unless permission has been obtained from the Financial Services Agency of Japan. Rather, all such accumulated profits are recorded as a liability in the statutory financial statements prepared on the Japanese GAAP basis.

In contrast, in the accompanying consolidated financial statements prepared on the U.S. GAAP basis, Compulsory Automobile Liability Insurance is accounted for similarly with other lines of property and casualty insurance written by the Company, in the absence of a legal or contractual obligation to refund premium amounts in excess of cost to policyholders. Thereby, premiums are earned over the terms of the policies and the unexpired portion of premiums written relating to the unexpired terms of coverage are accounted for as unearned premiums. Earned premiums from underwriting Compulsory Automobile Liability Insurance were ¥193,663 million, ¥193,572 million, and ¥217,935 million for the years ended March 31, 2007, 2008 and 2009, respectively. Likewise, liabilities for reported and estimated losses and claims and for related adjustment expenses are recorded based on the accumulation of case estimates for losses and related adjustment expenses reported prior to the close of the accounting period and on past experience for unreported losses and for adjustment expenses not identified with specific claims. Gross liabilities for losses, claims and related adjustment expenses for Compulsory Automobile Liability Insurance were ¥211,553 million and ¥396,302 million at March 31, 2008 and 2009, respectively. Also see Note 3 for further discussion of changes in accounting estimates made during the year ended March 31, 2009.

(n) Foreign Currency Translation and Transactions

Foreign currency financial statements of the subsidiaries have been translated in accordance with SFAS No. 52, "Foreign Currency Translation." Under this statement, assets and liabilities of the subsidiaries and affiliates located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from the translation of foreign currency financial statements are excluded from the consolidated statements of operations and are accumulated in "Foreign currency translation adjustments," within accumulated other comprehensive income.

Gains or losses resulting from foreign currency transactions have been included in other expenses in the accompanying consolidated statements of operations as gains of ¥1,058 million, losses of ¥10,191 million and losses of ¥7,452 million for the years ended March 31, 2007, 2008 and 2009, respectively.

(o) Derivatives

All derivatives are recognized on the balance sheet at their fair value in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS No. 133."

Changes in the fair values of a derivative instrument are recorded in earnings or equity, depending on its designation and qualification as (1) "fair value hedge" (a hedge of subsequent changes in the fair value of a recognized asset or liability), (2) "cash flow hedge" (a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability) or (3) "foreign currency hedge" (fair value and cash flow hedges may involve foreign-currency risk). In order to qualify as a hedge, the derivative instrument must be: (1) designated as hedge of a specific financial asset or liability at the inception of the contract, (2) effective at reducing the risk associated with the exposure to be hedged, and (3) highly correlated with respect to changes in its fair value or in the related cash flows in relation to the fair value of or cash flows related to the item to be hedged both at inception and over the life of the contract. Through the year ended March 31, 2007, the Company applied hedge accounting to some of its derivatives. The Company reconsidered the cost-effectiveness of that accounting treatment and, as a result, the Company discontinued hedge accounting for those derivatives in the year ended March 31, 2008. Ceasing hedge accounting did not have a material effect on the Company's reported financial position or cash flows.

(p) Earnings per Share

SFAS No. 128, "Earnings per Share" requires dual presentation of basic and diluted earnings per share ("EPS") with an appropriate reconciliation of both computations (see Note 14(b)). Basic EPS is computed based on the average number of shares of common stock outstanding during each period. Diluted EPS assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

(q) Reclassification

Certain immaterial reclassifications have been made to the amounts as of and for the years ended March 31, 2007 and 2008 in the accompanying consolidated financial statements to conform with the March 31, 2009 presentation.

(r) Goodwill

Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill is tested for impairment at least annually, or more often if events or circumstances indicate there may be impairment. The impairment test is a two-step process. The first step is to identify any potential impairment using a multiple-of-earnings approach to estimate the fair value of the reporting units. The fair values of the reporting units are then compared to their carrying value, including goodwill. If the carrying amounts of the reporting units exceed their fair value, a second step is performed to measure the amount of impairment, if any.

(s) Fair Value Measurements

On April 1, 2008, the Company adopted the provisions of , SFAS No. 157, "Fair Value Measurements," for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (Note 18). FASB Staff Position FAS 157-2, "Effective Date of FASB Statement No. 157," delays the effective date of SFAS No. 157 until fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. In accordance with FSP FAS 157-2, the Company has not applied the provisions of SFAS No. 157 to the measurement of long-lived assets upon recognition of an impairment charge during the year ended March 31, 2009 (Please see Note 7).

Additionally, the provisions of SFAS No. 157 were not applied to fair value measurements of the Company's reporting units (Step 1 of goodwill impairment tests performed under Statement 142).

On April 1, 2009, the Company will be required to apply the provisions of SFAS No. 157 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. Management is in the process of evaluating the impact, if any, of applying these provisions on its financial position and results of operations.

In October 2008, the FASB issued FASB Staff Position FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active," which was effective immediately. FSP FAS 157-3 clarifies the application of SFAS No. 157 in cases where the market for a financial instrument is not active and provides an example to illustrate key considerations in determining fair value in those circumstances. Management has considered the guidance provided by FSP FAS 157-3 in its determination of estimated fair values during the year ended March 31, 2009.

In April 2009, FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (FSP FAS 157-4) was issued. FSP FAS 157-4 provides additional guidance for determining fair value when there is no active market and on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 is effective for fiscal years ending after June 15, 2009. The Effect that the adoption of FSP FAS 157-4 will have on the Company's consolidated financial statements is currently evaluated.

(t) New Accounting Standards

In February 2007, SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," was issued. SFAS No. 159 provides companies with an option to report financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Since the Company elected not to apply the fair value option to any financial assets or liabilities, the adoption of SFAS No. 159 had no impact on the Company's consolidated financial statements.

In December 2007, SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R") was issued. SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R will be applied prospectively to business combinations on and after the beginning of fiscal year beginning on or after December 15, 2008.

In December 2007, SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" was issued. SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The effect that the adoption of SFAS No. 160 will have on the Company's consolidated financial statements is currently evaluated.

In March 2008, SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" was issued. SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

In May 2008, SFAS No. 163 "Accounting for Financial Guarantee Insurance Contracts, an interpretation of FASB Statement No. 60" was issued. SFAS No. 163 clarifies how SFAS No. 60 applies to financial guarantee insurance contracts, including the recognition and measurement of premium revenue and claim liabilities. SFAS No. 163 also requires expanded disclosures about financial guarantee insurance contracts. SFAS No. 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008 except for some disclosures. The effect that the adoption of SFAS No. 163 will have on the Company's consolidated financial statements is currently evaluated.

In September 2008, FSP No. FAS 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45: and Clarification of the Effective Date of FASB Statement No. 161" (FSP FAS 133-1 and FIN 45-4) was issued. FSP FAS 133-1 and FIN 45-4 requires additional disclosures for sellers of credit derivative instruments and certain guarantees. FSP FAS 133-1 and FIN 45-4 is effective for the years ended ending after November 15, 2008. Because only additional disclosures were required, the adoption of FSP FAS 133-1 and FIN 45-4 had no impact on the Company's consolidated financial position, results of operations or cash flows. The required disclosures are reflected in Note 16.

In December 2008, FSP No. FAS 140-4 and FIN 46(R)-8, "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities" (FSP FAS 140-4 and FIN 46(R)-8) was issued. FSP FAS 140-4 and FIN 46(R)-8 amends and expands the disclosure requirements regarding transfers of financial assets and a company's involvement with variable interest entities (VIEs). The Company adopted FSP FAS 140-4 and FIN 46(R)-8 effective for the fiscal year ended March 31, 2009. The adoption of FSP FAS 140-4 and FIN 46(R)-8 did not affect the Company's consolidated financial position, results of operations or cash flows, as only additional disclosures were required. The additional disclosures are included in Note 19.

In May 2009, SFAS No. 165, "Subsequent Events" was issued. SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for the fiscal years ending after June 15, 2009.

In June 2009, SFAS No. 166, "Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140" was issued. SFAS No. 166 removes the concept of a qualifying special-purpose entity and eliminates its exemption from consolidation. SFAS No. 166 changes the requirements for derecognizing financial assets, and eliminates an exception that currently permits a company to derecognize certain transferred mortgage loans when the company has not surrendered control over those loans. Enhanced disclosures about transfers of financial assets and a transferor's continuing involvement with transferred financial assets are also required.

SFAS No. 166 is effective for the fiscal years beginning after November 15, 2009. The effect that the adoption of SFAS No. 166 will have on the Company's consolidated financial statements is currently evaluated.

In June 2009, SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" was issued. SFAS No. 167 requires an enterprise to perform a qualitative analysis when determining whether it must consolidate a VIE. SFAS No. 167 also requires ongoing reassessments to determine if an enterprise must consolidate a VIE. This differs from existing guidance, which requires reconsideration only when specific events occur. Enhanced disclosures are required for any enterprise that holds a variable interest in a VIE. The content of the enhanced disclosures, however, is generally consistent with that required by FSP FAS 140-4 and FIN 46(R)-8. SFAS No. 167 is effective for the fiscal years beginning after November 15, 2009. The effect that the adoption of SFAS No. 167 will have on the Company's consolidated financial statements is currently evaluated.

(3) Accounting Changes

During the year ended March 31, 2009, the Company revised its method for estimating the IBNR and unearned premiums for Compulsory Automobile Liability Insurance due to the improvement in the availability of relevant premiums, and losses and claims data. Reserving method of IBNR was revised from a loss ratio method with limited inputs to a more scientific method involving loss development based on historical loss trend. The calculation of unearned premiums was also revised to apply proration at more frequent intervals. The effect of these revisions also resulted in adjustments to the calculation of deferred policy acquisition costs, reinsurance recoverable on unpaid losses, loss adjustment expenses and related deferred tax assets and liabilities.

The company considers the revisions in IBNR and unearned premiums, and the related effects to be changes in estimates. Consequently, the effects of these revisions are all recognized during the year ended March 31, 2009, in accordance with SFAS154 "Accounting Changes and Error Corrections." and retrospective adjustments to prior periods is precluded.

These changes in estimate resulted in an increase of ¥35,573 million in net loss and an increase of ¥84.49 in the basic and diluted loss per share for the year ended March 31, 2009.

(4) Business Developments

In March 2007, the Company subscribed new shares of common stock that Mitsui Direct General Insurance Company, Limited ("MDGI") issued to increase capital and also purchased MDGI's outstanding shares.

As a result of this transaction, the Company acquired approximately 66% of the outstanding shares of MDGI for a cost of ¥19,898 million and MDGI became a subsidiary of the Company. The excess of the cost over the fair values of assets acquired and liabilities assumed was allocated to goodwill. Goodwill of ¥11,286 million was recognized on the consolidated balance sheet as of March 31, 2007.

On July 1, 2008, MSI transferred all of the holding shares of its subsidiaries, Mitsui Sumitomo Kirameki Life Insurance Company ("MS Kirameki"), Limited and MDGI, and an affiliate, MS MetLife to MSIGH as dividends in-kind. This transaction was accounted for as a combination under common control by MSIGH. No gains or losses were recognized by this transaction.

On January 23, 2009, MSIGH announced, together with Aioi Insurance Company, Limited ("AIOI"), Nissay Dowa General Insurance Company, Limited ("NDGI") and MSI, that they reached an agreement to commence discussions for a possible business combination and business alliance with the goal of forming a new insurance and financial group, subject to shareholder and regulatory approvals. The business combination of AIOI, NDGI and Mitsui Sumitomo Insurance Group, intended to be effective in April 2010, will be implemented by way of a holding company structure, whereby MSIGH will be utilized as a holding company of the newly formed insurance group.

AIOI and NDGI will each conduct a statutory share exchange with the holding company to implement the business reorganization. Immediately thereafter (but on the same day), AIOI and NDGI will merge with each other.

