

Notice: This translation has been prepared solely for convenience of reference by shareholders. Please be advised that any discrepancy that may exist between this translation and the Japanese original shall be resolved in favor of the latter. Please also be advised that certain expressions for domestic voting procedures that are not applicable to shareholders outside Japan are translated solely for reference and to avoid confusion.

[English Translation]

Securities Code 8725

June 7, 2011

Dear Shareholders:

**Notice of Convocation of the 3rd
Annual Shareholders Meeting**

We hereby announce that our 3rd Annual Shareholders Meeting will be held as set out below and your attendance is cordially requested.

You are respectfully requested, in the event you are unable to attend the meeting, to study the Reference Document for Shareholders Meeting below and to exercise your voting right in accordance with the guidance set out on the following page, since you can exercise voting rights by submission of the document or via the Internet.

Yours faithfully,

MS&AD Insurance Group Holdings, Inc.
(the "Company")
3-7, Yaesu 1-chome,
Chuo-ku, Tokyo

By: Toshiaki Egashira
President and Representative Director

Particulars

1. Date and Time: 10:00 a.m. on June 29, 2011 (Wednesday)
2. Place: Heian Room, Main Building first floor, Hotel Okura Tokyo located at 10-4, Toranomom 2-chome, Minato-ku, Tokyo
3. Purposes of the Meeting:

Matters to be reported:

1. Report on the Business Report, Consolidated Financial Statements, and Results of Audit of Consolidated Financial Statements by Accounting Auditor and the Board of Corporate Auditors for the 3rd fiscal year (Fiscal Year 2010 (from April 1, 2010 to March 31, 2011)); and
2. Report on the Financial Statements for the 3rd fiscal year (Fiscal Year 2010 (from April 1, 2010 to March 31, 2011)).

Matters to be resolved:

First Item:

Appropriation of Retained Earnings

Second Item:

Election of Thirteen (13) Directors

Third Item:

Election of Two (2) Corporate Auditors

The Consolidated Financial Statements and Financial Statements as attached to this printed copy of Notice of Convocation are part and not all of the Consolidated Financial Statements and Financial Statements that the Board of Corporate Auditors and the Accounting Auditor audited in preparing their respective audit reports.

This Notice of Convocation, Reference Document for the Annual Shareholders Meeting, Business Report, Consolidated Financial Statements and Financial Statements are posted on the Company's website as may be amended.

Website of the Company: <http://www.ms-ad-hd.com>

Guidance for the Exercise of Voting Rights

[When attending the meeting]

1. Please submit the enclosed Voting Right Exercise Form to the receptionist. Please also bring this booklet.
2. When attending by proxy, please submit a letter of proxy together with the enclosed Voting Right Exercise Form to the receptionist. The proxy must be one (1) shareholder otherwise entitled to vote.

[If not attending the meeting]

Please exercise your voting right by either of the methods stated below.

1. By mail:
Please indicate on the enclosed Voting Right Exercise Form your consent or dissent to each of the proposals and return the form to be received by the transfer agent of the Company by mail before 5:00 p.m., June 28, 2011 (Tuesday).
2. On the Internet:
 - (1) Please access the designated website for exercising voting rights as set forth below and enter your consent or dissent each of the proposals as instructed on the display screen, using the “vote exercise code” and “temporary password” printed on the enclosed Voting Right Exercise Form, by 5:00 p.m., June 28, 2011 (Tuesday).
URL for the website for exercising voting rights: <http://www.webdk.net>
 - (2) A voting right exercised on the Internet will be recognized as valid over the same right exercised on the Voting Right Exercise Form mailed.
 - (3) In the event that a voting right is exercised more than once on the Internet, only the last vote on the Internet will be recognized as valid.
 - (4) Any connection charges and communications expenses payable to Internet providers and telecommunication carriers incurred in connection with the exercise of the voting right on the Internet will be borne by the voting shareholder.
 - (5) The system requirements for voting on the website are as set out below:
If using a personal computer:
Internet Explorer 6.0 or up is required as browser software.
If using a mobile phone:
128bitSSL (encoded communication) is needed on the mobile phone to be used. (To ensure security, only those mobile phones which are equipped with 128bitSSL (encoded communication) can be used and others can not.) Please note that while voting with full-browsing functions of mobile phones (including smartphones) is possible, some of them can not be used depending on the type of such mobile phones.

Should you have any inquiry regarding exercise of the voting right via the Internet, please contact the transfer agent stated below:

The Sumitomo Trust & Banking Co., Ltd.
Stock Transfer Agency Dept.,
Free dial: 0120-186-417 (9 a.m. – 9 p.m.)

For institutional investors:

Electronic Voting Platform operated by ICJ, Inc. may be used in exercising your voting rights at our Annual Shareholder Meeting.

- End -

Reference Document for Shareholders Meeting

Proposals and Reference Matters:

First Item: Appropriation of Retained Earnings

The Company aims to pursue further efficiency by realizing synergies and implement growth strategies, hence enhance its profitability, and in turn to make appropriate returns to shareholders that are proportionate to its performance. Meanwhile, due to the nature of the insurance business, the Company believes it is also necessary to strive to maintain adequate internal reserves.

Based on the above, it is the Company's basic policy to at least secure a stable trend of dividend per share, pursue enhanced profitability and hence a trend of increase in dividends, and in the medium terms return to shareholders, through dividends and share repurchases, 50% of its group core profit.

In accordance with the policies above, the Company proposes that the appropriation of retained earnings for the fiscal year under review be as follows:

Matters concerning the year-end cash dividend:

1. Matters regarding distribution of dividends to shareholders and the total amount thereof:

27 yen per share of common stock of the Company
Total 16,791,622,110 yen

As a result, the year-end cash dividend for the fiscal year under review totals 54 yen per share, including the interim dividend.

2. Effective date of dividend:

June 30, 2011

(Note) The group core profit is the Company's own index showing the ordinary profitability of the entire group. It is calculated by adding to/deducting from the consolidated net income gains and losses that are not ordinary in nature, such as gains or losses on sale of equity securities the Company had intended to hold for a long term.

Second Item: Election of Thirteen (13) Directors

The terms of office of all Directors (13) will expire at the close of this Annual Shareholder Meeting.

It is, therefore, proposed that thirteen (13) Directors including four (4) Outside Directors be elected.

The candidates for Directors are as follows:

Candidate No.	Name (Date of birth)	Résumé, position and duties at the Company and significant concurrent positions, if any	Number of shares of the Company owned
1	Toshiaki Egashira (Nov. 30, 1948)	<p>April 1972 Entered Taisho Marine and Fire Insurance Co., Ltd. Oct. 2001 Executive Officer, General Manager of Fire & Casualty Underwriting Dept., <i>Mitsui Sumitomo Insurance Co., Ltd.</i> (“<i>MSI</i>”)</p> <p>June 2002 Executive Officer, General Manager of Chugoku Div., <i>MSI</i> June 2003 Managing Executive Officer, General Manager of Chugoku Div., <i>MSI</i></p> <p>April 2004 Managing Executive Officer, General Manager of Kanagawa & Shizuoka Div., <i>MSI</i></p> <p>April 2006 Chief Executive Officer, <i>MSI</i> June 2006 President & Director, Co-Chief Executive Officer, <i>MSI</i> Sept. 2006 President, Director & CEO, <i>MSI</i> April 2008 President & Director, <i>the Company</i> April 2009 President, Director & CEO, <i>the Company</i> (present) April 2010 Chairman & Director, Chairman Executive Officer, <i>MSI</i> (present)</p> <p><Position and duties at the Company> Representative Director, President & CEO <Significant Concurrent Positions> Chairman & Director, Chairman Executive Officer, <i>MSI</i></p>	16,000 shares
2	Ichiro Tateyama (June 8, 1943)	<p>April 1967 Entered The Dowa Fire and Marine Insurance Co., Ltd. (“<i>Dowa</i>”) June 1995 Director, General Manager of Investment Dept., <i>Dowa</i> June 1997 Managing Director, <i>Dowa</i> Sept. 1997 Managing Director, Deputy General Manager of Task Force for Expense Reduction, <i>Dowa</i> June 1999 Managing Director, General Manager of Task Force for Expense Reduction, <i>Dowa</i> April 2000 Managing Director, General Manager of Task Force for Structural Reformation, <i>Dowa</i> April 2001 Senior Managing Director, General Manager of Task Force for Structural Reformation, <i>Nissay Dowa General Insurance Co., Ltd.</i> (“<i>NDI</i>”) April 2002 Senior Managing Director, <i>NDI</i> June 2005 Director & Executive Vice President, <i>NDI</i> April 2006 President & Director, <i>NDI</i> April 2010 Director & Executive Officer, <i>the Company</i> (present) Oct. 2010 Vice Chairman & Director, <i>Aioi Nissay Dowa Insurance Co., Ltd.</i> (“<i>ADI</i>”) (present)</p> <p><Position and duties at the Company> Representative Director, Executive Officer Assist CEO <Significant Concurrent Positions> President & Director, <i>ADI</i></p>	20,127 shares

Candidate No.	Name (Date of birth)	Résumé, position and duties at the Company and significant concurrent positions, if any	Number of shares of the Company owned
3	Yasuyoshi Karasawa (Oct. 27, 1950)	<p>April 1975 Entered The Sumitomo Marine and Fire Insurance Co., Ltd.</p> <p>April 2004 Executive Officer, General Manager of Corporate Planning Dept., <i>Mitsui Sumitomo Insurance Co., Ltd.</i> (“<i>MSI</i>”)</p> <p>June 2005 Director, Executive Officer, General Manager of Corporate Planning Dept., <i>MSI</i></p> <p>April 2006 Director, Managing Executive Officer, <i>MSI</i></p> <p>April 2008 Director, Senior Executive Officer, <i>MSI</i> Director, <i>the Company</i></p> <p>April 2009 Director, Senior Executive Officer, <i>the Company</i></p> <p>April 2010 President, Director & CEO, <i>MSI</i> (present) Director & Executive Officer, <i>the Company</i> (present)</p> <p><Position and Duties at the Company> Representative Director, Executive Officer Assist CEO</p> <p><Significant Concurrent Positions> President, Director & CEO, <i>MSI</i></p>	11,200 shares
4	Hisahito Suzuki (Sep. 15, 1950)	<p>April 1973 Entered Dai-Tokyo Fire & Marine Insurance Co., Ltd. (“<i>Dai-Tokyo</i>”)</p> <p>April 2000 Executive Officer, General Manager of Merger Preparation Dept., <i>Dai-Tokyo</i></p> <p>April 2001 Executive Officer, General Manager of Corporate Planning Dept., <i>Aioi Insurance Co., Ltd.</i> (“<i>Aioi</i>”)</p> <p>April 2002 Managing Executive Officer, <i>Aioi</i></p> <p>June 2002 Managing Director, <i>Aioi</i></p> <p>May 2003 Senior Managing Executive Officer, Aioi Life Insurance Company, Limited, <i>Aioi</i></p> <p>June 2003 Director & Vice President, <i>Aioi</i></p> <p>March 2004 Senior Managing Executive Officer, <i>Aioi</i></p> <p>June 2004 Senior Managing Director, <i>Aioi</i></p> <p>June 2008 Director, Senior Managing Executive Officer, <i>Aioi</i></p> <p>April 2010 Director & President, <i>Aioi</i> Director, Executive Officer, <i>the Company</i> (present)</p> <p>Oct. 2010 Director & President, <i>Aioi Nissay Dowa Insurance Co., Ltd.</i> (“<i>ADI</i>”) (present)</p> <p><Position and duties at the Company> Director, Executive Officer Assist CEO</p> <p><Significant Concurrent Positions> Director & President, <i>ADI</i></p>	15,670 shares
5	Susumu Fujimoto (Dec. 5, 1948)	<p>April 1972 Entered the Ministry of Finance (the “<i>MOF</i>”)</p> <p>June 1998 Director-General of Yokohama Customs, <i>MOF</i></p> <p>July 1999 Deputy Director-General, Yokohama Customs, <i>MOF</i></p> <p>July 2002 Executive Director, European Bank for Reconstruction and Development</p> <p>Aug. 2005 Advisor, <i>Mitsui Sumitomo Insurance Co., Ltd.</i> (“<i>MSI</i>”)</p> <p>June 2007 Director, <i>MSI</i></p> <p>April 2008 Director, Managing Executive Officer, <i>MSI</i> Director, <i>the Company</i></p> <p>April 2009 Director, Senior Executive Officer, <i>MSI</i> Director, Senior Executive Officer, <i>the Company</i> (present)</p> <p><Position and duties at the Company> Director, Senior Executive Officer Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept. Mitsui Sumitomo Kirameki Life Insurance Co., Limited., Mitsui Sumitomo Primary Life Insurance Co., Ltd., Mitsui Direct General Insurance Co., Ltd.</p>	12,000 shares