(5) Investments

The amortized cost of fixed maturity securities or cost of equity securities and money trusts and related fair values at March 31, 2008 and 2009 were as follows:

Securities held to maturity:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(Yen in millions)		
March 31, 2008:				
Fixed maturity securities:				
U.S. government and government agencies and authorities	¥ 4,254	—	—	4,254
Governments and government agencies and authorities other than U.S.	341,388	7,319	(1,347)	347,360
Other municipalities and political subdivisions	1,714	—	—	1,714
Other corporate bonds	102,118	3,789	(142)	105,765
Total securities held to maturity	¥449,474	11,108	(1,489)	459,093

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(Yen in millions)		
March 31, 2009:				
Fixed maturity securities:				
Governments and government agencies and authorities other than U.S.	¥363,613	13,385	(902)	376,096
Other municipalities and political subdivisions	1,112	—	—	1,112
Other corporate bonds	110,851	3,792	(7)	114,636
Total securities held to maturity	¥475,576	17,177	(909)	491,844

Securities available for sale:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount/ Fair Value
	(Yen in millions)			
March 31, 2008:				
Fixed maturity securities:				
U.S. government and government agencies and authorities	¥ 113,676	7,520	(2,005)	119,191
U.S. municipalities and political subdivisions	125	3	—	128
Other governments and government agencies and authorities	685,783	26,717	(1,071)	711,429
Other municipalities and political subdivisions	716,210	18,956	(5,910)	729,256
Other corporate bonds	1,760,302	37,013	(23,134)	1,774,181
Total fixed maturity securities	3,276,096	90,209	(32,120)	3,334,185
Equity securities	1,141,048	1,436,514	(29,789)	2,547,773
Total securities available for sale	¥4,417,144	1,526,723	(61,909)	5,881,958

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount/ Fair Value
	(Yen in millions)			
March 31, 2009:				
Fixed maturity securities:				
U.S. government and government agencies and authorities	¥ 96,199	9,831	(1,028)	105,002
U.S. municipalities and political subdivisions	100	—	(13)	87
Other governments and government agencies and authorities	723,315	24,027	(4,492)	742,850
Other municipalities and political subdivisions	591,108	10,541	(14,209)	587,440
Other corporate bonds	1,580,381	15,764	(36,654)	1,559,491
Total fixed maturity securities	2,991,103	60,163	(56,396)	2,994,870
Equity securities	1,113,120	613,690	(23,377)	1,703,433
Total securities available for sale	¥4,104,223	673,853	(79,773)	4,698,303

Trading securities:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Yen in millions)			
March 31, 2008:				
Money trusts included in short-term investments	¥50,121	948	(3,237)	47,832

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Yen in millions)			
March 31, 2009:				
Money trusts included in short-term investments	¥15,227	188	(1,688)	13,727

The changes in net unrealized gains and losses on trading securities have been included in the accompanying consolidated statements of operations as losses of ¥226 million, ¥2,060 million and gains of ¥789 million for the years ended March 31, 2007, 2008 and 2009, respectively.

The amortized cost and fair values of investments in fixed maturity securities held to maturity and available for sale at March 31, 2009 by contractual maturity were as follows:

Securities held to maturity:

	Amortized Cost	Fair Value
	(Yen in millions)	
Due within one year	¥ 1,112	1,112
Due after one year through five years	107,077	110,358
Due after five years through ten years	126,405	130,755
Due after ten years	240,982	249,619
	¥475,576	491,844

Securities available for sale:

	Amortized Cost	Fair Value
	(Yen in millions)	
Due within one year	¥ 301,714	299,187
Due after one year through five years	1,268,886	1,260,210
Due after five years through ten years	593,175	596,595
Due after ten years	827,328	838,878
	¥2,991,103	2,994,870

Actual maturities may differ from contractual maturities because some issuers have the right to call or prepay obligations with or without call or prepayment penalties.

The methods of determining the fair value of the Company's fixed maturity and equity securities are described in Note 18.

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2008 and 2009, were as follows:

Securities held to maturity:

	Less than 12 Months		12 Months or More		Total	
March 31, 2008:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(Yen in millions)			
Fixed maturities	¥16,939	(170)	40,790	(1,319)	57,729	(1,489)

	Less than 12 Months		12 Months or More		Total	
March 31, 2009:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(Yen in millions)			
Fixed maturities	¥11,609	(107)	13,572	(802)	25,181	(909)

Securities available for sale:

	Less than 12 Months		12 Months or More		Total	
March 31, 2008:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(Yen in millions)			
Fixed maturities	¥502,809	(22,998)	305,782	(9,122)	808,591	(32,120)
Equity securities	249,126	(29,067)	9,934	(722)	259,060	(29,789)
Total securities	¥751,935	(52,065)	315,716	(9,844)	1,067,651	(61,909)

	Less than 12 Months		12 Months or More		Total	
March 31, 2009:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(Yen in millions)			
Fixed maturities	¥560,524	(30,601)	323,397	(25,795)	883,921	(56,396)
Equity securities	99,417	(18,341)	23,856	(5,036)	123,273	(23,377)
Total securities	¥659,941	(48,942)	347,253	(30,831)	1,007,194	(79,773)

Unrealized losses of fixed maturities were mainly caused by changes in interest rate. The majority of fixed securities have received high credit ratings, and the Company has the positive ability and intent to hold these securities until a market price recovery.

In evaluating the factors for securities available for sale, the Company considers the length of time and the extent to which fair value has been below cost, the severity of the impairment, the cause of the impairment and the financial condition and near-term prospects of the issuer and activity in the market of the issuer which may indicate adverse credit conditions.

At March 31, 2008 and 2009, the Company determined the decline in value for securities with unrealized losses was not other than temporary in nature.

Gross realized and change in unrealized gains and losses from investments for the years ended March 31, 2007, 2008 and 2009 were as follows:

	Fixed Maturities	Equity Securities	Other Investments	Total Gains
		(Yen in millions)		
2007:				
Net realized gains (losses)	¥ 975	23,955	(615)	24,315
Change in unrealized gains (losses)	30,486	179,805	(82)	210,209
Combined realized and unrealized gains (losses)	¥31,461	203,760	(697)	234,524

	Fixed Maturities	Equity Securities	Other Investments	Total Losses
		(Yen in millions)		
2008:				
Net realized gains (losses)	¥ 6,273	10,788	(34,431)	(17,370)
Change in unrealized gains(losses)	(15,839)	(800,325)	436	(815,728)
Combined realized and unrealized losses	¥ (9,566)	(789,537)	(33,995)	(833,098)

	Fixed Maturities	Equity Securities	Other Investments	Total Losses
		(Yen in millions)		
2009:				
Net realized losses	¥(39,219)	(80,359)	(15,307)	(134,885)
Change in unrealized losses	(54,322)	(816,412)	(879)	(871,613)
Combined realized and unrealized losses	¥(93,541)	(896,771)	(16,186)	(1,006,498)

The net effect on accumulated other comprehensive income of unrealized gains and losses on available-for-sale securities at March 31, 2008 and 2009 was as follows:

	Fixed Maturities	Equity Securities	Other Investments	Total Gains
		(Yen in millions)		
March 31, 2008:				
Unrealized gains, net	¥58,089	1,406,725	839	1,465,653
Deferred income taxes				(731,954)
				¥ 733,699

	Fixed Maturities	Equity Securities	Other Investments	Total Gains
		(Yen in millions)		
March 31, 2009:				
Unrealized gains (losses), net	¥ 3,767	590,313	(40)	594,040
Deferred income taxes				(418,809)
				¥ 175,231

Proceeds and gross realized gains and losses from sales of securities available for sale for the years ended March 31, 2007, 2008 and 2009 were as follows:

Fixed Maturity Securities:	2007	2008	2009
	(Yen in millions)		
Gross realized gains	¥ 7,747	10,251	9,175
Gross realized losses	(6,625)	(2,074)	(14,148)
Net realized gains(losses)	¥ 1,122	8,177	(4,973)
Proceeds from fixed maturity securities	¥ 449,649	412,764	475,425

Equity Securities:	2007	2008	2009
	(Yen in millions)		
Gross realized gains	¥ 32,416	29,436	72,580
Gross realized losses	(874)	(1,735)	(4,846)
Net realized gains	¥ 31,542	27,701	67,734
Proceeds from equity securities	¥ 105,222	87,796	181,957

Bonds carried at ¥53,273 million at March 31, 2008 and ¥81,164 million at March 31, 2009, short-term investments carried at ¥568 million at March 31, 2008 and ¥529 million at March 31, 2009, cash equivalents carried at ¥3,584 million at March 31, 2008 and ¥3,593 million at March 31, 2009 and property and equipment carried at ¥533 million at March 31, 2008 and ¥411 million at March 31, 2009 were deposited with certain foreign government authorities and certain other parties as required by law and/or for other purposes.

The Company engages in securities lending transactions whereby certain securities from its portfolio are loaned to other institutions for short periods and cash collateral is obtained for some transactions. The loaned securities remain as recorded assets of the Company and the amount of the cash collateral are recorded as cash and cash equivalents. The carrying amount of loaned securities recorded as securities available for sale at March 31, 2008 and 2009 were ¥152,412 million and ¥88,481 million, respectively.

Mortgage loans on real estate are primarily mortgage loans on land and commercial buildings.

Policy loans are made to policyholders of long-term comprehensive insurance, long-term family traffic accident insurance and other long-term policies with refund at maturity. The maximum amount of loans is limited to 90% of return premiums on the policies.

Other long-term investments at March 31, 2008 and 2009 included the following:

	2008	2009
	(Yen in millions)	
Mortgage loans on vessels and facilities	¥ 277	119
Collateral and guaranteed loans	403,488	396,335
Unsecured loans	345,467	315,117
Other investments	153	82
	¥ 749,385	711,653

Mortgage loans on vessels and facilities are generally joint loans in which other financial institutions participate. The Company participates in the hull insurance on these vessels.

Collateral loans are made generally to commercial enterprises and are secured principally by listed stocks and/or bonds of Japanese corporations. A portion of the loans is made jointly with other insurance companies.

Guaranteed loans are made generally to commercial enterprises, and payment is guaranteed principally by banks.

Unsecured loans are made to political subdivisions and independent government agencies and, on a selective basis, to corporate borrowers.

Certain guaranteed loans with the carrying amount of ¥21,709 million and ¥34,156 million were securitized in the years ended March 31, 2008 and 2009, respectively. The amount of gains on the securitization were ¥120 million and ¥7 million for the years ended March 31, 2008 and 2009, respectively. There were no significant servicing assets and liabilities associated with the securitization at March 31, 2008 and 2009.

Short-term investments at March 31, 2008 and 2009 included the following:

	2008	2009
	(Yen in millions)	
Money trusts	¥ 47,832	13,727
Invested cash	56,948	79,336
Other	15,306	13,789
	¥ 120,086	106,852

Call loans are short-term (overnight to three weeks) loans made to money market dealers and banks or securities houses through money market dealers. Call loans to money market dealers are secured by Japanese government bonds. Call loans to banks or securities houses are unsecured. The balance of call loans included in cash and cash equivalents as of March 31, 2008 and 2009 were ¥39,900 million and ¥31,900 million, respectively.

The total recorded investment in impaired loans and the amount of the total valuation allowance at March 31, 2008 and 2009 were as follows:

	2008	2009
	(Yen in millions)	
Recorded investment in impaired loans:		
Mortgage loans on real estate	¥ 1,150	1,387
Mortgage loans on vessels and facilities	4	3
Collateral and guaranteed loans	1,724	—
Unsecured loans	1,575	2,487
	¥ 4,453	3,877
Valuation allowance:		
Mortgage loans on real estate	¥ 254	271
Collateral and guaranteed loans	104	—
Unsecured loans	294	1,579
	¥ 652	1,850

The recorded investment in loans of nonaccrual status was approximately ¥2,574 million and ¥2,623 million as of March 31, 2008 and 2009, respectively. The recorded investment in loans past due 90 days or more and still accruing interest was approximately ¥947 million and ¥818 million as of March 31, 2008 and 2009, respectively.

An analysis of activity in the total allowance for credit losses related to loans during the years ended March 31, 2007, 2008 and 2009 is as follows:

	2007	2008	2009
	(Yen in millions)		
Balance at beginning of year	¥ 6,879	1,650	1,098
Charges (credit) to income	(2,907)	(428)	1,687
Principal charge-offs	(2,322)	(124)	(125)
Balance at end of year	¥ 1,650	1,098	2,660

The total allowance for credit losses related to loans at March 31, 2008 and 2009 includes an allowance for doubtful accounts in the amount of ¥446 million and ¥810 million, respectively, relating to loans which were not categorized in the above impaired loans. This allowance for doubtful accounts has been calculated by multiplying actual bad debt ratios computed based on the actual bad debt amounts during the past periods against outstanding balances.

The average recorded investment in impaired loans was approximately ¥6,651 million, ¥4,401 million and ¥4,165 million in the years ended March 31, 2007, 2008 and 2009, respectively. The Company recognized interest income from impaired loans of ¥109 million, ¥94 million and ¥145 million in the years ended March 31, 2007, 2008 and 2009, respectively, on a cash basis.

Other long-term investments include loans of ¥8 million as of March 31, 2008 and ¥19 million as of March 31, 2009 which had been non-income producing for the twelve months preceding each balance sheet date.

The components of net investment income for the years ended March 31, 2007, 2008 and 2009 were as follows:

	2007	2008	2009
	(Yen in millions)		
Interest on fixed maturities	¥ 89,052	89,704	75,101
Dividends from equity securities	66,828	69,050	53,196
Interest on mortgage loans on real estate	420	328	280
Rent from investment real estate	6,194	4,926	5,472
Interest on policy loans	1,326	1,352	1,425
Interest on other long-term investments	12,408	13,871	14,560
Interest on short-term investments	2,490	3,078	3,207
Other	11,070	12,480	11,375
Gross investment income	189,788	194,789	164,616
Less investment expenses	10,599	9,524	10,604
Net investment income	¥ 179,189	185,265	154,012

In accordance with the Company's internal policy, the Company's portfolio is broadly diversified to ensure that there is no significant concentration of credit risk with any individual counterparties or group of counterparties. The concentrations of credit risk exceeding 10 percent of total shareholders' equity as of March 31, 2008 and 2009 were as follows:

	2008	2009
	(Yen in millions)	
Japanese government	¥1,232,366	1,301,843
Toyota Motor Corporation and its affiliates	483,118	295,134

(6) Property and Equipment

A summary of property and equipment as of March 31, 2008 and 2009 is as follows:

	2008	2009
	(Yen in millions)	
Land	¥ 99,234	97,228
Buildings	302,910	299,985
Furniture and equipment	76,472	73,181
Construction in progress	357	1,429
	478,973	471,823
Less accumulated depreciation	(233,451)	(239,776)
	¥ 245,522	232,047

(7) Impairment Losses of Long-Lived Assets

The carrying amount of long-lived assets held for sale as of March 31, 2008 and 2009 were ¥532 million and ¥111 million, respectively. The impairment losses on long-lived assets held for sale, included in other expenses, were ¥91 million, ¥487 million and ¥47 million for the years ended March 31, 2007, 2008 and 2009, respectively. Such impairment losses on long-lived assets were recognized in the property and casualty insurance segment.

The impairment loss on long-lived assets to be held and used, which arose from investment real estate, was included in net realized gains (losses) on investments, in the amount of ¥1,038 million, ¥3,572 million and ¥372 million for the years ended March 31, 2007, 2008 and 2009, respectively. The impairment loss on long-lived assets to be held and used, which arose from property and equipment, was included in other expenses in the amount of ¥76 million, ¥185 million and ¥396 million for the years ended March 31, 2007, 2008 and 2009, respectively. Those impairment losses on long-lived assets were recognized in the property and casualty insurance segment.

(8) Goodwill

The change in the carrying amount of goodwill during the years ended March 31, 2007, 2008 and 2009 are as follows:

	2007	2008	2009
		(Yen in millions)	
Balance at beginning of year	¥57,695	70,012	69,248
Acquisition	11,286	—	—
Change in foreign currency exchange rates	1,031	(764)	(5,994)
Balance at end of year	¥70,012	69,248	63,254

All goodwill recognized on the consolidated balance sheets were assigned to the property and casualty insurance segment.

No impairment loss on goodwill was recorded for the years ended March 31, 2007, 2008 and 2009, respectively.

(9) Liabilities for Losses and Claims

Activities in the liabilities for losses and claims and claim adjustment expenses for the years ended March 31, 2007, 2008 and 2009 are summarized as follows:

	2007	2008	2009
		(Yen in millions)	
Balance at beginning of year	¥1,056,517	1,153,550	1,197,820
Less: reinsurance recoverable	233,369	237,719	253,092
Net balance at beginning of year	823,148	915,831	944,728
Change in estimate of IBNR for Compulsory Automobile Liability Insurance	—	—	86,524
Incurred related to:			
Current year insured events	1,049,859	1,094,832	1,109,730
Prior year insured events	14,834	(7,191)	(21,268)
Total incurred	1,064,693	1,087,641	1,088,462
Paid related to:			
Current year insured events	562,338	576,463	610,493
Prior year insured events	437,353	483,209	483,212
Total paid	999,691	1,059,672	1,093,705
Foreign currency			
Translation adjustments	15,400	928	(73,715)
Adjustment in connection with the acquisition	12,281	—	—
Net balance at end of year	915,831	944,728	952,294
Plus reinsurance recoverable	237,719	253,092	304,228
Balance at end of year	¥1,153,550	1,197,820	1,256,522

Incurred losses presented in the above table include those related to life insurance in the amount of ¥85,036 million, ¥99,014 million and ¥124,710 million for the years ended March 31, 2007, 2008 and 2009, respectively, which are included in policyholder benefits for life insurance contracts in the accompanying consolidated statements of operations.

(10) Investment Deposits by Policyholders

Certain property and casualty insurance policies offered by the Company include a savings feature in addition to the insurance coverage provided under the policy. In addition, certain types of personal injury and fire insurance policies are available with a deposit premium rider. The premium received from the policyholder is split between the insurance coverage and the savings portion of the policy based upon rates approved by the Financial Services Agency of Japan. Policy terms are mainly from 3 to 10 years.

The key terms of this type of policy are fixed at the inception of the policy and remain in effect during the policy period. The policyholder can terminate the savings-type insurance contract before the maturity date with a payment of a commission to the Company that equals the interest earned for approximately six months. The policyholder is informed at policy inception of the maturity value related to the savings portion of the policy. The maturity value of the policy represents the savings portion of the premium paid by the policyholder plus credited interest. The maturity value is paid on the policy maturity date unless a total loss as defined by the policy occurs during the policy term. No amount is paid under the savings portion of the policy if a total loss occurs during the policy term.

It is regarded as a total loss when an aggregate amount of claims paid in connection with accidents covered by the policy occurs within any one insurance year during the policy terms of insurance, regardless of whether claims are caused by one or more accidents, and reaches the insured amount covered by the policy. If a total loss occurs, the policy is immediately terminated. The annual frequency of total loss of major savings-type insurance contracts ranges from 0.03% to 0.26%.

The contractual rate of interest credited to the policy varies by product and is established at the beginning of the policy. The committed interest rate cannot be changed by the Company at any time during the policy term. Committed interest rates ranged from 0.3% to 1.5% for the years ended March 31, 2007, 2008 and 2009.

Premiums paid for the indemnity portion are allocated to income ratably over the terms of the related insurance contract. Premiums paid for the savings portion are credited to investment deposits by policyholders. Interest credited to investment deposits by policyholders is charged to income and presented as investment income credited to investment deposits by policyholders in the accompanying consolidated statements of operations. When a total loss occurs, the remaining balance in investment deposits by policyholders corresponding to the total loss contract is reversed and recorded as premium revenue.

(11) Short-term Debt and Long-term Debt

Short-term debt and long-term debt as of March 31, 2008 and 2009 consist of the following:

	2008	2009
	(Yen in millions)	
0.80% Japanese yen debentures, due 2009	¥ 70,000	70,000
1.31% Japanese yen debentures, due 2012	30,000	30,000
1.74% Japanese yen debentures, due 2014	—	65,000
Commercial paper	37,604	—
	137,604	165,000
Less current portion classified as short-term debt	(37,604)	(70,000)
Less unamortized discount	(8)	(39)
Total long-term debt	¥ 99,992	94,961

The Company issued ¥70,000 million of 0.80% unsecured debenture in November 2004, ¥30,000 million of 1.31% unsecured debenture in November 2007, and ¥65,000 million of 1.74% unsecured debenture in March 2009 with bullet repayment of maturity due December 18, 2009, December 20, 2012, and March 20, 2014 respectively.

(12) Reinsurance

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. The Company cedes a portion of the risks it underwrites and pays reinsurance premiums based upon the risks subject to reinsurance contracts. The Company utilizes a variety of reinsurance arrangements, which are classified into two basic types: proportional reinsurance and excess-of-loss reinsurance. Proportional reinsurance is the type of reinsurance where the proportion of claims incurred is proportionate to the share of premiums received. This type of reinsurance is used as a means to limit a loss amount on an individual-risk basis. The excess-of-loss type of reinsurance indemnifies the ceding company against a specified level of losses on underlying insurance policies in excess of a specified agreed amount. Excess-of-loss reinsurance is usually arranged in layers to secure greater capacity by offering various levels of risk exposure with different terms for reinsurers with different preferences. Although a reinsurer is liable to the Company to the extent of the risks assumed, the Company remains liable as the direct insurer to policyholders on all such risks. Failure of reinsurers to honor their obligations could result in losses to the Company. However, considering the Company's applying strict standards when choosing reinsurers in terms of credit risk, no material amount is believed to be uncollectible and no provision has been made for this contingency.

At March 31, 2008 and 2009, there were no significant concentrations with a single reinsurer for reinsurance receivables and prepaid reinsurance premiums.

The effects of reinsurance on the results of operations of property and casualty insurance and life insurance for the years ended March 31, 2007, 2008 and 2009 were as follows:

Property and casualty insurance:

	2007	2008	2009
		(Yen in millions)	
Premiums written:			
Direct	¥1,575,476	1,625,732	1,537,395
Assumed	265,857	264,880	216,372
Ceded	(351,954)	(352,996)	(305,494)
Net premiums written	¥1,489,379	1,537,616	1,448,273

	2007	2008	2009
		(Yen in millions)	
Premiums earned:			
Direct	¥1,569,975	1,597,352	1,532,750
Assumed	264,424	266,471	282,642
Ceded	(365,319)	(361,138)	(306,989)
Net premiums earned	¥1,469,080	1,502,685	1,508,403

	2007	2008	2009
		(Yen in millions)	
Losses and claims incurred:			
Direct	¥ 918,117	947,824	947,167
Assumed	188,034	181,236	304,207
Ceded	(196,495)	(222,803)	(291,333)
Net losses and claims incurred	¥ 909,656	906,257	960,041

Life insurance:

	2007	2008	2009
	(Yen in millions)		
Premiums earned:			
Direct	¥194,197	193,392	190,748
Ceded	(646)	(661)	(635)
Net premiums earned	¥193,551	192,731	190,113

	2007	2008	2009
	(Yen in millions)		
Policyholder benefits:			
Direct	¥156,920	156,714	154,582
Ceded	(329)	(31)	(526)
Net policyholder benefits	¥156,591	156,683	154,056

(13) Income Taxes

Total income taxes for the years ended March 31, 2007, 2008 and 2009 were allocated as follows:

	2007	2008	2009
	(Yen in millions)		
Taxes on income	¥ 52,955	48,137	(12,036)
Taxes on other comprehensive income (loss):			
Net unrealized gains on investments	75,566	(296,550)	(316,773)
Net losses on derivative instruments	1	(14)	—
Minimum pension liability adjustment	(8)	—	—
Adjustment upon adoption of SFAS No. 158	(5,544)	—	—
Pension liability adjustments	—	(6,572)	(3,742)
Total income taxes	¥122,970	(254,999)	(332,551)

The components of earnings (loss) before income taxes and minority interests and income tax expense (benefit) for the years ended March 31, 2007, 2008 and 2009 were as follows:

	2007	2008	2009
		(Yen in millions)	
Earnings (loss) before income taxes and minority interests:			
Domestic	¥143,317	147,619	(71,268)
Foreign	24,122	6,140	(10,708)
Total	¥167,439	153,759	(81,976)
Income tax expense (benefit):			
Current:			
Domestic	¥ 38,473	16,575	25,447
Foreign	5,274	8,793	4,427
Total current income tax expense	43,747	25,368	29,874
Deferred:			
Domestic	8,119	32,623	(40,820)
Foreign	1,089	(9,854)	(1,090)
Total deferred income tax expense (benefit)	9,208	22,769	(41,910)
Total income tax expense (benefit)	¥ 52,955	48,137	(12,036)

MSIGH and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 36%.