Candi-date No.	Name (Date of birth)	Résumé, position and duties at the Company and significant concurrent positions, if any	Number of shares of the Company owned
6	Shuhe Horimoto (Aug. 19, 1954)	<p>April 1977 Sep. 2006</p> <p>Entered The Sumitomo Marine and Fire Insurance Co., Ltd. Executive Officer, General Manager of Corporate Quality Control Dept., <i>Mitsui Sumitomo Insurance Co., Ltd.</i> (“MSI”)</p> <p>April 2008 April 2009</p> <p>Executive Officer, General Manager of Kyushu Div., <i>MSI</i> Director, Managing Executive Officer, <i>MSI</i> Managing Executive Officer, <i>the Company</i></p> <p>June 2009</p> <p>Director, Managing Executive Officer, <i>the Company</i> (present)</p> <p><Position and duties at the Company> Director, Managing Executive Officer Corporate Planning Dept., Corporate Communications and Investor Relations Dept., Business Development Dept., Internal Audit Dept.</p>	7,454 shares
7	Masanori Yoneda (July 24, 1950)	<p>April 1974 June 2003</p> <p>Entered The Dowa Fire and Marine Insurance Co., Ltd. Director, General Manager of Tokyo Commercial Line Production Dept. 3, <i>Nissay Dowa General Insurance Co., Ltd.</i> (“NDI”)</p> <p>April 2004</p> <p>Director, General Manager of Business Promotion Dept., <i>NDI</i></p> <p>April 2006</p> <p>Director, Managing Executive Officer, <i>NDI</i></p> <p>April 2009 April 2010</p> <p>Director, Senior Managing Executive Officer, <i>NDI</i> Director & Vice President Executive Officer, <i>NDI</i> Director, Executive Officer, <i>the Company</i> (present)</p> <p>Oct. 2010</p> <p>Director & Vice President Executive Officer, <i>Aioi Nissay Dowa General Insurance Co., Ltd.</i> (“ADI”) (present)</p> <p><Position and duties at the Company> Director, Executive Officer Assist management</p> <p><Significant Concurrent Positions> Director & Vice President Executive Officer, <i>ADI</i></p>	11,346 shares
8	Mitsuhiro Tsuchiya (June 1, 1955)	<p>April 1980 April 2009</p> <p>Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd. Executive Officer, General Manager of Promotion Planning Dept., <i>Aioi Insurance Co., Ltd.</i> (“Aioi”)</p> <p>April 2010 Oct. 2010</p> <p>Executive Officer, <i>the Company</i> (present) Executive Officer, General Manager of Promotion Planning Dept., <i>Aioi Nissay Dowa Insurance Co., Ltd.</i> (“ADI”)</p> <p>April 2011</p> <p>Managing Executive Officer, General Manager of Promotion Planning Dept., <i>ADI</i></p>	3,590 shares
9	Ichiro Iijima (Nov. 10, 1949)	<p>April 1973 June 2002</p> <p>Entered Taisho Marine & Fire Insurance Co., Ltd. Executive Officer, General Manager of Automobile Underwriting Dept., <i>Mitsui Sumitomo Insurance Co., Ltd.</i> (“MSI”)</p> <p>June 2003</p> <p>Executive Officer, General Manager of European and the Middle East Dept., <i>MSI</i></p> <p>April 2006</p> <p>Managing Executive Officer, General Manager of Nagoya Commercial Business Div., <i>MSI</i></p> <p>April 2008</p> <p>Senior Executive Officer, General Manager of Nagoya Commercial Business Div., <i>MSI</i></p> <p>April 2010 April 2011</p> <p>Director, Senior Executive Officer, <i>MSI</i> Director, Vice President Executive Officer, <i>MSI</i> (present)</p>	23,000 shares

Candidate No.	Name (Date of birth)	Résumé, position and duties at the Company and significant concurrent positions, if any	Number of shares of the Company owned
10	Toshihiko Seki (Feb. 28, 1941)	<p>April 1977 Associate Professor, School of Law, Tohoku University April 1984 Professor, School of Law, Tohoku University April 2000 Professor, Tohoku University Law School April 2004 Professor Emeritus, Tohoku University (present) Professor, Hosei University Law School May 2004 Admitted as Attorney-at-Law June 2007 Director, <i>Mitsui Sumitomo Insurance Co., Ltd.</i> April 2008 Director, <i>the Company</i> (present)</p> <p><Position and duties at the Company> Director <Significant Concurrent Positions> Professor Emeritus, Tohoku University</p>	2,200 shares
11	Akira Watanabe (Feb. 16, 1947)	<p>April 1973 Admitted as Attorney-at-Law Attorney-at-Law, Ginza Law Office (currently, Abe, Ikubo & Katayama) April 1982 Attorney-at-Law, Akira Watanabe Law Office April 1989 Attorney-at-Law, Seiwa Kyodo Law Office (currently, Seiwa Meitetsu Law Office) (present) April 2010 Director, the Company (present)</p> <p><Position and duties at the Company> Director <Significant Concurrent Positions> Attorney-at-Law, Seiwa Meitetsu Law Office Outside Director, Japan Pile Corporation Outside Director, Maeda Corporation Outside Corporate Auditor, Fast Retailing Co., Ltd. Outside Corporate Auditor, Kadokawa Group Holdings, Inc.</p>	0 shares
12	Mitsuhiro Umezu (May 18, 1957)	<p>April 1992 Lecturer, Keio University (International Center) April 2005 Associate Professor, Faculty of Business and Commerce, Keio University April 2007 Associate Professor, Faculty of Business and Commerce, Keio University June 2007 Director, Nissay Dowa General Insurance Co., Ltd. Oct. 2009 Associate Professor, Faculty of Business and Commerce and Deputy Director, International Center, Keio University (present) April 2010 Director, the Company (present)</p> <p><Position and duties at the Company> Director <Significant Concurrent Positions> Associate Professor, Faculty of Business and Commerce, Keio University and Deputy Director, International Center, Keio University Outside Director, San-ai Oil Co., Ltd.</p>	0 shares
13	Daiken Tsunoda (Jan. 29, 1967)	<p>April 1994 Admitted as Attorney-at-Law Attorney-at-Law, Mori Sogo (currently, Mori Hamada & Matsumoto) Mar. 2003 Attorney-at-Law, Nakamura & Tsunoda (currently, Nakamura, Tsunoda & Matsumoto) (present) April 2008 Corporate Auditor, <i>the Company</i> April 2010 Director, <i>the Company</i> (present)</p> <p><Position and duties at the Company> Director <Significant Concurrent Positions> Attorney-at-Law, Nakamura, Tsunoda & Matsumoto Outside Corporate Auditor, INES Corp.</p>	0 shares

(Notes)1. Messrs. Toshihiko Seki, Akira Watanabe, Mitsuhiro Umezu, and Daiken Tsunoda are each a candidate for Outside Director.

2. Matters of particular mention with respect to the candidates for Outside Directors are as follows:

(1) The grounds for election of the candidates for Outside Directors:

- (i) Mr. Toshihiko Seki has held the positions of professor at Tohoku University's School of Law, and Hosei University's Graduate School of Law. The Company requests the shareholders to elect him as Outside Director of the Company to reflect his knowledge and experience as a legal scholar in the management of the Company.
- (ii) Mr. Akira Watanabe is presently an attorney-at-law. Therefore, the Company requests the shareholders to elect him as Outside Director of the Company to reflect his knowledge and experience as a legal professional in the management of the Company.
- (iii) Mr. Mitsuhiro Umezu is presently Associate Professor at Keio University Faculty of Business and Commerce and has expertise on corporate ethics, etc. The Company requests the shareholders to elect him as Outside Director of the Company to reflect his knowledge and experience in the management of the Company.
- (iv) Mr. Daiken Tsunoda is presently an attorney-at-law. Therefore, the Company requests the shareholders to elect him as Outside Director of the Company to reflect his knowledge and experience as a legal professional in the management of the Company.

(2) The grounds on which the Company considers a candidate for outside Director will be able to appropriately perform the duties of Outside Director, notwithstanding the fact that such candidate has not been involved in management of a corporation in the past except as an Outside Director or Outside Corporate Auditor:

- (i) The Company considers that Mr. Toshihiko Seki will be able to appropriately perform the duties of Outside Director, taking into account his professional knowledge and his experience as a legal scholar.
- (ii) The Company considers that Mr. Akira Watanabe will be able to appropriately perform the duties of Outside Director, taking into account his professional knowledge and experience as a legal professional.
- (iii) The Company considers that Mr. Mitsuhiro Umezu will be able to appropriately perform the duties of Outside Director, taking into account his professional knowledge and his experience with respect to corporate ethics, etc.
- (iv) The Company considers that Mr. Daiken Tsunoda will be able to appropriately perform the duties of Outside Director, taking into account his professional knowledge and experience as a legal professional.

(3) Time since a candidate first assumed the office of outside Director of the Company:

The time for which Mr. Toshihiko Seki has been outside Director will be three (3) years and three (3) months as upon the close of this Annual Shareholders Meeting.

The time for which Messrs. Akira Watanabe, Mitsuhiro Umezu and Daiken Tsunoda have each been Outside Director will be one (1) year and three (3) months as upon the close of this Annual Shareholders Meeting.

The Company has submitted Report on Independent Directors/Corporate Auditors, that Messrs. Toshihiko Seki, Akira Watanabe, Mitsuhiro Umezu and Daiken Tsunoda are independent directors unlikely to fall into conflict of interests with general

shareholders, to Tokyo Stock Exchange, Osaka Stock Exchange and Nagoya Stock Exchange.