The effective tax rates of the Company for the years ended March 31, 2007, 2008 and 2009 differed from the Japanese statutory income tax rates for the following reasons:

	2007	2008	2009
Japanese statutory income tax rate	36.0%	36.0%	(36.0)%
Tax expense for reorganization	—	—	19.0
Unrecognized tax effects by subsidiaries for current losses	0.2	1.6	10.5
Tax credit for dividends received	(4.3)	(5.1)	(10.0)
Dividends received from subsidiaries	0.7	1.2	2.4
Lower tax rates applicable to income of subsidiaries	(1.4)	(2.7)	(1.5)
Expenses not deductible for tax purposes	0.7	0.7	1.5
Other	(0.3)	(0.4)	(0.6)
Effective tax rate	31.6%	31.3%	(14.7)%

The tax effects of temporary differences that gave rise to significant portions of deferred tax assets and deferred tax liabilities at March 31, 2008 and 2009 were as follows:

	2008	2009
	(Yen in millions)	
Deferred tax assets:		
Reported and estimated losses and claims	¥ 44,899	74,431
Adjustment expenses	13,022	16,465
Retirement and severance benefits	41,656	45,362
Computer software development costs	14,037	12,838
Impairment of investments	45,755	60,636
Cost adjustments to investments recognized in income	37,047	47,219
Other	18,585	22,508
Total gross deferred tax assets	215,001	279,459
Less valuation allowance	(7,005)	(12,666)
Total net deferred tax assets	207,996	266,793
Deferred tax liabilities:		
Unearned premiums	118,924	140,757
Deferred policy acquisition costs	123,985	112,101
Property and equipment	6,099	6,166
Cost adjustments to investments recognized in income	19,118	11,107
Unrealized appreciation of investments and derivatives	526,154	209,007
Other	13,694	18,244
Total gross deferred tax liabilities	807,974	497,382
Total net deferred tax liabilities	¥599,978	230,589

At March 31, 2008 and 2009, other assets included deferred tax assets in the amount of ¥5,175 million and ¥7,494 million, respectively.

The net change in total valuation allowance for the years ended March 31, 2007, 2008 and 2009 was an increase of ¥5,346 million, ¥1,434 million and ¥5,661 million, respectively.

Subsequent recognition of tax benefits related to the valuation allowance for deferred tax assets will be recorded in the consolidated statements of operations under SFAS No. 141R.

At March 31, 2009, the Company had operating loss carryforwards for tax purposes of ¥35,154 million, which expire as follows:

	(Yen in Millions)
Years ending March 31:	
2010	¥ 3,626
2011	1,629
2012	1,995
2013	1,198
2014	1,162
Later years	4,574
Indefinite	20,970
Total	¥35,154

The Company intends to reinvest certain undistributed earnings of foreign subsidiaries for an indefinite period of time. As of March 31, 2009, a deferred tax liability was not recognized for ¥47,739 million of undistributed earnings of these subsidiaries where the Company intends to reinvest indefinitely. Determining the tax liability that would arise if these earnings were remitted is not practicable.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax-planning strategies relating to the future reversal of temporary differences.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the recorded valuation allowances, at March 31, 2009.

The Company adopted FIN 48 on April 1, 2007. The unrecognized tax benefits as of and for the years ended March 31, 2008 and 2009 were not material. The Company does not expect that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

The total amounts of penalties and interest expense related to unrecognized tax benefits in the consolidated balance sheets as of March 31, 2008 and 2009, and in the consolidated statements of operations for the years ended March 31, 2008 and 2009 were not material.

The Company files tax returns in Japan and certain foreign tax jurisdictions, and they are periodically audited by Japanese and foreign taxing authorities. MSI has been audited by the Japanese tax authorities through the tax year ended March 31, 2008.

(14) Stockholders' Equity

(a) Common Stock

The amounts of statutory capital and surplus of MSI at March 31, 2008 and of MSIGH at March 31, 2009, on a non-consolidated basis, are presented as follows:

	2008	2009
	(Yen in millions)	
Common stock	¥ 139,596	100,000
Additional paid-in capital	93,107	646,402
Legal reserve	46,488	—
Retained earnings	467,224	23,318
Unrealized gain on securities, net of tax	862,122	—
Deferred hedge losses, net of tax	528	—
Treasury stock	—	(4,645)
Total statutory equity	¥1,609,065	765,075

MSI's statutory net income for the years ended March 31, 2007 and 2008 was ¥55,352 million and ¥38,366 million, respectively. MSIGH's statutory net income for the year ended March 31, 2009 was ¥34,689 million.

The minimum capital requirement of the Insurance Business Law of Japan for a Japanese insurance company is ¥1,000 million on a statutory basis.

The domestic insurance subsidiaries of MSIGH are required to maintain solvency margin ratios of 200% or higher in accordance with the solvency margin regulations stipulated by the Japanese regulatory authorities. The solvency margin regulations are based on factors mainly for underwriting risks, investment risks and large catastrophe risks. The solvency margin must be supported by equity and other resources, including unrealized gains and losses on certain investments and catastrophe reserves based on the financial accounting standards of Japan. At March 31, 2009, the solvency margin ratios of the domestic non-life insurance subsidiaries, MSI and MDGI, were 692.8% and 467.0%, and that of its domestic life insurance subsidiary was 2,069.1%, respectively.

The statutory net income for the years ended March 31, 2007, 2008 and 2009 and shareholders' equity at March 31, 2008 and 2009 of the consolidated insurance subsidiaries were as follows:

	2007	2008	2009
		(Yen in millions)	
Statutory net income:			
Property and casualty	¥ 32,792	11,453	20,225
Life	22	55	45
Statutory shareholders' equity:			
Property and casualty	¥265,969	257,372	1,213,122
Life	51,980	57,486	56,064

* MSI is included in the consolidated insurance subsidiaries for 2009, while for 2007 and 2008 it was then a parent company and not included.

On May 20, 2009, the board of directors of MSIGH resolved to repurchase common stocks as follows:

	Number of Shares Repurchased (Maximum)	Total Amount of Repurchase (Maximum)	Period of Repurchase
	(Shares)	(In millions of yen)	
Common stock . .	5,000,000	10,000	From: January 5, 2010 To: March 24, 2010

The amounts of undistributed retained earnings of affiliates which were accounted for by the equity method were ¥18,206 million and ¥15,380 million at March 31, 2008 and 2009, respectively.

(b) Retained Earnings

The Japanese Corporate Law requires a company to set aside an amount equal to 10% of retained earnings distributed, such as cash dividends, as a capital surplus or a legal reserve until the aggregate amount of capital surplus and legal reserve reaches 25% of the amount of common stock. Capital surplus and legal reserve is not available for dividends, but legal reserve may be used to reduce a deficit or may be transferred to other retained earnings.

The amount available for dividends is based on MSIGH's non-consolidated financial statements in accordance with the Japanese Corporate Law and was ¥485,883 million as of March 31, 2009. The adjustments included in the accompanying consolidated financial statements to have them conform with U.S. GAAP, but not recorded in the books of account, have no effect on the determination of the amount available for dividends under the Japanese Corporate Law.

Cash dividends charged to unappropriated retained earnings for the years ended March 31, 2007, 2008 and 2009 represent dividends paid out during those years. Provision has neither been made in the accompanying consolidated financial statements for the dividends of ¥27.00 per share totaling ¥11,321 million, subsequently proposed by the Board of Directors and, on June 25, 2009, approved by the shareholders, nor for the related appropriation to the legal reserve.

The reconciliation of the basic and diluted earnings per share is not reported because there are no diluted shares.

The components of the basic earnings (loss) per share are as follows:

	2007	2008	2009
		(Yen in millions)	
Net income (loss) available to common shareholders	¥113,916	104,796	(70,240)

	2007	2008	2009
		(Number of shares in thousands)	
Weighted average common shares outstanding	425,902	423,259	421,052

	2007	2008	2009
		(Yen)	
Earnings (loss) per share — basic	¥267.47	247.59	(166.82)

(c) Other Comprehensive Income (loss)

Changes in accumulated other comprehensive income for the years ended March 31, 2007, 2008 and 2009 were as follows:

	2007	2008	2009
		(Yen in millions)	
Foreign currency translation adjustments:			
Balance at beginning of period	¥ (605)	10,345	6,330
Current-period change	10,950	(4,015)	(61,870)
Balance at end of period	10,345	6,330	(55,540)
Unrealized gains on securities, net of tax:			
Balance at beginning of period	1,120,697	1,256,104	729,966
Current-period change	135,407	(526,138)	(564,918)
Balance at end of period	1,256,104	729,966	165,048
Net gains on derivative instruments, net of tax:			
Balance at beginning of period	23	24	—
Current-period change	1	(24)	—
Balance at end of period	24	—	—
Minimum pension liability adjustment, net of tax:			
Balance at beginning of period	(791)	—	—
Current-period change	(15)	—	—
Adjustment upon adoption of SFAS No. 158	806	—	—
Balance at end of period	—	—	—
Pension liability adjustments, net of tax:			
Balance at beginning of period	—	(10,707)	(22,629)
Current-period change	—	(11,922)	(6,919)
Adjustment upon adoption of SFAS No. 158	(10,707)	—	—
Balance at end of period	(10,707)	(22,629)	(29,548)
Total accumulated other comprehensive income, net of tax:			
Balance at beginning of period	1,119,324	1,255,766	713,667
Current-period change	146,343	(542,099)	(633,707)
Adjustment upon adoption of SFAS No. 158	(9,901)	—	—
Balance at end of period	¥1,255,766	713,667	79,960

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The tax effect allocated to each component of other comprehensive income (loss) and the reclassification adjustments for the years ended March 31, 2007, 2008 and 2009 were as follows:

	Before Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
		(Yen in millions)	
2007:			
Foreign currency translation adjustments	¥ 10,950	—	10,950
Unrealized gains on securities:			
Unrealized holding gains arising during period	248,550	(89,095)	159,455
Less: reclassification adjustment for gains realized in net income	(37,577)	13,529	(24,048)
Net unrealized gains on securities	210,973	(75,566)	135,407
Net losses on derivative instruments:			
Net losses on derivative instruments arising during period	139	(50)	89
Less: reclassification adjustment for gains realized in net income	(137)	49	(88)
Net losses on derivative instruments	2	(1)	1
Minimum pension liability adjustment	(23)	8	(15)
Other comprehensive income	¥ 221,902	(75,559)	146,343
2008:			
Foreign currency translation adjustments	¥ (4,015)	—	(4,015)
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period	(765,548)	275,355	(490,193)
Less: reclassification adjustment for gains realized in net income	(57,140)	21,195	(35,945)
Net unrealized gains on securities	(822,688)	296,550	(526,138)
Net gains on derivative instruments:			
Net gains on derivative instruments arising during period	—	—	—
Less: reclassification adjustment for gains realized in net income	(38)	14	(24)
Net gains on derivative instruments	(38)	14	(24)
Pension liability adjustments:			
Pension liability adjustments arising during period	(16,190)	5,753	(10,437)
Less: reclassification adjustment for gains realized in net income	(2,304)	819	(1,485)
Pension liability adjustment	(18,494)	6,572	(11,922)
Other comprehensive loss	¥(845,235)	303,136	(542,099)

	Before Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
		(Yen in millions)	
2009:			
Foreign currency translation adjustments	¥ (61,870)	—	(61,870)
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period	(661,999)	237,731	(424,268)
Less: reclassification adjustment for gains realized in net income	(219,692)	79,042	(140,650)
Net unrealized gains on securities	(881,691)	316,773	(564,918)
Pension liability adjustments:			
Pension liability adjustments arising during period	(9,262)	3,251	(6,011)
Less: reclassification adjustment for gains realized in net income	(1,399)	491	(908)
Pension liability adjustments	(10,661)	3,742	(6,919)
Other comprehensive loss	¥(954,222)	320,515	(633,707)

(15) Retirement and Severance Benefits

MSI has defined benefit plans and a defined contribution plan. Defined benefit plans consist of an unfunded lump-sum payment benefit plan and funded non-contributory pension plans covering substantially all employees. Under the plans, employees are entitled to lump-sum or annuity payments based on the current rate of pay and length of service at retirement or termination of employment for reasons other than dismissal for cause. Directors and statutory auditors are not covered by the above plans and their benefits are accrued as earned.

On March 31, 2007, the Company adopted the recognition provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)".

SFAS No. 158 requires the recognition of the overfunded or unfunded status of defined benefit plans as an asset or liability in the statement of financial position and the recognition of changes in that funded status in comprehensive income in the year in which the changes occur. Incremental effect of applying SFAS No. 158 as of March 31, 2007 was as follows:

	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
		(Yen in millions)	
Retirement and severance benefits	¥(83,002)	(15,445)	(98,447)
Deferred income taxes	388	5,544	5,932
Accumulated other comprehensive income	806	9,901	10,707

The components of net periodic benefit cost for the years ended March 31, 2007, 2008 and 2009 were as follows:

	2007	2008	2009
	(Yen in millions)		
Components of net periodic benefit cost:			
Service cost	¥11,277	11,340	11,607
Interest cost	5,341	5,372	5,465
Expected return on plan assets	(4,894)	(5,002)	(4,667)
Amortization of prior service cost	(2,509)	(2,509)	(2,509)
Recognized actuarial loss	191	205	1,109
Net periodic benefit cost	¥ 9,406	9,406	11,005

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets for the years ended March 31, 2007, 2008 and 2009 were as follows:

	2007	2008	2009
	(Yen in millions)		
Change in benefit obligations:			
Benefit obligations at beginning of year	¥262,327	265,063	271,865
Service cost	11,277	11,340	11,607
Interest cost	5,341	5,372	5,465
Plan participants' contributions	4	4	33
Actuarial loss (gain)	(1,618)	1,688	(10,681)
Benefits paid	(12,268)	(11,602)	(13,076)
Benefit obligations at end of year	¥265,063	271,865	265,213
Change in plan assets:			
Fair value of plan assets at beginning of year	¥163,095	166,616	155,578
Actual return on plan assets	4,518	(9,719)	(15,851)
Employer contributions	4,115	3,624	4,359
Plan participants' contributions	4	4	33
Benefits paid	(5,116)	(4,947)	(5,444)
Fair value of plan assets at end of year	¥166,616	155,578	138,675
Funded status	¥ (98,447)	(116,287)	(126,538)
Amounts recognized in the balance sheets	¥ (98,447)	(116,287)	(126,538)
Pension plans with an accumulated benefit obligation in excess of plan assets:			
Projected benefit obligation	¥265,063	271,865	265,213
Accumulated benefit obligation	234,207	241,189	236,442
Fair value of plan assets	166,616	155,578	138,675

The Company uses a measurement date of March 31 for all of its pension and severance plans.

Amounts recognized in accumulated other comprehensive income, pre-tax at March 31, 2008 and 2009 were as follows:

	2008	2009
	(Yen in millions)	
Net actuarial loss	¥40,854	49,006
Net prior service cost	(5,722)	(3,213)

Amounts in accumulated other comprehensive income, pre-tax expected to be recognized as components of net periodic benefit cost over the next fiscal year are as follows:

	2010
	(Yen in millions)
Net actuarial loss	¥ 1,992
Net prior service cost	(2,509)

The accumulated benefit obligation for the pension plan was ¥241,189 million and ¥236,442 million at March 31, 2008 and 2009, respectively.

Major weighted-average assumptions used to determine benefit obligations at March 31, 2007, 2008 and 2009 were as follows:

	2007	2008	2009
Discount rate	2.00%	2.00%	2.30%
Rate of increase in future compensation	4.10% to 4.60%	4.10% to 4.60%	4.10% to 4.60%

Major weighted-average assumptions used to determine net cost for the years ended March 31, 2007, 2008 and 2009 were as follows:

	2007	2008	2009
Discount rate	2.00%	2.00%	2.00%
Expected long-term return on plan assets	3.00%	3.00%	3.00%
Rate of increase in future compensation	4.10% to 4.60%	4.10% to 4.60%	4.10% to 4.60%

The discount rate is determined by reference to the Moody's Aa corporate bond and Japanese government bond at the measurement date, March 31, 2007, 2008 and 2009, based on the expected terms of benefit obligations.

The Company determines its expected long-term rate of return based on the expected long-term return of various asset categories in which it invests in consideration of the current expectations for future returns and the historical returns of each plan asset category.

The asset allocation of the Company's pension benefits at March 31, 2008 and 2009 were as follows:

	2008	2009
Fixed maturities	69.0%	72.0%
Equity securities	24.5%	16.3%
Other	6.5%	11.7%

The Company's investment policies are designed to provide long-range stability of investment profit for ensuring adequate plan assets are available to provide future payments of pension benefits to eligible participants. The Company endeavors to obtain better performance more than earnings from the expected long-term rate of return on plan assets. Plan assets are invested in individual equities and fixed maturities using the guidelines of the model portfolio with a consideration of its performance, expected returns and risks. The Company evaluates its plan asset allocation and can change its portfolio allocation as needed.

The amounts contributed to defined contribution plans approximated ¥1,406 million, ¥1,475 million and ¥2,459 million for the years ended March 31, 2007, 2008 and 2009, respectively.

The Company forecasts to contribute ¥8,976 million to the defined benefit pension plans in the year ending March 31, 2010.

Expected future benefit payments for the defined benefit pension plan are as follows:

	(Yen in Millions)
Years ending March 31:	
2010	¥11,921
2011	11,676
2012	12,400
2013	12,934
2014	13,286
2015-2019	69,087

(16) Derivative Financial Instruments

The Company utilizes derivative financial instruments (a) to manage interest rate risk and foreign exchange risk arising from its fixed maturities portfolio and (b) to generate trading revenues and fee income. All derivatives are recognized on the consolidated balance sheets at fair value as other assets or other liabilities.

All derivative transactions are controlled in accordance with the Company's risk management rules. Under these rules, the purpose of derivative financial instruments is predetermined in writing, the balance of trading derivatives is limited to the extent permitted by the internal guidelines and derivative instruments entered into for hedging purposes require the advance approval of management. The Company's portfolio is broadly diversified to ensure that there is no significant concentration of credit risk with any individual counterparty or group of counterparties. The Company's policies prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis. Back-office functions, such as settlements or monitoring, are designed independently from the function responsible for dealings.

Derivatives used for interest rate risk and foreign exchange risk management

The Company uses interest rate swaps, currency swaps and foreign exchange forward contracts to hedge the exposure to variability in expected future cash flows arising from fixed maturity securities available for sale. Changes in fair value of these derivatives are reported in net realized gains (losses) on investments. Such deferred amounts are subsequently reclassified into net investment income when the hedged interest cash flows affect earnings. The amount of the hedges' ineffectiveness or components of derivative instruments' gain or loss excluded from the assessment of hedge effectiveness for the year ended March 31, 2007 was immaterial. The Company reconsidered the cost-effectiveness of hedge accounting treatment for those instruments and, as a result, the Company discontinued hedge accounting in the year ended March 31, 2008. Ceasing hedge accounting did not have a material effect on the Company's reported financial position or cash flows.

Derivatives trading revenues

The Company uses a variety of derivative instruments, such as interest rate futures, forwards and options, interest rate and currency swaps, bond futures and options, foreign exchange forwards and options and credit derivatives, and non-derivative instruments, such as weather derivatives, to generate trading revenues and fee income. Changes in fair value of these derivatives are reported in net realized gains (losses) on investments.

Credit derivatives

The Company enters into certain derivative contracts that are considered credit derivatives under FSP FAS No. 133-1 and FIN 45-4. Under the majority of those contracts, the Company underwrites single-name credit default swaps and other credit-risk related portfolio products, which require the Company as a seller of protection to make a payment to a buyer upon the occurrence of credit events. Typical credit events include bankruptcy, failure to pay and restructuring.

Most contracts which the Company enters into have a five-year term, with other provisions in accordance with definition in the 2003 ISDA Credit Derivative Definition. There are no contracts involving provision of collateral, and thus no situations in which collateral must be provided. For most written credit derivatives, the nominal amount represents the maximum potential amount payable by the Company. The Company controls the underwriting to be diversed across industry sectors, and as a result, there is no concentration in any one particular industry.

The components of written credit derivatives by underlying asset type as of March 31, 2009 were as follows:

	Nominal Amount	Estimated Fair Value
	(Yen in millions)	
Corporate CDSs(1)	¥158,618	¥ (7,671)
ABS-CDO(2)	1,150	(65)
CDO(3)	388,473	(24,324)
Total outstanding written credit derivatives	¥548,241	¥(32,060)

(1) Corporate CDS: single-name credit default swaps

(2) ABS-CDO: credit-risk related portfolio products in which referenced assets include structured finance.

(3) CDO: credit-risk related portfolio products in which referenced corporate obligations, not including structured finance.

The components of written credit derivatives by par amount of corporate CDSs as of March 31, 2009 were as follows:

	Nominal Amount	Estimated Fair Value
	(Yen in millions)	
Less than ¥3.0 billion	¥155,618	¥(7,546)
Between ¥3.0 billion to ¥5.0 billion	3,000	(125)
More than ¥5.0 billion	—	—
Total outstanding written credit derivatives	¥158,618	¥(7,671)

The components of written credit derivatives by vintage as of March 31, 2009 were as follows:

	Nominal Amount	Estimated Fair Value
	(Yen in millions)	
2001	¥ 1,150	¥ (65)
2002	—	—
2003	982	(3)
2004	42,576	(938)
2005	156,028	(3,555)
2006	72,076	(7,282)
2007	245,429	(20,184)
2008	30,000	(33)
Total outstanding written credit derivatives	¥548,241	¥(32,060)

The components of written credit derivatives by credit rating as of March 31, 2009 were as follows:

	Nominal Amount	Estimated Fair Value
	(Yen in millions)	
AAA	¥357,993	¥(10,156)
AA	108,402	(6,646)
A	63,147	(4,963)
BBB	13,788	(5,384)
BB and the lower	4,911	(4,911)
Total outstanding written credit derivatives	¥548,241	¥(32,060)

Subordinated discounts for all CDO deals (weighted average of guarantee amounts) were as follows:

At initial contract: 18%

As of March 31, 2009: 18%

(17) Fair Value of Financial Instruments

The estimated fair values of the financial instruments at March 31, 2008 and 2009 were as follows:

	2008		2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(Yen in millions)			
Financial assets:				
Fixed maturities	¥ 3,783,659	3,793,278	3,470,446	3,486,714
Equity securities	2,547,773	2,547,773	1,703,433	1,703,433
Mortgage loans on real estate	9,859	9,682	9,224	9,052
Policy loans	39,536	39,536	43,254	43,254
Other long-term investments	749,385	736,117	711,653	698,739
Short-term investments	120,086	120,086	106,852	106,852
Cash and cash equivalents	368,290	368,290	455,444	455,444
Indebtedness from affiliates	2,961	2,808	2,857	2,747
Accrued investment income	24,798	24,798	20,228	20,228
Premiums receivable and agents' balances	140,562	140,562	144,005	144,005
Other assets:				
Weather derivatives	453	453	236	236
Derivative assets:				
Foreign exchange contracts	599	599	1,957	1,957
Interest rate contracts	13,639	13,639	19,670	19,670
Bond and equity index contracts	66	66	39	39
Credit derivatives	89	89	—	—
Commodity contracts	2,099	2,099	4,184	4,184
Financial liabilities:				
Investment deposits by policyholders	¥(2,119,153)	(2,371,996)	(2,043,991)	(2,282,047)
Indebtedness to affiliates	(2,232)	(2,232)	(1,616)	(1,616)
Short-term debt	(37,604)	(37,604)	(70,000)	(70,000)
Long-term debt	(99,992)	(100,051)	(94,961)	(94,643)
Other liabilities:				
Weather derivatives	(161)	(161)	(195)	(195)
Derivative liabilities:				
Foreign exchange contracts	(6,275)	(6,275)	(4,330)	(4,330)
Interest rate contracts	(7,269)	(7,269)	(4,889)	(4,889)
Bond and equity index contracts	(212)	(212)	(63)	(63)
Credit derivatives	(40,010)	(40,010)	(32,060)	(32,060)
Commodity contracts	(2,097)	(2,097)	(4,184)	(4,184)

The fair values of the financial instruments shown in the above table as of March 31, 2009 represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances.

The methodologies and assumptions used to estimate the fair values of financial instruments are as follows:

The carrying amounts of cash and cash equivalents, policy loans, accrued investment income, premiums receivable and agents' balances and short-term debt approximate their fair values due to the short-term maturities of these instruments.

The methodologies to estimate fair values of fixed maturity securities, equity securities, short-term investments, and derivative financial instruments are described in Note 18.

(a) Investments in Mortgage Loans and Other Long-term Investments

The fair values of loans and other long-term investments with fixed interest rates are estimated by discounting future cash flows using estimates of market rates for securities with similar characteristics.

The carrying amounts of investments with floating interest rates approximate their fair values. The fair value of consumer loans, which are included in other long-term investments, in the amount of ¥380,353 million and ¥376,325 million at March 31, 2008 and 2009, respectively, approximates the carrying amount. The floating and fixed rates on consumer loans in the years ended March 31, 2007, 2008 and 2009 range from approximately 1.0% to 9.0%, and the remaining loan periods are from approximately six months to 35 years.