(4) Agreement to limit outside Director's liability:

The Company maintains an agreement with each of Messrs. Toshihiko Seki, Akira Watanabe, Mitsuhiro Umezu and Daiken Tsunoda that limits the Outside Director's liability for any damage to the Company caused by a failure to perform the duties of an Outside Director if the Outside Director has performed the duties in good faith and without gross negligence, in order to allow them to exercise their capabilities as expected. The limit of Outside Director's liability under each such agreement is the sum of the amount provided by the items in Article 425, Paragraph 1 of the Companies Act. The Company will continue with such agreement when the candidate is elected as Outside Director.

Third Item: Election of Two (2) Corporate Auditors

Messrs. Takashi Yamashita and Masahiko Oji will resign as Corporate Auditors at the close of this Annual Shareholder Meeting.

It is, therefore, proposed that two Corporate Auditors be elected.

The Board of Corporate Auditors has consented to this item.

The candidates for Directors are as follows:

Candi-date No.	Name (Date of birth)	Résumé, position at the Company and significant concurrent positions, if any	Number of shares of the Company owned
1	Katsuaki Ikeda (Sep. 8, 1951)	<p>April 1974 Entered Taisho Marine and Fire Insurance Co., Ltd. (Currently.)</p> <p>June 2003 Director, Executive Officer, General Manager of Accounting Dept., <i>Mitsui Sumitomo Insurance Co., Ltd.</i> (“<i>MSI</i>”)</p> <p>April 2005 Director, Managing Executive Officer, <i>MSI</i></p> <p>April 2006 Director, Managing Executive Officer, General Manager of Financial Service Div., <i>MSI</i></p> <p>April 2008 Director, <i>the Company</i></p> <p>April 2009 Director, Managing Executive Officer, <i>the Company</i></p> <p>April 2010 Director, Senior Executive Officer, <i>MSI</i></p> <p>Director, Executive Officer, <i>the Company</i> (present)</p>	13,100 shares
2	Masayoshi Nakamura (July 11, 1950)	<p>April 1973 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.</p> <p>April 2002 Executive Officer, Assisting General Manager of Nagoya Commercial Promotion Division, <i>Aioi Insurance Co., Ltd.</i> (“<i>Aioi</i>”)</p> <p>April 2004 Executive Officer, General Manager of Financial Institution Promotion Dept., <i>Aioi</i></p> <p>June 2004 Director, General Manager of General Manager of Financial Institution Promotion Dept., <i>Aioi</i></p> <p>June 2006 Managing Director, Deputy General Manager of Sales Promotion Division and General Manager of Financial Institution Promotion Dept., <i>Aioi</i></p> <p>July 2005 Managing Director, General Manager of Market Development Dept., <i>Aioi</i></p> <p>April 2008 Managing Director, <i>Aioi</i></p> <p>June 2008 Director, Managing Executive Officer, <i>Aioi</i></p> <p>April 2010 Director, Senior Managing Executive Officer, <i>Aioi</i></p> <p>Oct. 2010 Director, Senior Managing Executive Officer, General Manager of Products Division., <i>Aioi Nissay Dowa Insurance Co., Ltd.</i> (present)</p>	7,390 shares

- (Notes)1. Mr. Katsuaki Ikeda will retire as director and executive officer of the Company at the close of this Annual Shareholder Meeting.
2. Mr. Masayoshi Nakamura will retire as director and executive officer of Aioi Nissay Dowa Insurance Co., Ltd. as of June 29, 2011.

-End-

Attached Documents

BUSINESS REPORT

(From: April 1, 2010)
(To: March 31, 2011)

1. Details on the Current Status of the Insurance Holding Company

(1) Progress of business and business results of the corporate group

With improvement in corporate earnings and other indications of a rebound, the economy of Japan during the current fiscal year began to show signs of a mild recovery. From mid-year onward, however, exports began to decline and personal consumption peaked with the diminishing benefits from new car purchase incentives and other measures, inhibiting prospects for a full economic recovery.

The insurance business continued to experience a severe business environment with the non-life insurance industry seeing sluggish growth in premium income, the loss ratio for the core product of automotive insurance persisting at a high level, and the life insurance industry also continuing to see a decline in the balance of contracts held as Japan's trend toward fewer children and the aging of its society continued.

Against this backdrop, the Company and Mitsui Sumitomo Insurance Co., Ltd. (hereinafter, "MSI") moved ahead with a business integration with Aioi Insurance Co., Ltd. (hereinafter, "Aioi") and Nissay Dowa General Insurance Co., Ltd. (hereinafter, "NDGI") on April 1, 2010 and changed the company name from Mitsui Sumitomo Insurance Group Holdings, Inc. to MS&AD Insurance Group Holdings, Inc., making a fresh start as the holding company of the MS&AD Insurance Group.

Upon the inception of the new company, as a corporate group we formulated MS&AD New Frontier 2013, a medium-term management plan that aims to increase corporate value through sustainable growth cycles and improved profitability while earning the trust of our customers through improved product quality in our many businesses. Our corporate group has worked actively to achieve progress in each of our businesses with the domestic non-life insurance business, the domestic life insurance business, and overseas business at the core, while also pursuing group synergies and endeavoring to improve the efficiency of operations and unify systems based on this plan. As a holding company that controls the group as a whole, the Company formulated and facilitated the business strategy for the group from the perspective of enhancing growth capacity and profitability. It also provided business management expertise and support for group companies by monitoring progress in the execution of business and the status of assets of group companies.

The Great East Japan Earthquake that occurred in March 2011 caused unprecedented damage primarily in the Tohoku and Kanto regions. To provide a sense of assurance to our customers as quickly as possible, we dispatched numerous personnel to the call center and locations in the Tohoku region and made every effort to establish a rapid response system for paying claims and providing various types of consultation to customers who suffered damage.

The progress and results of our efforts in each business area for the current fiscal year are as follows:

Domestic Non-Life Insurance Business

We devoted efforts to further improving the quality of operational processes and providing attractive products and services in the domestic non-life insurance business as a core business segment of the group.

At Mitsui Sumitomo Insurance, we actively marketed New Long, a new automotive insurance product, and other products in the GK series, and we made efforts to ensure penetration of the GK brand. All of the insurance agreements for Sumisei General Insurance Co., Ltd. (hereinafter, "Sumisei General Insurance") were transferred to our group based on a business

alliance with Sumitomo Life Insurance Company, of which Sumisei General Insurance is a subsidiary.

Aioi and NDGI merged on October 1, 2010 to form Aioi Nissay Dowa Insurance Co., Ltd. (hereinafter, "Aioi Nissay Dowa Insurance"). As a new, common brand for the company's core insurance products, including automotive and fire insurance, we launched the Tough Series to provide high quality products and services that give our customers peace of mind.

At Mitsui Direct General Insurance Co., Ltd. (hereinafter, "Mitsui Direct"), we engaged in efforts to further enhance services for the insured, beginning with the "Automotive Lifestyle Support Service," in addition to providing products with simple and easy-to-understand indemnity coverage based on a proprietary business model that takes advantage of the unique characteristics of the Internet.

Domestic Life Insurance Business

The domestic life insurance business is positioned as a growth business segment for the group and we have worked to expand the business while striving to improve quality.

At Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. (hereinafter, "Kirameki Life"), we actively marketed New Medical Insurance α , which provides extensive coverage for advanced medical treatment and other procedures. We also worked to upgrade our operating processes by introducing a new system to speed up administrative processing of contracts for the issuance of insurance certificates with the goal of achieving greater improvements in customer service and quality.

At Aioi Life Insurance Co., Ltd. (hereinafter, "Aioi Life"), which became part of the corporate group as a result of a business integration in April 2010, we focused efforts on marketing core products such as income protection insurance and variable annuity whole life insurance.

Kirameki Life and Aioi Life have also agreed to merge in October 2011 in order to expand the business base in the domestic life insurance business.

At Mitsui Sumitomo MetLife Insurance Co., Ltd. (hereinafter, "MSI MetLife"), we continued to work on strengthening the sales platform for individual pension insurance by expanding business alliances with financial institutions and other means.

On April 1, 2011, this company became a wholly owned subsidiary of the group, at which time we changed the company name to Mitsui Sumitomo Primary Life Insurance Co., Ltd.

Overseas Business

In the overseas business, MSI entered into a strategic alliance in the non-life and life insurance businesses with the Hong Leong Group, a leading conglomerate in Malaysia, and worked to expand the branch network for MSI and Aioi Nissay Dowa Insurance in China, among other measures, as we worked to further strengthen our competitiveness and expand our business base in the Asian region. We have also been working diligently to improve risk management in order to appropriately address the rapid changes in the market environment.

Financial Services and Risk-related Businesses

In the financial services business, MSI and Aioi Nissay Dowa Insurance worked to obtain commissions for the management and investment business for defined benefit pensions while also focusing efforts on expanding sales of products for defined benefit pensions and weather derivatives, and expanding our management of Flat 35, a loan in cooperation with the Japan Housing Finance Agency.

In the risk-related services business, we were proactive in offering various types of services such as services to companies to assist in the formulation of measures to promote the health of employees.

Current Year Business Performance

The above factors resulted in the following consolidated operating results for our company. Insurance underwriting income was 3.2 trillion yen; income from asset management, 219.1

billion yen; and other ordinary income, 19.9 billion yen, for a total of 3.4 trillion yen in ordinary income, a 73.5% increase from the previous fiscal year.

Ordinary expenses were 3.4 trillion yen, marking a rise of 77.2% over the previous fiscal year. This resulted from insurance underwriting expenses of 2.8 trillion yen, asset management expenses of 60.9 billion yen, SG&A expenses of 508.6 billion yen, and other ordinary expenses of 7.4 billion yen.

This resulted in ordinary income of 21.0 billion yen, and 5.4 billion yen in net income after adjustment for extraordinary income and losses, corporate, resident and other taxes, and other factors, representing an 85.6% decline from the 32.2 billion yen in net income booked for the previous fiscal year.

Operating results by segment were as follows:

MSI booked net premiums written of 1.2 trillion yen, marking growth of 2.5% compared to the previous fiscal year. The net loss ratio also declined by 2.1 percentage points from the previous fiscal year to 68.3%, and the net operating expense ratio declined by 0.6 point from the previous fiscal year to 33.9%. Net income for the year was 22.8 billion yen, a decline of 2.5 billion yen from the previous fiscal year.

Aioi Nissay Dowa Insurance booked 1.1 trillion yen in net premiums written. The net loss ratio was 68.2%, and the operating expense ratio, 35.6%. A net loss of 11.4 billion yen was incurred for the current fiscal year.

Mitsui Direct booked net premiums written of 33.1 billion yen, marking growth of 2.1% from the previous period. The net loss ratio also rose 6.4 percentage points to 76.6%, and the net operating expense ratio declined by 2.9 percentage points to 21.9%. Net income after adjustment for equity interest (segment income) was 200 million yen, marking an increase of 900 million yen over the previous fiscal year.

Kirameki Life saw a 13.3% increase over the previous fiscal year in the new contract balance, which is the sum of individual insurance and individual pension insurance, to 1.8 trillion yen. The total balance of contracts held as of the end of the current fiscal year was 10.1 trillion yen. Net income declined by 5.3 billion yen from the previous fiscal period to a loss of 5.3 billion yen.

Aioi Life Insurance had a new contract balance of 1.0 trillion yen, comprised of the total for individual insurance and individual pension insurance. The total balance of contracts held for these as of the end of the current fiscal year was 6.3 trillion yen. A net loss of 1.8 billion yen was booked.

MSI MetLife saw a 37.8% YoY decline to 253.7 billion yen in the new contract balance, comprised of the sum of individual insurance and individual pension insurance. The total balance of contracts held for these as of the end of the current fiscal year was 3.1 trillion yen, a decline of 1.7% from last period. Investment income from equity interest (segment income) was 9.3 billion yen, an increase of 4.9 billion yen over the previous fiscal year.

Overseas insurance subsidiaries saw 13.8% growth in net premiums written to 180.6 billion yen. Net income (segment income) was 4.5 billion yen, a decline of 15.6 billion yen compared with the previous fiscal year.

Issues to be Addressed

A stronger trend of deceleration is projected for Japan's economy at present due to the continuing slump in personal consumption, the severe employment environment and other factors, coupled with the impact of the Great East Japan Earthquake.

Competition is becoming increasingly stiff among companies in the insurance industry, which is faced with a severe business environment due to the continuing trend toward a lower birthrate and an aging society, sluggish growth in the number of owned vehicles and other factors, making efforts to accurately address the needs of customers and improve profitability all the more important.

To fulfill our social mission as an insurance and financial group offering security and peace of mind to customers amid such circumstances, our group will make a concerted effort to help customers who suffered damage from the Great East Japan Earthquake. We will also earn the

trust of all customers by delivering to them high quality products and services in the various businesses in our domestic non-life insurance business, domestic life insurance business, overseas business, financial services business, and risk-related services business based on MS&AD New Frontier 2013, our medium-term management plan. We will also inject management resources into key areas and growth areas by maximizing group synergies through sharing of administration and systems, etc. and the centralization of operations. Through these initiatives, we will build a world-class insurance and financial group engaged in business globally and will achieve sustainable growth and improve the corporate value of the MS&AD Insurance Group.

We look forward to the continued support and encouragement of our shareholders.

Note: All monetary amounts and number of shares indicated in this business report (including the statements that follow) are rounded down to the indicated unit. Percentages of increase/decrease (change) are expressed to two decimal places and rounded off to the nearest first decimal place.

(2) Changes in status of assets and earnings of corporate group

a. Changes in status of consolidated assets and earnings of corporate group

(Yen in millions)

Category	Fiscal year 2007	Fiscal year 2008	Fiscal year 2009	Fiscal year 2010 (Fiscal year under review)
Consolidated ordinary income	—	2,040,013	1,962,689	3,404,942
Consolidated ordinary profit/losses	—	- 13,044	52,695	21,005
Consolidated net income	—	8,192	37,640	5,420
Consolidated net assets	—	1,023,021	1,311,082	1,633,381
Consolidated total assets	—	7,440,709	7,519,625	11,445,003

(Notes) 1. 'Fiscal year 2007' is left blank because the Company was established on April 1, 2008.

2. The Company acquired Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd. as subsidiaries by way of statutory share exchanges on April 1, 2010, resulting in increase in consolidated ordinary income and consolidated total assets.

b. Changes in status of assets and earnings of corporate group

(Yen in millions)

Category	Fiscal year 2007	Fiscal year 2008	Fiscal year 2009	Fiscal year 2010 (Fiscal year under review)
Operating income	—	38,073	40,018	69,143
Dividends received	—	35,250	37,375	65,528
Subsidiaries engaged in insurance business	—	35,250	37,375	65,528
Other subsidiaries	—	—	—	—
Current net income	—	34,689	37,026	65,202
Net income per share	—	82.38 Yen	88.37 Yen	104.48 Yen
Total assets	—	780,551	769,963	1,347,051
Shares of subsidiaries engaged in insurance business	—	756,614	761,714	1,311,662
Shares of other subsidiaries	—	—	—	377

(Notes) 1. 'Fiscal year 2007' is left blank because the Company was established on April 1, 2008.

2. The Company acquired all shares in Aioi Insurance Co., Ltd. and Nissay Dowa Insurance Co., Ltd. through statutory share exchanges on April 1, 2010, resulting in increase in the value of shares of subsidiaries, etc. by 550.3 billion yen.

(3) Offices of corporate group

Corporate name	Name of office	Location	Date founded
(Insurance holding company) MS&AD Insurance Group Holdings, Inc.	Headquarters	3-7, Yaesu 1-chome, Chuo-ku, Tokyo	April 1, 2010
(Domestic non-life insurance business) Mitsui Sumitomo Insurance Company, Limited	Headquarters	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo	Oct. 1, 2001
Aioi Nissay Dowa Insurance Company, Limited	Headquarters	28-1, Ebisu 1-chome, Shibuya-ku, Tokyo	April 1, 2001
Mitsui Direct General Insurance Company, Limited	Headquarters	5-3, Koraku 1-chome, Bunkyo-ku, Tokyo	Jan. 5, 2006
(Domestic life insurance business) Mitsui Sumitomo Kirameki Life Insurance Company, Limited	Headquarters	11-1, Kandanishikicho 3-chome, Chiyoda-ku, Tokyo	April 1, 2006
Aioi Life Insurance Company, Limited	Headquarters	1-6, Nihombashi 3-chome, Chuo-ku, Tokyo	Sep. 1, 2010

(4) Employees of corporate group

(Number of employees)

Division name	End of previous fiscal year	End of fiscal year under review	Change for the fiscal year under review
(Insurance holding company) MS&AD Insurance Group Holdings, Inc.	—	94	—
(Domestic non-life insurance business) Mitsui Sumitomo Insurance Company, Limited	—	14,919	—
Aioi Nissay Dowa Insurance Company, Limited	—	13,340	—
Mitsui Direct General Insurance Company, Limited	—	490	—
(Domestic life insurance business) Mitsui Sumitomo Kirameki Life Insurance Company, Limited	—	1,420	—
Aioi Life Insurance Company, Limited	—	598	—
(Overseas business) Overseas insurance subsidiaries	—	5,621	—
Others	—	56	—

(Notes)1. The numbers of employees each represent the number of those on duty and do not include executive officers.

2. Shown under 'Others' is the number of employees engaged in financial services business and risk-related services business operated by subsidiaries that are not insurance companies.

3. 'End of previous fiscal year' and 'Change for the fiscal year under review' are left blank since changes were made to segmentation for the fiscal year under review. The numbers as of the end of the previous fiscal year are 50 for the Company, 20,639 for non-life insurance business and 1,219 for life insurance business.

(5) Main lenders of corporate group

Not applicable.

(6) Capital procurement of corporate group

On January 27, 2011 Mitsui Sumitomo Insurance Co., Ltd. issued Mitsui Sumitomo Insurance Co., Ltd. Unsecured Corporate Bonds Series 5 (with limited inter-bond pari passu clause, total value of issue: 70 billion yen).

(7) Capital investment of corporate group

a. Total Amount of Capital Investment

(Yen in millions)

Division name	Amount
(Insurance holding company) MS&AD Insurance Group Holdings, Inc.	51
(Domestic non-life insurance business) Mitsui Sumitomo Insurance Company, Limited Aioi Nissay Dowa Insurance Company, Limited Mitsui Direct General Insurance Company, Limited	17,611 10,254 358
(Domestic life insurance business) Mitsui Sumitomo Kirameki Life Insurance Company, Limited Aioi Life Insurance Company, Limited	468 198
(Overseas business) Overseas insurance subsidiaries	672
Others	9

(Notes) Shown under 'Others' is the amount of capital investment concerning financial services business and risk-related services business operated by subsidiaries that are not insurance companies.

b. Establishment of Major Facilities, etc.

Not applicable.

(8) Parent company and key subsidiaries

a. Status of parent company

Not applicable.

b. Status of key subsidiaries

Name of company	Location	Principal business	Date of incorporation	Paid-in capital	Percentage of voting rights (%)	Other
Mitsui Sumitomo Insurance Co., Ltd.	Chuo-ku, Tokyo	Non-life insurance business	Oct. 21, 1918	¥139,595 million	100.0%	—
Aioi Nissay Dowa Insurance Co., Ltd.	Shibuya-ku, Tokyo	Non-life insurance business	June. 30, 1918	¥100,005 million	100.0%	—
Mitsui Direct General Insurance Company, Limited	Bunkyo-ku, Tokyo	Non-life insurance business	June 3, 1999	¥32,600 million	69.6%	—
Mitsui Sumitomo Kirameki Life Insurance Company, Limited	Chiyoda-ku, Tokyo	Life insurance business	Aug. 8, 1996	¥35,500 million	100.0%	—
Aioi Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Life insurance business	Aug. 8, 1996	¥30,000 million	100.0% (100.0%)	—
Mitsui Sumitomo MetLife Insurance Co., Ltd.	Chuo-ku, Tokyo	Life insurance business	Sep. 7, 2001	¥41,060 million	51.0%	—
MITSUI SUMITOMO INSURANCE Capital Co., Ltd.	Chuo-ku, Tokyo	Venture capital business	Dec. 6, 1990	¥1,000 million	100.0% (100.0%)	—
Sumitomo Mitsui Asset Management Company, Limited	Minato-ku, Tokyo	Investment advisory business and investment trust management business	July 15, 1985	¥2, 000 million	27.5% (27.5%)	—
CS-Desk Co., Ltd.	Shibuya-ku, Tokyo	Non-life insurance related business	Oct. 10, 2006	¥3, 300 million	90.9% (90.9%)	—
MSIG Holdings (Americas), Inc.	New York, U.S.A.	Holding company	Oct. 21, 1988	US\$3,600 thousand (¥299 million)	100.0% (100.0%)	—
Mitsui Sumitomo Insurance USA Inc.	New York, U.S.A.	Non-life insurance business	Jan. 28, 1988	US\$5, 000 thousand (¥415 million)	100.0% (100.0%)	—
Mitsui Sumitomo Insurance Company of America	New York, U.S.A.	Non-life insurance business	Mar. 29, 2001	US\$5,000 thousand (¥415 million)	100.0% (100.0%)	—
Aioi Nissay Dowa Insurance Company of America	New York, U.S.A.	Non-life insurance business	Jan. 11, 1994	US\$5,000 thousand (¥415 million)	100.0% (100.0%)	—
DTRIC Insurance Company, Limited	Honolulu, U.S.A.	Non-life insurance business	Dec. 12, 1978	US\$2,500 thousand (¥207 million)	74.8% (74.8%)	—
DTRIC Insurance Underwriters, Limited	Honolulu, U.S.A.	Non-life insurance business	Feb. 2, 2007	US\$2,500 thousand (¥207 million)	100.0% (100.0%)	—
Mitsui Sumitomo Seguros S/A.	Sao Paulo, Brazil	Non-life insurance business	Dec. 15, 1965	BRL281,368 thousand (¥14,285 million)	99.0% (99.0%)	—
MSIG Holdings (Europe) Ltd.	London, U.K.	Holding company	Mar. 7, 2000	UK£541,843 thousand (¥72,547 million)	100.0% (100.0%)	—
Mitsui Sumitomo Insurance (London Management) Ltd	London, U.K.	Holding company	Jan. 6, 2000	UK£35,960 thousand (¥4,814 million)	100.0% (100.0%)	—
Mitsui Sumitomo Insurance Company (Europe) Limited	London, U.K.	Non-life insurance business	July 28, 1972	UK£66,900 thousand (¥8,957 million)	100.0% (100.0%)	—