(b) Indebtedness from Affiliates

The fair values of loans to affiliates with fixed interest rates are estimated by discounting future cash flows using the long-term prime rate at the end of the year.

(c) Investment Deposits by Policyholders

The fair values of investment deposits by policyholders are estimated by discounting future cash flows using the interest rates currently being offered for similar contracts.

(d) Indebtedness to affiliates and Long-term Debt

The fair values of these financial instruments are estimated using quoted market prices for these or similar characteristic instruments.

(18) Fair Value Hierarchy

The Company adopted SFAS No. 157 on April 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows

Level 1

Quoted prices for identical instruments in active markets; fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. This category generally includes equity securities that are traded in active exchange markets.

Level 2

Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active and model derived valuations in which all significant inputs and significant value drivers are observable in active markets. This category generally includes most government, government agency, and corporate bonds.

Level 3

Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Fair value is based on significant unobservable inputs for the asset or liability.

In accordance with SFAS No. 157, the Company has established a methodological framework in order to measure fair value of financial instruments on a recurring basis. The fair value of financial instruments, including exchange traded securities and derivatives is based on quoted market prices, including market indices, broker or dealer quotations or an estimation by management of the amounts expected to be realized upon settlement under current market conditions. For financial instruments which have quoted market prices in active markets, the Company uses quoted market prices in the determination of fair value. Certain financial instruments, such as cash and over-the-counter ("OTC") contracts, have bid and ask prices that are observable in the market. These are measured at the point within the bid-ask range which best represents the Company's estimate of fair value. Where quoted market prices or broker or dealer quotations are not available, the Company uses prices for similar instruments or valuation pricing models in the determination of fair value.

As for security pricing, publicly available prices are first sought from third party pricing services, the remaining unpriced securities are submitted to independent brokers for prices where applicable. Typical inputs used by the brokers include, but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, and/or estimated cash flows.

A categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Management judgment is required to determine whether a market is active or inactive in determining the fair value hierarchy. Key criteria used to determine whether a market is active or inactive include the number of transactions, the frequency pricing is updated by other market participants, the variability of prices quotations amongst other market participants, and the amount of publicly available information.

Summary of significant valuation techniques for financial assets and financial liabilities measured at fair value on a recurring basis is as follows:

Level 1

- Fixed maturity securities: Japanese government bonds, U.S. treasuries and bonds issued by governments of several European nations are categorized in Level 1. Since their valuations are based on quoted prices that are readily and regularly available in active markets, valuation adjustments are not applied. Accordingly, these are categorized in Level 1 of the fair value hierarchy.

- Equity securities: Comprise actively traded, exchange-listed Japanese and other equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access. Accordingly, these are categorized in Level 1 of the fair value hierarchy.
- Short-term investments: Comprise actively traded money trusts that have net asset values determined by daily quoted prices of respective entrusted assets that the Company can access. Accordingly, these are categorized in Level 1 of the fair value hierarchy.
- Derivatives: Comprise actively traded, exchange-listed financial derivatives. Listed derivatives that are actively traded are valued based on quoted prices from the exchange and whereby are categorized in Level 1 of the fair value hierarchy.

Level 2

- Fixed maturity securities: Comprise government and municipal bonds traded in markets that are not active, corporate bonds valued based on inputs including quoted prices for identical or similar assets in markets that are not active, and privately placed securities valued based on market-observable inputs.
- Equity securities: Comprise equity securities valued based on inputs including quoted prices for identical or similar assets in markets that are not active.
- Derivatives: Comprise OTC financial derivatives, valued based on market-observable inputs obtained from third party pricing services. Also, listed derivatives that are not actively traded are valued using the same approaches as those applied to OTC derivatives, which are generally categorized in Level 2 of the fair value hierarchy.

Level 3

The company values its assets and liabilities classified as Level 3 using judgment and valuation models or other pricing techniques that require a variety of inputs including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs, some of which may be unobservable.

- Fixed maturity securities: Comprise corporate bonds, municipal bonds and residential mortgage backed securities "RMBS" valued using broker quotes, to which primary inputs are unobservable in the market.

  Prices from third party pricing services are often unavailable for securities that are rarely traded or traded only in privately negotiated transactions. As a result, certain securities are priced via independent broker quotations which utilize inputs that may be difficult to corroborate with observable market based data.

  The Company performs an analysis of the prices and credit spreads received from third parties to ensure that the prices represent a reasonable estimate of the fair value. This process involves quantitative and qualitative analysis and is overseen by investment and accounting professionals. As a result of this analysis, if the Company determines there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly.

  Due to a general lack of transparency in the process that the brokers use to develop prices, most valuations that are based on brokers' prices are classified as Level 3.

- Equity securities: Comprise non-traded equity securities and privately placed non-traded investment trusts.

  The valuation of privately placed investment trusts requires significant management judgment due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. As such, private equity investments are valued initially based upon cost. Regularly, valuations are reviewed utilizing available data including significant management estimates to determine if the carrying value of these investments should be adjusted. Therefore, privately placed investment trusts are included in Level 3 of the valuation hierarchy.

- Derivatives: Derivative products, typically the newest and most complex products or products that have become illiquid, require more judgment in the implementation of the valuation technique applied due to the complexity of the valuation assumptions and the reduced observability of inputs. Derivatives in Level 3 mainly comprise credit derivatives valued using the discounted cash flow model which is widely accepted by the financial services industry and do not necessitate significant judgment. Primary inputs to the model include interest rates, foreign exchange and credit spreads. Interest rates and foreign exchange are observable in the active market, therefore they are not adjusted. Credit spreads data, which appropriately reflect factors such as default rates and recovery rates, are obtained from widely known financial information service companies. For credit derivatives for which credit spreads cannot be observed in an active trading market (such as ABS- CDOs), the Company uses one quote obtained from brokers involved in valuing these instruments. Prior to use of the broker quotes, the Company examines whether third parties supplying derivatives have determined the market price based on either the standard price, the discounted price, or the pricing model. Of these, many traders use either the discount price or the pricing model in computing market value, and the Company analyzes price movements of prices for making valuation judgments and determinations. The Company understands that the traders' pricing models incorporate observable inputs such as market interest rates where appropriate but their practices may vary. The Company did not make adjustments to the prices of derivatives obtained from financial institutions.

(a) *Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis*

The Company's financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2009 were as follows:

March 31, 2009:	Level 1	Level 2	Level 3	Total
		(Yen in millions)		
Assets				
Securities available for sale:				
Fixed maturities	¥ 847,866	1,964,457	170,596	2,982,919
Equity securities	1,294,795	109,006	298,453	1,702,254
Short term-investments	6,865	6,808	—	13,673
Other assets:				
Derivatives	39	21,627	4,420	26,086
Liabilities				
Other liabilities:				
Derivatives	¥ 63	9,219	36,439	45,721

The reconciliation of financial assets and financial liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from April 1, 2008 to March 31, 2009 were as follows:

March 31, 2009:	Balance as of April 1, 2008	Net Realized and Unrealized Gains (Losses) Included in Income(1)	Change in Accumulated Other Comprehensive Income (Loss), Gross of Tax	Purchases, Sales, and Settlements	Transfers in and/or Out of Level 3	Balance at End of Period	Changes in Unrealized Gains (Losses) Held at End of Period(2)
				(Yen in Millions)			
Securities available for sale							
Fixed maturities	¥228,483	(3,352)	(7,744)	(46,791)	—	170,596	(1,635)
Equity securities	287,550	(16,404)	(28,036)	55,343	—	298,453	(16,404)
Derivatives (net)	(39,627)	(9,266)	—	16,874	—	(32,019)	(6,956)

(1) Included in *Investment income, net of investment expenses* and *Net realized gains (losses) on investments* in the accompanying consolidated statement of operations.

(2) Included in *Net realized gains (losses) on investments* in the accompanying consolidated statement of operations.

The major Level 3 assets and liabilities were as follows:

Fixed maturities classified as Level 3 primarily consist of corporate bonds and RMBS, of which the fair values were ¥77,807 million and ¥77,133 million, respectively, at March 31, 2009. These assets are valued using broker quotes, to which primary inputs would be unobservable in the market. Due to a general lack of transparency in the process that the brokers use to develop prices, these brokers' prices are classified as Level 3.

Equity securities classified as Level 3 primarily consist of non-traded equity securities and privately placed investment trusts, of which the fair values are ¥181,963 million and ¥80,262 million, respectively, at March 31, 2009.

The Level 3 liabilities primarily consist of credit derivatives, of which the fair value (net) was ¥32,060 million at March 31, 2009.

(b) Financial Assets Measured at Fair Value on a Non-Recurring Basis

Mortgage loans and other long-term investments written-down to fair value in connection with recognizing other-than-temporary impairments are valued based on unobservable inputs. At March 31, 2009, mortgage loans and other long-term investments with a fair value of ¥2,027 million were included in the fair value hierarchy in Level 3 since they were subject to remeasurement at fair value.

(19) Variable Interest Entities

The Company has entered into transactions with various types of VIEs which are described as follows:

The Company holds the subordinated notes issued by VIEs formed for the purpose of guaranteeing the obligation of the Company under the reinsurance agreements (reinsurance guarantee VIEs). These VIEs hold U.S. government securities to collateralize the guarantee. The Company consolidates reinsurance guarantee VIEs as it absorbs a majority of the VIEs' expected losses and receives a majority of the VIEs' expected residual returns.

The Company engages in certain structured transactions, mainly securitization of independent third parties' assets through a VIE. The Company provides guarantee insurance for the VIE which is involved in the asset-backed securities business where it helps meet customers' financing needs by providing access to the commercial paper markets (commercial paper conduit VIE). The Company guarantees the redemption of commercial paper issued by the VIE. In addition, the Company holds commercial paper issued by the VIE which found difficulty in issuing commercial paper due to the market disruption. The Company consolidates this commercial paper conduit VIE as it absorbs a majority of the VIE's expected losses.

The assets and liabilities for the VIEs that are consolidated by the Company (net of intercompany balances that have been eliminated in consolidation) at March 31, 2009 were as follows:

Consolidated VIEs	Assets	Liabilities
	(Yen in millions)	
2009:		
Reinsurance guarantee VIEs	¥15,629	22
Commercial paper conduit VIE	5,302	1
Total	¥20,931	23

For Reinsurance guarantee VIEs, assets are primarily included in Securities available for sale: Fixed maturities, at fair value, and liabilities are included in Other liabilities. For Commercial paper conduit VIE, on the other hand, assets are primarily included in Short-term investments, and liabilities are included in Other liabilities.

A consolidated subsidiary of the Company holds significant variable interests in the VIEs which were structured by other parties for the purpose of project financing (project financing VIEs). As a means of ensuring timely repayment of the loan, the consolidated subsidiary provides limited credit enhancement for the VIEs through the guarantee insurance contracts. The consolidated subsidiary does not retain a first-risk-of-loss position and does not absorb a majority of these VIEs' expected losses and the VIEs were accordingly not consolidated in the accompanying consolidated financial statements.

The carrying amount of the liabilities in the Company's consolidated balance sheet that relate to those VIEs and maximum exposure to loss for those VIEs at March 31, 2009 were as follows:

	On-balance Liabilities	Maximum Exposure to Loss
	(Yen in millions)	
2009:		
Project financing VIEs	¥1,772	41,282

For project financing VIEs, the maximum exposure to loss represents a total insured amount of the guarantee insurance contracts, whereas the on-balance liabilities represent Unearned premiums calculated in accordance with SFAS No. 60.

(20) Commitments and Contingent Liabilities

At March 31, 2008 and 2009, commitments outstanding for the purchase of property and equipment amounted to approximately ¥40,104 million and ¥39,680 million, respectively. At March 31, 2008 and 2009, commitments outstanding for the purchase of investment real estate amounted to approximately nil and ¥2,547 million, respectively.

The Company is contingently liable for various financial guarantees totaling ¥589 million as of March 31, 2008 and ¥nil as of March 31, 2009. Fees related to these guarantees totaling ¥54 million, ¥51 million and ¥42 million were recorded as revenue on an accrual basis by the Company for the years ended March 31, 2007, 2008 and 2009, respectively. These guarantees are provided in the ordinary course of business and include guarantees with respect to asset-backed securities, bonds, loans and other financial obligations. The contractual amounts of the financial guarantees reflect the Company's maximum exposure to credit loss in the event of nonperformance. The Company's policy related to providing these financial guarantees limits transactions to those with credit ratings of an investment grade or equivalent creditworthiness and limits the amount of a guarantee on any individual transaction.