Name of company	Location	Principal business	Date of incorporation	Paid-in capital	Percentage of voting rights (%)	Other
Mitsui Sumitomo Insurance (London) Limited	London, U.K.	Non-life insurance business	Oct. 6, 1975	UK£529,107 thousand (¥70,842 million)	100.0% (100.0%)	—
MSI Corporate Capital Limited	London, U.K.	Non-life insurance business	Jan. 7, 2000	UK£5,200 thousand (¥696 million)	100.0% (100.0%)	—
Aioi Nissay Dowa Insurance Company of Europe Limited	London, U.K.	Non-life insurance business	Nov. 12, 2004	UK£183,756 thousand (¥24,603 million)	100.0% (100.0%)	—
Dowa Insurance Company (Europe) Limited	London, U.K.	Non-life insurance business	Nov. 28, 1975	UK£10,000 thousand (¥1,338 million)	100.0% (100.0%)	—
Aioi Nissay Dowa Life Insurance of Europe AG	Ismaning, Germany	Life insurance business	Dec. 8, 2005	€5,000 thousand (¥587 million)	100.0% (100.0%)	—
MS Frontier Reinsurance Limited	Hamilton, Bermuda	Non-life insurance business	Sep. 9, 1997	US\$294,588 thousand (¥24,495 million)	100.0% (100.0%)	—
Mitsui Sumitomo Reinsurance Limited	Dublin, Ireland	Non-life insurance business	Feb. 11, 1999	€20,000 thousand (¥2,351 million)	100.0% (100.0%)	—
MSIG Holdings (Asia) Pte. Ltd.	Singapore, Singapore	Holding company	Sep. 23, 2004	S\$673,515 thousand (¥44,391 million)	100.0% (100.0%)	—
MSIG Insurance (Singapore) Pte. Ltd.	Singapore, Singapore	Non-life insurance business	Sep. 23, 2004	S\$333,442 thousand (¥21,977 million)	100.0% (100.0%)	—
MSIG Mingtai Insurance Co., Ltd.	Taipei, Taiwan	Non-life insurance business	Sep. 22, 1961	NT\$2,535 million (¥7,151 million)	100.0% (100.0%)	—
Mitsui Sumitomo Insurance (China) Company, Limited	Shanghai, P.R.C.	Non-life insurance business	Sep. 6, 2007	RMB500,000 thousand (¥6,340 million)	100.0% (100.0%)	—
Aioi Nissay Dowa Insurance (China) Company Limited	Tianjin, P.R.C.	Non-life insurance business	Jan. 23, 2009	RMB260,000 thousand (¥3,296 million)	100.0% (100.0%)	—
MSIG Insurance (Hong Kong), Limited	Hong Kong, P.R.C.	Non-life insurance business	Sep. 8, 2004	HK\$1,625,842 thousand (¥17,363 million)	100.0% (100.0%)	—
MSIG Insurance (Vietnam) Company Limited	Hanoi, Vietnam	Non-life insurance business	Feb. 2, 2009	VND300,000 million (¥1,200 million)	100.0% (100.0%)	—
PT. Asuransi MSIG Indonesia	Jakarta, Indonesia	Non-life insurance business	Dec. 17, 1975	IDR40,000 million (¥384 million)	80.0% (80.0%)	—
MSIG Insurance (Thailand) Co., Ltd	Bangkok, Thailand	Non-life insurance business	Apr. 14, 1983	THB142,666 thousand (¥392 million)	80.3% (80.3%)	—
MSIG Insurance (Malaysia) Bhd.	Kuala Lumpur, Malaysia	Non-life insurance business	Apr. 28, 1979	MYR333,142 thousand (¥9,151 million)	65.4% (65.4%)	—
Hong Leong Assurance Berhad	Petaling Jaya, Malaysia	Life insurance business	Dec. 20, 1982	MYR200,000 thousand (¥5,494 million)	30.0% (30.0%)	—
MSIG Insurance (Lao) Co., Ltd.	Vientiane, Laos	Non-life insurance business	Sep.18, 2009	US\$2,000 thousand (¥166 million)	51.0% (51.0%)	—

(Notes)1. The table above shows key subsidiaries and other companies.

2. The following entities are added the fiscal year under review as key subsidiary and other companies.

Aioi Nissay Dowa Insurance Co., Ltd.

Aioi Life Insurance Co., Ltd.

CS-Desk Co., Ltd.
 Aioi Nissay Dowa Insurance Company of America
 DTRIC Insurance Company, Limited
 DTRIC Insurance Underwriters, Limited
 Aioi Nissay Dowa Insurance Company of Europe Limited
 Dowa Insurance Company (Europe) Limited
 Aioi Nissay Dowa Life Insurance of Europe AG
 Aioi Nissay Dowa Insurance (China) Company Limited
 Hong Leong Assurance Berhad

3. Mitsui Sumitomo Insurance (Singapore) Pte. Ltd. (currently, MSIS Pte. Ltd.) is not listed, having transferred all its business to MSIG Insurance (Singapore) Pte. Ltd. during the fiscal year under review and thus become no longer a key subsidiary.
4. Mitsui Sumitomo MetLife Insurance Company, Limited changed its corporate name to Mitsui Sumitomo Primary Life Insurance Company, Limited on April 1, 2011.
5. Shown in parentheses in the Pain-in capital column is the Yen value as translated at the exchange rate on the last day of the fiscal year under review.
6. Shown in parentheses in the Percentage of voting rights column is the percentage of voting rights indirectly held.

(9) Status of business transfers and acquisitions of corporate group

Date	Status of business transfers, etc.
April 1, 2010	The Company acquired all shares of Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd. by way of statutory share transfers under the terms of which the Company becomes wholly-owning parent company.
Oct. 1, 2010	MISG Insurance (Malaysia) Berhad, a subsidiary of the Company, acquired the non-life insurance business of Hong Leong Assurance Berhad by way of issuing new shares.

(10) Other important matters concerning state of corporate group

Not applicable.

2. Matters Concerning Directors and Corporate Auditors

(1) Status of directors and corporate auditors

(As of end of fiscal year)

Name	Position and responsibilities	Significant concurrent positions	Other
Toshiaki Egashira	Representative Director President & CEO	Chairman & Director, Chairman Executive Officer, <i>Mitsui Sumitomo Insurance Co., Ltd.</i> (“MSI”)	-
Ichiro Tateyama	Representative Director Executive Officer Assist CEO	Chairman & Director, <i>Aioi Nissay Dowa Insurance Co., Ltd.</i> (“ADI”)	-
Tadashi Kodama	Representative Director Executive Officer Assist CEO	Vice Chairman & Director, <i>ADI</i>	-
Yasuyoshi Karasawa	Representative Director Executive Officer Assist CEO	President, Director & CEO, <i>MSI</i>	-
Susumu Fujimoto	Director Senior Executive Officer Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept. Mitsui Sumitomo Kirameki Life Insurance Company, Limited., Mitsui Sumitomo MetLife Insurance Company, Limited, Mitsui Direct General Insurance Co., Ltd.		-
Shuhei Horimoto	Director Managing Executive Officer Corporate Planning Dept., Corporate Communications and Investor Relations Dept., Business Development Dept., Internal Audit Dept.	-	-
Hisahito Suzuki	Director Executive Officer Assist management	President & Director, <i>ADI</i>	-
Masanori Yoneda	Director Executive Officer Assist management	Director & Vice President Executive Officer, <i>ADI</i>	-
Katsuaki Ikeda	Director Executive Officer Assist management	Director & Senior Executive Officer, <i>MSI</i>	-
Toshihiko Seki	Outside Director	Professor Emeritus, Tohoku University Professor, Hosei University, Graduate School of Law	-
Akira Watanabe	Outside Director	Attorney-at-Law, Seiwa Meitetsu Law Office Outside Director, Japan Pile Corporation Outside Director, Maeda Corporation Outside Corporate Auditor, Fast Retailing Co., Ltd. Outside Corporate Auditor, Kadokawa Group Holdings, Inc.	-

Name	Position and responsibilities	Significant concurrent positions	Other
Mitsuhiro Umezu	Outside Director	Associate Professor, Faculty of Business and Commerce, Keio University and Deputy Director, International Center, Keio University Outside Director, San-ai Oil Co., Ltd.	-
Daiken Tsunoda	Outside Director	Attorney-at-law, Nakamura, Tsunoda, and Matsumoto Outside Corporate Auditor, INES Corp.	-
Takashi Yamashita	Corporate Auditor (Full time)	Outside Corporate Auditor, Nohmi Bosai Ltd.	-
Masahiko Oji	Corporate Auditor (Full time)	-	-
Sosuke Yasuda	Outside Corporate Auditor	Special Advisor, Gyosei & Co. Representative Employee, Gyosei Licensed Tax Accountants Outside Corporate Auditor, Nomura Research Institute, Ltd.	As a certified public accountant, Mr. Sosuke Yasuda has relevant knowledge of accounting and finance.
Kuniaki Nomura	Outside Corporate Auditor	Attorney-at-law, Nomura Law Office Outside Director, Sumitomo Mitsui Financial Group, Inc. Outside Corporate Auditor, Dai Nippon Printing Co., Ltd.	-
Hiroyuki Tezuka	Outside Corporate Auditor	Attorney-at-law, Nishimura & Asahi Outside Corporate Auditor, Showa Denko K.K.	-

(Notes)1. The Company has submitted Report on Independent Directors/Corporate Auditors, that Directors Toshihiko Seki, Akira Watanabe, Mitsuhiro Umezu and Daiken Tsunoda, and Corporate Auditors Sosuke Yasuda, Kuniaki Nomura and Hiroyuki Tezuka are independent directors/corporate auditors having no conflict of interests with general shareholders, to the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange.

2. The Company adopts an executive officer system. Executive Officers (excluding directors who are also an Executive Officer) as of March 31, 2011 are as follows:

Managing Executive Officer	Takayoshi Umemura	General Administration Dept. Human Resource Dept. Accounting Dept.
Executive Officer	Yasuo Kishimoto	Financial services business
Executive Officer	Seiichi Ota	Products
Executive Officer	Shiro Fujii	Administrative and systems
Executive Officer	Mitsuhiro Tsuchiya	Marketing and sales
Executive Officer	Kojiro Hataoka	Claims services

(2) Remuneration to directors and corporate auditors

Category	Number of recipients	Remuneration (Yen in millions)
Directors	13	269
Auditors	5	75
Total	18	345

(Note) It is provided that remuneration of Directors be no more than 500,000,000 yen per annum (exclusive of wages as employee payable to a director(s) with concurrent capacity as employee) (of which remuneration for outside directors shall be no more than 60,000,000 yen per annum), and remuneration of Corporate Auditors be no more than 110,000,000 yen per annum.