At March 31, 2009, the Company had a ¥3,056 million investment in a limited partnership with overseas partners. A condition of the support agreement is that additional investment shall be made by the limited partners, based on the pro rata share in the partnership, should there be a shortage of funds in the partnership. Considering the latest financial information of the partnership available to the Company as of November 28, 2008, its most recent balance sheet date, management believes the likelihood of an additional capital requirement is remote. In addition to the above commitment, the Company had a contract that would have provided a financial guarantee to the limited partnership; however, the amount of potential payment based on the contract was zero as of March 31, 2009. The obligation of the Company under the guarantee was fully collateralized with securities, and no net exposure existed as of March 31, 2009.

The Company had loan commitment agreements amounting to ¥3,436 million and ¥3,164 million as of March 31, 2008 and 2009, respectively. The Company's policy to provide loan commitment agreements is basically the same as that of guarantee contracts.

The Company occupies certain offices and other facilities under lease arrangements. The following is a schedule by years of future minimum rental payments required under non-cancelable operating leases that have initial or remaining lease terms in excess of one year as of March 31, 2009:

	(Yen in Millions)
Years ending March 31:	
2010	¥ 2,558
2011	2,124
2012	1,437
2013	1,021
2014	625
Later years	2,708
Total future minimum rental payments	¥10,473

Rental expenses for the years ended March 31, 2007, 2008 and 2009 were ¥14,259 million, ¥15,422 million and ¥16,288 million, respectively.

The Company leases assets related to investment property to the third parties under operating leases. The following is a schedule by years of future minimum lease receivables under non-cancelable operating leasing that have initial or remaining lease terms in excess of one year as of March 31, 2009:

	(Yen in Millions)
Years ending March 31:	
2010	¥1,019
2011	1,017
2012	831
2013	348
2014	187
Later years	2,008
Total future minimum lease receivables	¥5,410

(21) Reconciliation of Net Income (Loss) to Net Cash Provided by Operating Activities

	2007	2008	2009
		(Yen in millions)	
Net income (loss)	¥113,916	104,796	(70,240)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Valuation allowance for credit losses	(4,237)	(1,967)	1,798
Impairment losses of long-lived assets	1,205	4,244	817
Realized losses (gains) from sales or revaluation of investments	(31,530)	(24,616)	117,897
Amortization of fixed maturity securities	4,212	2,456	116
Depreciation	17,445	19,879	27,413
Provision for retirement and severance benefits	(6,449)	2,332	(155)
Deferred income taxes	9,208	22,769	(41,910)
Decrease (increase) in assets:			
Net insurance related assets	(3,041)	(32,631)	(26,300)
Deferred policy acquisition costs	17,319	2,457	27,261
Accrued investment income	(1,248)	(940)	3,188
Derivative assets	(1,462)	(10,028)	(9,348)
Other assets	(11,065)	2,793	705
Increase (decrease) in liabilities:			
Losses and claims	63,541	37,243	93,444
Unearned premiums	17,652	35,276	(55,961)
Future policy benefits	75,819	63,921	41,845
Income taxes	(8,426)	(13,782)	(17,521)
Derivative liabilities	1,675	43,318	(10,337)
Other liabilities	29,199	4,831	17,476
Interest credited to policyholders' contract deposits	48,482	48,498	44,573
Other, net	(6,959)	(2,842)	12,719
Net cash provided by operating activities	¥325,256	308,007	157,480

(22) Supplementary Cash Flow Information

	2007	2008	2009
	(Yen in millions)		
Cash paid during the year for:			
Interest	¥ 795	947	1,653
Income taxes	51,862	44,476	39,277
Noncash transaction:			
Capital lease obligations incurred	772	924	703
Acquisition of subsidiaries:			
Fair value of assets	34,149	—	—
Fair value of liabilities	21,191	—	—
Minority interests	4,345	—	—
Net cash paid	7,337	—	—

(23) Segment Information

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the segments reported below are the components of the Company for which separate financial information is available that is evaluated regularly by the chief operating decision maker of the Company in deciding how to allocate resources and in assessing performance.

The Company identifies operating segments in accordance with the nature of the products and services. The property and casualty insurance segment offers automobile, fire, personal accident, liability and other forms of property and casualty insurance products. The Company's financial services business, including financial guarantees and derivatives are also operated within the property and casualty insurance segment. Life insurance operations are conducted by the Company's wholly owned subsidiary, MS Kirameki, which offers a wide range of traditional life insurance products such as term-life, whole-life and annuity insurance, and a joint venture company, MS MetLife, which offers variable annuity plans that combine the appeal of fund management, insurance, and annuity products, and fixed annuities denominated in foreign currencies.

The chief operating decision maker of the Company assesses segment profit and loss based on net income and segment assets based on total assets of the segment, all determined in accordance with Japanese GAAP. Accordingly, the operating segment information is based on internal financial information presented to the chief operating decision maker of the Company on a Japanese GAAP basis with certain limited presentation differences from that utilized in the Company's external Japanese GAAP financial reporting. Additionally, the format and information presented in the internal management reporting are not consistent with the consolidated financial statements prepared on a U.S. GAAP basis.

Financial information with respect to the operating segments and reconciling items to the Company's external Japanese GAAP financial statements as of and for the years ended March 31, 2007, 2008 and 2009 is as follows:

	Property and Casualty Insurance	Life Insurance	Total Operating Segments	Adjustments and Eliminations	Consolidated
			(Yen in millions)		
2007:					
Net premiums written	¥1,492,808	—	1,492,808	—	1,492,808
Net claims paid	846,445	—	846,445	—	846,445
Life insurance premiums	—	165,364	165,364	—	165,364
Life insurance claims	—	24,850	24,850	—	24,850
Commission and collection expenses	241,089	17,003	258,092	(433)	257,659
Operating expenses and general and administrative expenses(1)	244,912	20,790	265,702	(2,713)	262,989
Interest and dividends received, net(2)	107,953	13,856	121,809	(50)	121,759
Ordinary profit (loss)(3)	94,307	(2,643)	91,664	20	91,684
Income taxes	25,888	246	26,134	—	26,134
Net income (loss)	64,840	(3,080)	61,760	(964)	60,796
Total assets(4)	8,106,558	906,006	9,012,564	(912)	9,011,652
Significant non-cash items(5)	6,530	—	6,530	—	6,530
Total expenditure for additions to long-lived assets	24,573	332	24,905	—	24,905

(1) *includes depreciation and amortization of ¥16,417 million in P&C insurance and ¥214 million in life insurance.*

(2) *includes interest expense of ¥828 million in P&C insurance and ¥1 million in life insurance.*

(3) *includes equity in earnings (losses) of equity method investees of ¥424 million in P&C insurance and ¥(3,102) million in life insurance.*

(4) *includes investment in equity method investees of ¥4,256 million in P&C insurance and ¥11,182 million in life insurance.*

(5) *primarily comprised of impairment losses on investments and long-lived assets.*

	Property and Casualty Insurance	Life Insurance	Total Operating Segments	Adjustments and Eliminations	Consolidated
			(Yen in millions)		
2008:					
Net premiums written	¥1,541,032	—	1,541,032	—	1,541,032
Net claims paid	879,725	—	879,725	—	879,725
Life insurance premiums	—	156,528	156,528	—	156,528
Life insurance claims	—	31,703	31,703	—	31,703
Commission and collection expenses	234,640	14,740	249,380	(395)	248,985
Operating expenses and general and administrative expenses(1)	271,198	21,560	292,758	(2,416)	290,342
Interest and dividends received, net(2)	114,403	16,232	130,635	(20)	130,615
Ordinary profit (loss)(3)	66,591	(5,724)	60,867	—	60,867
Income taxes	15,159	241	15,400	—	15,400
Net income (loss)	46,706	(6,177)	40,529	(501)	40,028
Total assets(4)	7,388,669	1,009,780	8,398,449	(731)	8,397,718
Significant non-cash items(5)	19,128	—	19,128	—	19,128
Total expenditure for additions to long-lived assets	44,693	381	45,074	—	45,074

(1) *includes depreciation and amortization of ¥19,237 million in P&C insurance and ¥204 million in life insurance.*

(2) *includes interest expense of ¥1,073 million in P&C insurance and ¥10 million in life insurance.*

(3) *includes equity in earnings (losses) of equity method investees of ¥959 million in P&C insurance and ¥(6,232) million in life insurance.*

(4) *includes investment in equity method investees of ¥4,971 million in P&C insurance and ¥7,508 million in life insurance.*

(5) *primarily comprised of impairment losses on investments and long-lived assets.*

	Property and Casualty Insurance	Life Insurance	Total Operating Segments	Adjustments and Eliminations	Consolidated
			(Yen in millions)		
2009:					
Net premiums written	¥1,445,651	—	1,445,651	—	1,445,651
Net claims paid	892,711	—	892,711	—	892,711
Life insurance premiums	—	133,368	133,368	—	133,368
Life insurance claims	—	36,438	36,438	—	36,438
Commission and collection expenses	231,359	14,841	246,200	(504)	245,696
Operating expenses and general and administrative expenses(1)	281,903	23,040	304,943	(2,593)	302,350
Interest and dividends received, net(2)	98,256	18,396	116,652	(187)	116,465
Ordinary profit (loss)(3)	(8,574)	(3,914)	(12,488)	(557)	(13,045)
Income taxes	1,583	277	1,860	4	1,864
Net income (loss)	13,540	(4,418)	9,122	(930)	8,192
Total assets(4)	6,328,170	1,090,883	7,419,053	21,657	7,440,710
Significant non-cash items(5)	119,167	—	119,167	—	119,167
Total expenditure for additions to long-lived assets	21,837	379	22,216	—	22,216

(1) includes depreciation and amortization of ¥21,893 million in P&C insurance and ¥264 million in life insurance.

(2) includes interest expense of ¥1,631 million in P&C insurance and ¥3 million in life insurance.

(3) includes equity in earnings (losses) of equity method investees of ¥220 million in P&C insurance and ¥(4,463) million in life insurance.

(4) includes investment in equity method investees of ¥4,685 million in P&C insurance and ¥13,248 million in life insurance.

(5) primarily comprised of impairment losses on investments and long-lived assets.

Reconciling items under the caption "Adjustments and Eliminations" primarily consist of elimination of intersegment administration costs charged and adjustments for unallocated corporate assets.

Information on major lines of Property and Casualty insurance on the U.S. GAAP basis is as follows:

	Net Premiums Written	Net Premiums Earned
	(Yen in millions)	
2007:		
Voluntary automobile	¥ 599,663	¥ 600,371
Compulsory automobile liability	192,087	193,663
Fire and allied lines	208,182	185,208
Personal accident	139,795	134,369
Cargo and transit	91,379	90,286
Hull	19,602	18,496
Other	238,671	246,687
Total	¥1,489,379	¥1,469,080

	Net Premiums Written	Net Premiums Earned
	(Yen in millions)	
2008:		
Voluntary automobile	¥ 624,949	¥ 621,036
Compulsory automobile liability	191,256	193,572
Fire and allied lines	225,259	209,396
Personal accident	138,896	132,171
Cargo and transit	98,846	97,696
Hull	21,867	21,508
Other	236,543	227,306
Total	¥1,537,616	¥1,502,685

	Net Premiums Written	Net Premiums Earned
	(Yen in millions)	
2009:		
Voluntary automobile	¥ 608,614	¥ 614,199
Compulsory automobile liability	148,502	217,935
Fire and allied lines	220,188	208,331
Personal accident	136,596	131,995
Cargo and transit	88,828	92,313
Hull	21,329	20,650
Other	224,216	222,980
Total	¥1,448,273	¥1,508,403

For the years ended March 31, 2007, 2008 and 2009, all the premium revenues were from external customers and no revenue was derived from transactions with a single external customer exceeding 10% of the Company's revenues.

For the years ended March 31, 2007, 2008 and 2009, net property and casualty premiums written in the amount of ¥1,274,589 million, ¥1,289,911 million, and ¥1,218,796 million, respectively, were from external customers in Japan, and those in the amount of ¥214,790 million, ¥247,705 million, and ¥229,477 million, respectively, were from external customers in foreign countries. Life insurance premiums were from external customers in Japan for the years ended March 31, 2007, 2008 and 2009. There were no countries other than Japan to which more than 10% of the Company's consolidated revenues were attributed for the periods presented.

At March 31, 2007, 2008 and 2009, long-lived assets located in Japan amounted to ¥250,302 million, ¥267,291 million and ¥258,973 million, respectively, and those located in countries other than Japan amounted to ¥20,791 million, ¥21,382 million and ¥14,067 million, respectively.

Reconciliation of segment information to the US GAAP consolidated financial statements

As described above, the bases for measuring and reporting segment net income (loss) and segment total assets is determined in accordance with Japanese GAAP, which are different from the amounts reported in the Company's consolidated financial statements presented in accordance with U.S. GAAP.

Following is a reconciliation of the Company's total segment premiums and total segment net income to the Company's consolidated premiums earned and consolidated net income (loss), respectively, for the years ended March 31, 2007, 2008, and 2009:

	2007	2008	2009
		(Yen in millions)	
Property and casualty insurance net premiums written	¥1,492,808	1,541,032	1,445,651
Life insurance premiums	165,364	156,528	133,368
Segment total premiums	1,658,172	1,697,560	1,579,019
Reconciling items:			
Increase in unearned premiums in Japanese GAAP	29,651	40,410	(5,607)
Adjustment for difference in the measurement basis between Japanese GAAP and U.S. GAAP for unearned premiums	(49,950)	(75,341)	65,737
Reclassification of investment contracts or universal-life contracts of life insurance	(29,878)	(28,809)	(29,581)
Return premium for cancellation of life contracts	58,065	65,012	86,326
Other adjustments	(3,429)	(3,416)	2,622
Consolidated premiums earned	¥1,662,631	1,695,416	1,698,516
Consolidated premiums earned consists of:			
Property and casualty insurance premiums	¥1,469,080	1,502,685	1,508,403
Life insurance premiums	193,551	192,731	190,113
Premiums earned (U.S.GAAP)	¥1,662,631	1,695,416	1,698,516

	2007	2008	2009
	(Yen in millions)		
Total segment net income	¥ 61,760	40,529	9,122
Reconciling items:			
Catastrophic loss reserve	25,264	25,160	(9,813)
Other underwriting reserves	46,693	47,923	(6,761)
Reserve for price fluctuation	3,167	3,254	(25,722)
Policy acquisition costs	(18,615)	(4,559)	(29,337)
Revaluation of investments in securities and related investment income (loss)	3,486	(1,315)	(52,040)
Derivative transactions	927	(7,824)	(7,038)
Retirement and severance benefits	3,186	1,403	3,322
Gains from equity method investments	5,709	22,858	12,902
Deferred income taxes	(25,632)	(32,737)	13,900
Other	7,971	10,104	21,225
Consolidated net income (loss)	¥113,916	104,796	(70,240)

Reconciling items consist of certain accounting differences between Japanese GAAP and U.S. GAAP and the adjustments and eliminations from total amounts of operating segments to the consolidated financial statements prepared on a Japanese GAAP.

The accounting differences primarily consist of differences in insurance reserving methodologies and differences in the assessment of other than temporary impairment of investments in securities.

Following is a reconciliation of the Company's total segment assets to consolidated total assets at March 31, 2008 and 2009:

	2008	2009
	(Yen in millions)	
Segment total assets	¥8,398,449	7,419,053
Reconciling items:		
Japanese GAAP adjustment and elimination	(731)	21,657
Revaluation of investment in securities	47,368	30,887
Deferred policy acquisition costs	360,152	325,539
Prepaid reinsurance premiums on a gross basis	215,233	203,477
Reinsurance recoverable on losses on a gross basis	253,092	304,228
Deferred tax assets	(331)	(134,337)
The difference in consolidation scope	26,928	20,442
Other	26,165	43,909
Consolidated total assets	¥9,326,325	8,234,855

Reconciling items consist of certain accounting differences between Japanese GAAP and U.S. GAAP and the adjustments and eliminations from total amounts of operating segments to the consolidated financial statements prepared on a Japanese GAAP.

The accounting differences primarily consist of the recognition of deferred acquisition costs under U.S. GAAP which are charged to income as incurred under Japanese GAAP and adjustments to present reinsurance related accounts on a gross basis under U.S. GAAP.

Schedule I

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

Summary of Investments — Other than Investments in Related Parties
March 31, 2009 and 2008

Type of Investment	Cost	Value	Amount at Which Shown in the Balance Sheet
		(Yen in millions)	
March 31, 2009:			
Securities held to maturity:			
Fixed maturities:			
Bonds and notes:			
Government and government agencies and authorities:			
United States	¥ —	¥ —	¥ —
Other	363,613	376,096	363,613
	363,613	376,096	363,613
States, municipalities and political subdivisions:			
Other	1,112	1,112	1,112
	1,112	1,112	1,112
All other corporate bonds	110,851	114,636	110,851
Total fixed maturities	475,576	491,844	475,576
Securities available for sale:			
Fixed maturities:			
Bonds and notes:			
Government and government agencies and authorities:			
United States	96,199	105,002	105,002
Other	723,315	742,850	742,850
	819,514	847,852	847,852
States, municipalities and political subdivisions:			
United States	100	87	87
Other	591,108	587,440	587,440
	591,208	587,527	587,527
Public utilities	142,700	147,551	147,551
All other corporate bonds	1,437,681	1,411,940	1,411,940
Total fixed maturities	2,991,103	2,994,870	2,994,870
Equity securities:			
Common stocks:			
Public utilities	10,870	29,795	29,795
Banks, trust and insurance companies	103,484	143,718	143,718
Industrial, miscellaneous and all other	896,548	1,427,541	1,427,541
	1,010,902	1,601,054	1,601,054
Nonredeemable preferred stocks	102,218	102,379	102,379
Total equity securities	1,113,120	1,703,433	1,703,433
Total securities	4,579,799	¥5,190,147	5,173,879
Mortgage loans on real estate	9,224		9,224
Real estate — investment properties	40,992		40,992
Policy loans	43,254		43,254
Other long-term investments	711,653		711,653
Short-term investments	106,852		106,852
Total investments	¥5,491,774		¥6,085,854

Schedule I

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

Summary of Investments — Other than Investments in Related Parties
March 31, 2009 and 2008

Type of Investment	Cost	Value	Amount at Which Shown in the Balance Sheet
		(Yen in millions)	
March 31, 2008:			
Securities held to maturity:			
Fixed maturities:			
Bonds and notes:			
Government and government agencies and authorities:			
United States	¥ 4,254	¥ 4,254	¥ 4,254
Other	341,388	347,360	341,388
	345,642	351,614	345,642
States, municipalities and political subdivisions:			
Other	1,714	1,714	1,714
	1,714	1,714	1,714
All other corporate bonds	102,118	105,765	102,118
Total fixed maturities	449,474	459,093	449,474
Securities available for sale:			
Fixed maturities:			
Bonds and notes:			
Government and government agencies and authorities:			
United States	113,676	119,191	119,191
Other	685,783	711,429	711,429
	799,459	830,620	830,620
States, municipalities and political subdivisions:			
United States	125	128	128
Other	716,210	729,256	729,256
	716,335	729,384	729,384
Public utilities	159,394	161,150	161,150
All other corporate bonds	1,600,908	1,613,031	1,613,031
Total fixed maturities	3,276,096	3,334,185	3,334,185
Equity securities:			
Common stocks:			
Public utilities	11,421	35,561	35,561
Banks, trust and insurance companies	122,522	209,402	209,402
Industrial, miscellaneous and all other	948,789	2,244,607	2,244,607
	1,082,732	2,489,570	2,489,570
Nonredeemable preferred stocks	58,316	58,203	58,203
Total equity securities	1,141,048	2,547,773	2,547,773
Total securities	4,866,618	¥6,341,051	6,331,432
Mortgage loans on real estate	9,859		9,859
Real estate — investment properties	43,151		43,151
Policy loans	39,536		39,536
Other long-term investments	749,385		749,385
Short-term investments	120,086		120,086
Total investments	¥5,828,635		¥7,293,449

Schedule III

**MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES**

**Supplementary Insurance Information
Years ended March 31, 2009, 2008 and 2007**

Line of Business	Total Losses and Claims	Unearned Premiums	Net Premiums Earned	Losses and Claims Incurred and Provided for	Net Premiums Written
			(Yen in millions)		
Property and casualty:					
Year ended March 31, 2009:					
Voluntary automobile	¥ 306,809	¥ 219,629	¥ 614,199	¥382,642	¥ 608,614
Compulsory automobile liability	396,302	218,289	217,935	218,219	148,502
Fire and allied lines	103,634	559,285	208,331	94,168	220,188
Personal accident	60,630	103,977	131,995	77,302	136,596
Cargo and transit	35,302	28,674	92,313	35,008	88,828
Hull	35,660	12,937	20,650	15,996	21,329
Other	307,209	242,499	222,980	136,706	224,216
Total	¥1,245,546	¥1,385,290	¥1,508,403	¥960,041	¥1,448,273
Year ended March 31, 2008:					
Voluntary automobile	¥ 325,606	¥ 237,252	¥ 621,036	¥405,656	¥ 624,949
Compulsory automobile liability	211,553	313,405	193,572	133,688	191,256
Fire and allied lines	134,890	535,143	209,396	114,095	225,259
Personal accident	56,466	100,502	132,171	73,921	138,896
Cargo and transit	43,669	39,094	97,696	35,753	98,846
Hull	33,795	14,152	21,508	15,933	21,867
Other	381,615	250,408	227,306	127,211	236,543
Total	¥1,187,594	¥1,489,956	¥1,502,685	¥906,257	¥1,537,616
Year ended March 31, 2007:					
Voluntary automobile	¥ 306,800	¥ 223,053	¥ 600,371	¥401,429	¥ 599,663
Compulsory automobile liability	218,218	326,979	193,663	137,607	192,087
Fire and allied lines	123,296	497,494	185,208	93,302	208,182
Personal accident	49,888	91,003	134,369	69,292	139,795
Cargo and transit	42,596	35,332	90,286	38,802	91,379
Hull	31,530	12,632	18,496	16,620	19,602
Other	372,602	253,086	246,687	152,604	238,671
Total	¥1,144,930	¥1,439,579	¥1,469,080	¥909,656	¥1,489,379

Schedule III

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

Supplementary Insurance Information
Years ended March 31, 2009, 2008 and 2007

	Total Losses and Claims	Liability for Future Policy Benefits	Premium Income	Policyholder Benefits for Life Insurance Contracts
	(Yen in millions)			
Life:				
Year ended:				
March 31, 2009	¥10,976	¥970,217	¥190,113	¥154,056
March 31, 2008	10,226	911,165	192,731	156,683
March 31, 2007	8,620	825,426	193,551	156,591

Schedule IV

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC. AND SUBSIDIARIES

Reinsurance
Years ended March 31, 2009, 2008 and 2007

	Gross Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
			(Yen in millions)		
Property and casualty insurance premiums:					
Year ended:					
March 31, 2009	¥1,532,750	¥306,989	¥282,642	¥1,508,403	18.7%
March 31, 2008	1,597,352	361,138	266,471	1,502,685	17.7%
March 31, 2007	1,569,975	365,319	264,424	1,469,080	18.0%
Life insurance premiums:					
Year ended:					
March 31, 2009	¥ 190,748	¥ 635	¥ —	¥ 190,113	—
March 31, 2008	193,392	661	—	192,731	—
March 31, 2007	194,197	646	—	193,551	—

Schedule V

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.
AND SUBSIDIARIES

Valuation and Qualifying Accounts
Years ended March 31, 2009 and 2008

Description	Balance at Beginning of Year	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Year
	(Yen in millions)				
Year ended March 31, 2009:					
Applied against asset accounts:					
Accumulated depreciation — real estate investments	¥ 50,327	¥ 2,310	¥—	¥ (4,067)	¥ 48,570
Valuation allowance — loans:					
Specific allowance	652	1,323	—	(125)	1,850
General reserve	446	364	—	—	810
Allowance for doubtful accounts	3,469	(219)	—	—	3,250
Accumulated depreciation — property and equipment	233,451	25,103	—	(18,778)	239,776
Year ended March 31, 2008:					
Applied against asset accounts:					
Accumulated depreciation — real estate investments	¥ 57,985	¥ 2,050	¥—	¥ (9,708)	¥ 50,327
Valuation allowance — loans:					
Specific allowance	951	(175)	—	(124)	652
General reserve	699	(253)	—	—	446
Allowance for doubtful accounts	4,240	(771)	—	—	3,469
Accumulated depreciation — property and equipment	221,549	17,829	—	(5,927)	233,451