3. Matters Concerning External Directors and Corporate Auditors

(1) Concurrent and other status of external directors and corporate auditors

Name	Concurrent position or other matters
(Outside Directors) Toshihiko Seki	Professor Emeritus, Tohoku University Professor, Hosei University, Graduate School of Law
Akira Watanabe	Attorney-at-Law, Seiwa Meitetsu Law Office Outside Director, Japan Pile Corporation Outside Director, Maeda Corporation Outside Corporate Auditor, Fast Retailing Co., Ltd. Outside Corporate Auditor, Kadokawa Group Holdings, Inc.
Mitsuhiro Umezu	Associate Professor, Faculty of Business and Commerce, Keio University and Deputy Director, International Center, Keio University Outside Director, San-ai Oil Co., Ltd.
Daiken Tsunoda	Attorney-at-law, Nakamura, Tsunoda, and Matsumoto Outside Corporate Auditor, INES Corp.
(Outside Corporate Auditors) Sosuke Yasuda	Special Advisor, Gyosei & Co. Representative Employee, Gyosei Licensed Tax Accountants Outside Corporate Auditor, Nomura Research Institute, Ltd.
Kuniaki Nomura	Attorney-at-law, Nomura Law Office Outside Director, Sumitomo Mitsui Financial Group, Inc. Outside Corporate Auditor, Dai Nippon Printing Co., Ltd.
Hiroyuki Tezuka	Attorney-at-law, Nishimura & Asahi Outside Corporate Auditor, Showa Denko K.K.

- (Notes) 1. Maeda Corporation owns shares of the Company.
2. Nomura Research Institute, Ltd. has business transaction with the Company.
3. Dai Nippon Printing Co., Ltd. owns shares of the Company.
4. There is no special relationship between any of the above entities and the Company.

(2) Primary activities of external directors and corporate auditors

Name	Length of time in office	Record of attendance to Board of Directors meetings	Observations made at Board of Directors meetings and record of other activities
Toshihiko Seki (Outside Director)	3 years	Attended all 12 Board of Directors meetings held during the fiscal year under review.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his knowledge and experience as a legal scholar.
Akira Watanabe (Outside Director)	1 year	Attended all 12 Board of Directors meetings held during the fiscal year under review.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his knowledge and experience as a lawyer.
Mitsuhiro Umezu (Outside Director)	1 year	Attended all 12 Board of Directors meetings held during the fiscal year under review.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his knowledge and experience as a researcher of corporate ethics and other matters.
Daiken Tsunoda (Outside Director)	1 year	Attended all 12 Board of Directors meetings held during the fiscal year under review.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his knowledge and experience as a lawyer.
Sosuke Yasuda (Outside Corporate Auditor)	3 years	Attended 11 out of 12 Board of Directors meetings and all 12 Board of Corporate Auditors meetings held during the fiscal year under review.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his knowledge and experience as a Certified Public Accountant.
Kuniaki Nomura (Outside Corporate Auditor)	1 year	Attended 9 out of 12 Board of Directors meetings and 10 out of 12 Board of Corporate Auditors meetings held during the fiscal year under review.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his knowledge and experience as a lawyer.
Hiroyuki Tezuka (Outside Corporate Auditor)	1 year	Attended all 12 Board of Directors meetings and all 12 Board of Corporate Auditors meetings held during the fiscal year under review.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his knowledge and experience as a lawyer.

(Notes)1. The length of time in office shown is that from the date of assuming office to March 31, 2011.

2. The number of Board of Directors meetings shown does not take into account resolution(s) by writing pursuant to Article 370 of the Companies Act of Japan.

3. Mr. Daiken Tsunoda assumed office of Corporate Auditor of the Company on April 1, 2008 and resigned as such on March 31, 2010.

(3) Limited liability agreement

Name	Summary of content in limited liability agreements
(Outside Directors) Toshihiko Seki Akira Watanabe Mitsuhiro Umezu Daiken Tsunoda (Outside Corporate Auditors) Sosuke Yasuda Kuniaki Nomura Hiroyuki Tezuka	The Company has concluded agreements with each of the persons limiting his or her liability under Article 423, Clause 1 of the Companies Act. The amount of limited liability based on these contracts is the sum of the amounts stipulated in all paragraphs of Article 425, Clause 1 of the Companies Act.

(4) Remuneration for external directors and corporate auditors

	Number of recipients	Remuneration from the insurance holding company (Yen in millions)	Remuneration from parent company, etc. of the insurance holding company (Yen in millions)
Total compensation	7	71	2

(Notes)1. The composition of remuneration from the insurance holding company is 48 million yen for Outside Directors and 23 million yen for Outside Corporate Auditors.

2. The number of recipients as to remuneration from parent company, etc. of the insurance holding company is 2.

(5) Opinion of external directors and corporate auditors

Not applicable.

4. Matters Concerning Stock

(1) Number of shares

Total number of issuable shares 900,000 thousand shares
Total number of shares issued 633,291 thousand shares

(2) Number of shareholders at end of fiscal year under review 75,828

(3) Major shareholders

Names of shareholders	Investment in the Company	
	Number of shares held (Thousand)	Ratio of shares held (%)
Toyota Motor Corporation	52,610	8.3
Nippon Life Insurance Company	36,325	5.7
Japan Trustee Services Bank, Ltd. (Trust account)	29,884	4.7
The Master Trust Bank of Japan, Ltd. (Trust account)	27,010	4.3
State Street Bank and Trust Company	24,770	3.9
SSBT OD05 Omnibus Account - Treaty Clients	10,643	1.7
NATSCUMCO	9,159	1.4
State Street Bank and Trust Company 505225	8,817	1.4
The Chase Manhattan Bank N.A. London Secs Lending Omnibus Account	8,027	1.3
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	7,674	1.2

(Note) The Company owns 11,379 thousand treasury shares but is omitted from the table above.

5. Matters Concerning Stock Acquisition Rights

Not applicable.

6. Matters Concerning Accounting Auditor

(1) Accounting auditor

(Yen in millions)

Name or title	Compensation for the fiscal year under review	Other
KMPG AZSA LLC Designated and engagement partner: Kimitaka Mori Designated and engagement partner: Ikuo Hirakuri Designated and engagement partner: Yoshiki Hisano	15	Not applicable.

(Note)1. The sum of the amounts payable in cash and in kind from the Company and its subsidiaries is 280 million yen.

2. The amount shown includes compensation for audit under the Financial Instruments and Exchange Law, since the audit contract between the Company and the accounting auditor does not provide for separate amounts of compensation for audit under the Companies Act and audit under the Financial Instruments and Exchange Law, nor can they practically be separated.

3. KPMG AZSA LLC changed names from KPMG AZSA & Co. on July 1, 2010.

(2) Limited liability agreement

Not applicable.

(3) Other matters concerning accounting auditor

a. Policy on dismissal or decision to not reappoint the Accounting Auditor

The Company policy with regard to the above is as follows:

In the event the Board of Directors determines it appropriate to dismiss or decide not to reappoint the accounting auditor in cases where it is recognized that it will be difficult for the accounting auditor to execute its duties properly, the approval of the Board of Auditors will be obtained, and a resolution to dismiss or decide not to reappoint the accounting auditor will be presented at a general shareholders meeting.

Should the Board of Auditors decide to dismiss the accounting auditor based on Article 340 of the Companies Act, or in the event it is recognized that it will be difficult for the accounting auditor to perform its duties or other such circumstances, and the Board of Auditors has determined it appropriate to dismiss or not to reappoint the accounting auditor, the Board of Auditors will follow the procedures for dismissing or not reappointing the accounting auditor, based on Article 344 of the Companies Act.

b. Auditing of the financial statements of the Company's principal subsidiaries done by certified public accountants other than the Company's accounting auditor

Such principle subsidiaries as MSI Corporate Capital Limited and Aioi Nissay Dowa Insurance Company of Europe Limited are audited by certified public accountants other than KMPG AZSA LLC.

7. Basic Policy concerning Person in Control of Decisions on Finance and Business Policy

Not applicable.

8. System for Ensuring Appropriateness of Operations

A summary of resolution adopted by the Board of Directors regarding the establishment of the above system are as set out below.

- (1) System for ensuring appropriateness of operations in the corporate group consisting of the Company and its subsidiaries

Direct subsidiaries shall comply with the group's basic policies and to seek approval of and report to the Company important matters concerning each of the subsidiaries. Direct subsidiaries shall also be called upon to appropriately administer the management of their subsidiaries under to the agreements.

- (2) System for ensure efficient execution of director duties

The Company shall have an executive officers system in place, elect outside directors and have no more than 15 directors in order to strike a balance between making decisions quickly and supervising the Company's affairs appropriately,.

- (3) System for ensure that director and employee conduct in the execution of their duties be in compliance with laws and regulations and with the Articles of Incorporation

- (i) In accordance with the MS&AD Insurance Group Basic Policy on Compliance adopted by the Board of Directors of the Company, the Company and group companies shall make sure that each and every director and employee be well aware of the importance of compliance, comply with applicable laws and regulations and internal rules and conduct business by high ethical standards. The Company shall also work to establish a system to eliminate anti-social forces and strive to ensure that all officers and employees adopt a resolute attitude toward anti-social forces and refuse to give in to unjust and unreasonable demands.

- (ii) In order to promote compliance within the Company and group companies, the Company shall have a division that administers compliance and make regular reports to the Board of Directors on the progress of the group on promotion of compliance. The Company shall have Risk and Compliance Committee in place to monitor the progress, and take necessary measures on issues identified at by the Committee. The Company shall establish a group-wide whistle blowing system under which everyone in the group has direct access to internal hotline and to an outside lawyer concerning any improper, illegal, or unethical conduct of both an organization and an individual.

- (4) Regulations and other systems for management of the risk of loss (integrated risk management system)

- (i) The Company shall share information with group companies, establish a risk management department and other organizational structure, and make regular reports to the Board of Directors on the group's risks and risk management in order to exercise appropriate integrated risk management, under the MS&AD Insurance Group Basic Policy on Group Risk Management. The Company shall establish Risk and Compliance Committee to monitor risks and their management, take necessary action to avoid and/or reduce risks based on deliberation at the committee (including assessment of integrated management on qualitative risks).

- (ii) The Company shall evaluate the effectiveness of plans on crisis management and business continuity adopted by group companies and establish such plans for the group.

- (5) System for ensuring the reliability of financial reports

The Company shall elect as Corporate Auditor one or more person with sufficient expertise in accounting and finance. The Company shall also establish a system make for making proper and timely disclosure of the group's financial and other information under the MS&AD Insurance Group Basic Policy on Disclosure Control. The Disclosure

Committee shall evaluate the effectiveness of internal control over financial reporting and disclosure control of the Company and group companies.

(6) System for ensuring the effectiveness of internal audits

The Company shall establish an internal audit system and implement efficient and effective internal audit of all business activities within the group under the MS&AD Insurance Group Basic Policy on Internal Audit. The internal audit department of the Company shall report to the Board of Directors important matters concerning the results of internal audit conducted by the Company and domestic insurance subsidiaries as well as improvements made for the operations audited.

(7) System for retaining and managing information regarding the execution of duties by directors

The Company shall maintain writings and other information pertaining to execution of duties by directors and executive officers appropriately pursuant to the Rules on Document Management. The information thus maintained shall be readily available to Directors and Corporate Auditors.

(8) System for ensuring that audit by Corporate Auditors be carried out effectively

(i) System concerning staff to assist corporate auditors in performing their duties

The Company shall establish Corporate Auditors' Office staffed by with employees to assist Corporate Auditors. The Company shall obtain prior approval of the Board of Corporate Auditors when reorganizing the Office or transferring or taking disciplinary action against relevant employees. Performance of such employees shall be evaluated in consultation with a Corporate Auditor designated by the Board of Corporate Auditors.

(ii) System concerning reporting to corporate auditors

Directors and executive officers shall promptly report to the Board of Corporate Auditors decisions with grave impact on the Company's business and organization, results of internal audit, and use of and matters reported on internal reporting systems. Employees may report directly to the Board of Corporate Auditors on serious misconduct and violation of laws of management-level importance or facts that may cause serious damage to the Company.

(iii) Other

Corporate Auditors shall attend Group Management Committee and other important meetings. President and representative director(s) shall exchange opinions with the Board of Corporate Auditors on a regular basis, and the internal audit department shall cooperate with audit conducted by Corporate Auditors.

9. Matters Concerning Accounting Advisors

Not applicable.

10. Other Matters

Not applicable.

CONSOLIDATED BALANCE SHEET (As of March 31, 2011)

(Yen in millions)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Cash deposits and savings	623,606	Underwriting funds	9,114,317
Call loans	52,554	Outstanding claims	1,287,132
Securities bought under resale	23,094	Underwriting reserve	7,827,184
Agreements		Bonds	164,963
Receivables under securities lending transactions	26,535	Other liabilities	386,298
Monetary claims bought	117,169	Reserve for annuity and retirement	103,817
Money trusts	11,580	Benefits	
Investments in securities	7,818,573	Reserve for retirement benefits for	1,801
Loans	1,056,523	directors and corporate officers	
Tangible fixed assets	498,926	Accrued bonuses for employees	20,075
Land	259,295	Reserve under the special laws	13,952
Buildings	195,414	Reserve for price fluctuation	13,952
Lease assets	604	Deferred tax liabilities	3,896
Construction in process	12,985	Liabilities under acceptances and guarantees	2,500
Other tangible fixed assets	30,627		
Intangible fixed assets	124,553	Total Liabilities	9,811,622
Software	18,426	(Net Assets)	
Good will	100,678	Common stock	100,000
Lease assets	12	Capital surplus	682,754
Other intangible fixed assets	5,435	Retained earnings	506,696
Other assets	804,828	Treasury stock	-24,785
Deferred tax assets	294,397	Total shareholders' equity	1,264,664
Liabilities under customers' acceptances and guarantees	2,500	Unrealized gains on investments, net of tax	409,337
Bad debts reserve	-9,839	Deferred hedge gains/losses, net of tax	6,234
		Foreign currency translation adjustments	-65,007
		Total accumulated other comprehensive income	350,564
		Minority interests	18,152
		Total Net Assets	1,633,381
Total Assets	11,445,003	Total Liabilities and Net Assets	11,445,003

CONSOLIDATED STATEMENT OF INCOME

(From: April 1, 2010
To: March 31, 2011)

(Yen in millions)

Item	Amount
Ordinary income:	3,404,942
Underwriting income:	3,165,888
Net premiums written	2,543,786
Deposit premiums from policyholders	196,070
Investment income on deposit premiums from policyholders	66,386
Life insurance premiums	244,533
Reversal of underwriting reserves	106,361
Other underwriting income	8,750
Investment income:	219,106
Interest and dividends received	205,508
Investment gains on money trusts	54
Gains on sale of securities	66,295
Gains on redemption of securities	2,078
Gains on derivative transactions	8,409
Other income from investments	3,148
Transfer of investment income on deposit premiums from policyholders	-66,386
Other ordinary income:	19,947
Equity in gains of affiliates	9,628
Other ordinary income	10,318
Ordinary expenses:	3,383,936
Underwriting expenses:	2,806,869
Net claims paid	1,586,128
Loss adjustment expense	137,944
Commission and collection expense	465,069
Maturity refunds to policyholders	447,288
Dividends to policyholders	1,506
Life insurance claims	60,722
Provision for underwriting reserve	98,510
Other underwriting expense	9,699
Investment expenses:	60,996
Investment losses on money trusts	136
Investment losses on securities available for sale	4
Losses on sale of securities	23,960
Valuation losses on securities	20,322
Loss on redemption of securities	3,182
Other investment expense	13,389
Operating expenses and general and administrative expenses:	508,641
Other ordinary expenses:	7,429
Interest paid	1,813

Provision for bad debt	2,245
Loss on bad debt	104
Other ordinary expenses	3,265
Ordinary Profit	21,005
Extraordinary income:	25,573
Gain on sales of fixed assets	10,390
Gains on negative goodwill	13,543
Other extraordinary income	1,639
Extraordinary losses:	57,235
Losses on sales of fixed assets	2,813
Impairment loss	4,911
Reversal of reserve under the special law	5,303
Reversal of reserve for price fluctuation	5,303
Advanced depreciation of fixed assets	44
Other extraordinary losses	44,162
Net loss before tax	10,656
Income taxes	9,640
Income taxes adjustments	-26,510
Total income taxes	-16,869
Net income before adjustment for minority interests	6,212
Minority interests	792
Net income	5,420

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS(From: April 1, 2010
To: March 31, 2011)

(Yen in millions)

Item	Amount
Shareholder's equity	
Common stock	
Balance as of March 31, 2010	100,000
Balance as of March 31, 2011	100,000
Capital surplus	
Balance as of March 31, 2010	132,690
Change this year	
Increase in connection with statutory share exchange	550,064
Disposal of treasury stock	-0
Total change this year	550,064
Balance as of March 31, 2011	682,754
Retained earnings	
Balance as of March 31, 2010	541,520
Change this year	
Dividend of retained earnings	-38,373
Change of scope of consolidation	-1,871
Net income for this year	5,420
Total change this year	-34,824
Balance as of March 31, 2011	506,696
Treasury stock	
Balance as of March 31, 2010	-14,687
Change this year	
Acquisition of treasury stock	-10,112
Disposal of treasury stock	14
Total changes this year	-10,098
Balance as of March 31, 2011	-24,785
Total shareholder's equity	
Balance as of March 31, 2010	759,522
Change this year	
Increase in connection with statutory share exchange	550,064
Dividend of retained earnings	-38,373
Change of scope of consolidation	-1,871
Net income for the year	5,420
Acquisition of treasury stock	-10,112
Disposal of Treasury stock	13
Total change this year	505,141
Balance as of March 31, 2011	1,264,664

Accumulated other comprehensive income	
Valuation differences of other marketable securities	
Balance as of March 31, 2010	582,980
Change this year	
Change (net) this year on items other than shareholders' equity	-173,643
Total change this year	-173,643
Balance as of March 31, 2011	409,337
Deferred hedge profits/losses	
Balance as of March 31, 2010	2,138
Change this year	
Change (net) this year on items other than shareholders' equity	4,096
Total change this year	4,096
Balance as of March 31, 2011	6,234
Foreign currency translation adjustments	
Balance as of March 31, 2010	-40,309
Change this year	
Change (net) this year on items other than shareholders' equity	-24,697
Total change this year	-24,697
Balance as of March 31, 2011	-65,007
Total accumulated other comprehensive income	
Balance as of March 31, 2010	544,809
Change this year	
Change (net) this year on items other than shareholders' equity	-194,245
Total change this year	-194,245
Balance as of March 31, 2011	350,564
Minority interests	
Balance as of March 31, 2010	6,750
Change this year	
Change (net) this year on items other than shareholders' equity	11,402
Total change this year	11,402
Balance as of March 31, 2011	18,152
Total net assets	
Balance as of March 31, 2010	1,311,082
Change this year	
Increase in connection with statutory share exchange	550,064
Dividend of retained earnings	-38,373
Change of scope of consolidation	-1,871
Net income for this year	5,420
Acquisition of treasury stock	-10,112
Disposal of treasury stock	13
Change (net) this year on items other than shareholders' equity	-182,843
Total change this year	322,298
Balance as of March 31, 2011	1,633,381

CONSOLIDATED EXPLANATORY NOTES

(Matters of Significance that are Fundamental to the Preparation of Consolidated Financial Statements)

The Company's consolidated financial statements are prepared in conformity with the Corporate Accounting Regulations and the Ordinance for Enforcement of Insurance Business Law pursuant to the provisions of the Article 118 of the said Regulations. The definitions of subsidiary and affiliated company are based on Article 2 of the Corporate Accounting Regulations.

1. Matters concerning Scope of Consolidation

(1) Number of consolidated subsidiaries: 49

Names of principal consolidated subsidiaries:

Mitsui Sumitomo Insurance Co., Ltd.

Aioi Nissay Dowa Insurance Co., Ltd.

Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.

MSIG Holdings (Americas), Inc.

Mitsui Sumitomo Insurance (London Management) Ltd

MSIG Mingtai Insurance Co., Ltd.

The following firms have been added in the scope of consolidation from the fiscal year under review in connection with Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd. each becoming wholly owned subsidiary of the Company by way of statutory share transfers effective April 1, 2010.

Aioi Insurance Co., Ltd.

(currently, Aioi Nissay Dowa Insurance Co., Ltd.);

Nissay Dowa General Insurance Co., Ltd;

Aioi Life Insurance Co., Ltd.;

Aioi Insurance Company of America

(currently, Aioi Nissay Dowa Insurance Company of America);

DTRIC Insurance Company, Limited;

DTRIC Insurance Underwriters, Limited;

Aioi Motor and General Insurance Company of Europe Limited;

(currently, Aioi Nissay Dowa Insurance Company of Europe Limited);

Aioi Life Insurance of Europe AG

(currently, Aioi Nissay Dowa Life Insurance of Europe AG);

Dowa Insurance Company (Europe) Limited;

Aioi Insurance Company (China) Limited;

(currently, Aioi Nissay Dowa Insurance (China) Company Limited; and,

5 (five) others.

Nissay Dowa General Insurance Co., Ltd. above merged into Aioi Insurance Co., Ltd. on October 1, 2010.

Besides, Mitsui Sumitomo Insurance (Singapore) Pte. Ltd. (currently, MSIS Pte. Ltd.) has been removed from the scope of consolidation from the fiscal year under review since it has lost importance due to business reorganization.

(2) Unconsolidated subsidiaries

Names of principal unconsolidated subsidiaries:

MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited

MITSUI SUMITOMO INSURANCE Staffing Service Company, Limited

A company that is designated an unconsolidated subsidiary is one that has limited significance to the extent that it does not affect reasonable decisions regarding financial conditions and business results of the corporate group, in light of the amounts equivalent to interests in its total assets, ordinary income, net income and retained earnings.

(3) The Company owns 51% of the voting rights in Mitsui Sumitomo MetLife Insurance Co., Ltd. However, Mitsui Sumitomo MetLife Insurance Co., Ltd. is under joint control with another company and thus is not recognized as subsidiary.

Mitsui Sumitomo MetLife Insurance Co., Ltd. become wholly owned subsidiary of the Company and changed its name to Mitsui Sumitomo Primary Life Insurance Co., Ltd on April 1, 2011.

2. Application of equity-method accounting

(1) Number of equity-method affiliates: 5

Major equity-method affiliates: Mitsui Sumitomo MetLife Insurance Co., Ltd.
Sumitomo Mitsui Asset Management Co., Ltd.
Hong Leong Assurance Berhad

In the fiscal year under review, Mitsui Sumitomo Insurance Co., Ltd., a consolidated subsidiary, acquired an equity stake in Hong Leong Assurance Berhad, to which equity-method accounting is applied.

(2) Equity-method accounting is not applied to some of our unconsolidated subsidiaries and affiliates (including MS&AD Staffing Service Co., Ltd. and BPI/MS Insurance Corporation) because their impact on consolidated net income and retained earnings is immaterial individually and in aggregate.

(3) The Company holds 29.9% of the voting rights of Japan Earthquake Reinsurance Co., Ltd. through Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd., subsidiaries of the Company. However, the Company does not recognize Japan Earthquake Reinsurance as its affiliate since, in view of the public nature of its business, the Company is unable to influence its decisions as to its business policies.

3. Matters concerning the Accounting Years of Consolidated Subsidiaries

The last day of the business year for MSIG Holdings (Americas), Inc. and 41 other consolidated subsidiaries is December 31. In preparing these consolidated financial statements, the Company uses the financial statements for the business year of such consolidated affiliates because the variance with the last day of the consolidated accounting year does exceed 3 months.

Necessary adjustments for significant transactions made between such last days.

4. Matter concerning accounting standards

(1) Valuation basis and valuation method for securities (including those classified as "Cash, deposits and savings" and "monetary claims bought" under the Insurance Business Act Enforcement Regulations)

(i) Held-to-maturity debt securities are stated at amortized cost.

(ii) Equity securities for unconsolidated subsidiaries and affiliates that are not accounted for under the equity method are stated at cost, determined by the moving average method.

(iii) Debt securities earmarked for policy reserves are stated at amortized cost determined by the moving average method (straight-line method) pursuant to Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Securities Earmarked for Policy Reserve in Insurance Industry" (Japanese Institute of Certified Public Accountants, November 16, 2000).

An overview of our risk management policies for these debt securities earmarked for policy reserves is presented below.

In order to appropriately manage asset/liability interest rate risk, Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. has established a "single-premium endowment

insurance" sub-classification, while Aioi Life Insurance Co., Ltd. has established the "non-participating individual insurance," "participating individual insurance," "individual annuity insurance," "single-premium endowment insurance," and "foreign currency individual annuity insurance" sub-classifications. In managing our investments, it is our policy to match the duration of the policy reserves and duration of the debt securities earmarked for policy reserves for each sub-classification within a certain range.

For "non-participating individual insurance," "participating individual insurance," and "individual annuity insurance," Aioi Life Insurance Co., Ltd. manages the interest-rate risk associated with debt securities earmarked for policy reserves by looking at the income that will arise from insurance underwriting during the next 20 years and executing a duration matching strategy using the method shown in the attachment to the aforementioned Industry Audit Committee Report No. 21 (method that considers duration, based on underwriting income over a certain period of time in the future). As a result of this, the average duration for the sub-classifications is 7.8 years for claims, overhead costs, and other underwriting-related outlays, 5.4 years for premiums and underwriting-related revenue, and 11.2 years for debt securities earmarked for policy reserves.

- (iv) Available for sale securities for which market value is available are stated at market value, based on the market price as of March 31, 2011.
- (v) Any valuation differences are treated as a component of net assets and the cost of securities sold is calculated using the moving average method.
- (vi) Securities classified as other securities for which market value is deemed to be extremely difficult to determine are stated at cost, determined by the moving average method.

Securities held as trust assets for individually managed money trusts whose main objective is securities management are stated at market value.

Trust assets held in individually managed money trusts whose main objective is neither securities management nor holding securities to maturity are valued using the same method as available-for-sale securities.

(2) Standards and method of valuation for derivative transactions

Valuations of derivative transactions made by the Company and its consolidated subsidiaries are done according to the market price method. However, derivative transactions that fulfill the requirements for transfer treatment permitted for exchange transactions are accounted for with the use of transfer treatments, and derivative transactions that fulfill the requirements for the exceptional treatment permitted for interest rate swaps are accounted for with the use of exceptional treatments.

(3) Method of valuation of significant depreciable assets

(i) Tangible fixed assets

Depreciation of tangible fixed assets held by the Company's domestic consolidated subsidiaries is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on and after April 1, 1998, for which the straight-line method is applied. Depreciation of tangible fixed assets held by overseas consolidated subsidiaries is principally computed using the straight-line method methods.

(ii) Intangible fixed assets

Depreciation of software used by the Company is computed using the straight-line method based on the estimated period of use.

(4) Basis for significant allowances

(i) Bad debts reserve

The Company's domestic consolidated insurance subsidiaries provide for bad debt reserves in preparation for possible losses on doubtful receivables at an amount determined according to standards for self-appraisal of assets and standards for depreciation and provisions of reserves as follows.

With respect to receivables from debtors who were known to have suffered from collapse of management for whatever reason, legally or as a matter of form such as through bankruptcy, special liquidation or suspension of any transaction at the note exchanges or who fell substantially into collapse of management, a reserve is provided for by an amount equivalent to the balance obtained by deducting the amount expected to be realized by the enforcement of mortgage and the amount potentially collected through the enforcement of guarantees from the amount of the receivables.

With respect to receivables from debtors who were deemed highly likely to fall into collapse of management, a reserve is provided for by an amount deemed necessary upon overall judgment of their liquidity out of the amount equivalent to the balance obtained by deducting an expected amount to be realized by the enforcement of mortgage and the amount possibly collected by the enforcement of a guarantee from the amount of receivables.

With respect to receivables other than those stated above, a reserve is provided for by the amount obtained by multiplying the amount of the receivables by a bad debt rate calculated on the basis of the amount of written-off receivables in a specific period in the past.

The enforcement division provided for in the asset self-appraisal enforcement regulations has conducted an appraisal of all assets based on the standards for self-appraisal of assets and the reserves stated above have been provided for by the respective amounts based on the results of the above appraisal.

Other domestic consolidated subsidiaries have conducted an appraisal of assets for all receivables based on similar standards for self-appraisal of assets of the Company's domestic consolidated insurance subsidiaries and provided for the amount necessary for losses on bad debts based on such appraisal results.

For foreign consolidated subsidiaries, we provide an estimated amount for losses on bad debts in consideration of the collectibility of individual receivables.

(ii) Reserve for retirement benefits for employees

To provide a reserve for the retirement benefits of employees, an amount recognized as incurred at the end of the consolidated fiscal year is calculated based on the estimated amount of benefits obligations and plan assets as of March 31, 2009.

Prior service cost is amortized as incurred by the straight-line method over the average remaining years of service of the employees.

Actuarial gains or losses are amortized in the year following the year in which such difference occurred by the straight-line method over the average remaining years of services of the employees.

Some consolidated subsidiaries adopt the simplified tax effect accounting method for the purpose of calculating the retirement benefit obligations.

(Change in principles of accounting methods and accounting procedures)

Application of "3rd Amendment to "Accounting Standard for Retirement Benefits""

"3rd Amendment to "Accounting Standard for Retirement Benefits"" (Corporate Accounting Standard No.19 (last amended on July 31, 2008)) has been applied from this fiscal year under review. Application of the accounting standard has no influence on the consolidated financial statements, since the same reduction rate as the former method is applied.

(iii) Reserve for retirement benefits for directors and executive officers

The Company records a reserve that is based on the amount expected to be paid at the end of the fiscal year under review in order to provide for the disbursement of bonuses (including pensions) to departing officers and executive officers.

Mitsui Sumitomo Insurance Co., Ltd. and Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. have recorded amounts corresponding to consideration for the performance of duties during an officer's term of office up to March 31, 2005, when the retirement bonus system was terminated.

(iv) Accrued bonuses

Accrued bonuses for employees and executive officers are calculated based on the estimated benefit amount payable at the end of the consolidated business year.

(v) Reserve for price fluctuation

The Company's domestic consolidated insurance subsidiaries provide a reserve for price fluctuation for losses arising out of fluctuations in prices of shares under the provisions of Article 115 of the Insurance Business Law.

(5) Important translation standard for assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the rate on the spot rate exchange as of the consolidated balance sheet date. Unrealized translation gain or loss is stated as income or loss. Assets and liabilities of overseas consolidated subsidiaries are also translated into Japanese yen at the rate on the spot rate exchange as of the end of the fiscal year, and income and expenses are translated into Japanese yen at the rate of the average exchange during the fiscal year. Unrealized translation gain or loss is stated as translation adjustments and minority interests in the net assets category of the consolidated financial statements.

(6) Processing method for consumption taxes

Consumption tax is accounted for under the tax exclusive (*zei nuki*) method by the Company and domestic consolidated subsidiaries except for such relating to loss adjustment expenses, and operating expenses and general and administrative expenses for domestic consolidated non-life insurance subsidiaries, which are accounted for under the "tax inclusive (*zei komi*)" method by the Company. Non-deductible consumption tax relating to assets is included in suspense payments and amortized in equal installments over a period of 5 years.

(7) Processing method for important lease transactions

Finance lease transactions with no transfer of ownership that started prior to April 1, 2008 are accounted for in conformity with the normal method for lease transactions.

(8) Method of important hedge accounting

Consolidated domestic insurance subsidiaries account for stock transfer contracts for hedging risks arising from stock price fluctuations under the deferral hedge accounting method. Currency swap contracts for hedging foreign exchange risks related to foreign-denominated bonds are accounted for under the deferral hedge accounting method, and some forward exchange contracts are accounted for under the fair value hedge accounting method or subject to appropriation. Interest rate swap contracts for hedging risks arising from fluctuations in cash flow of loans or bonds relating to fluctuations in interest rates are accounted for using the deferral hedge accounting method or the exceptional method.

Hedging effectiveness is also assessed quarterly by comparing the cumulative fluctuations in prices or cash flows between the hedged items and the hedging instruments during the periods from the hedging start dates to the assessment dates. But when hedged items and hedging instruments are highly and clearly interrelated or when interest swap transactions meet the criteria for applying the exceptional method, the assessments for the effectiveness of hedging are omitted.

Also, interest rate swap contracts executed to appropriately control the risk of fluctuations in interest rates with respect to ALM (asset-liability management) are accounted for using the deferral hedge accounting method and are subject to effectiveness assessment pursuant to the Accounting and Auditing Treatment Regarding the Application of Accounting Standards for Financial Products in the Insurance Industry as set out in the Board of Auditors Report by Industry: No. 26 (Japanese Institute of Certified Public Accountants, September 3, 2002). The assessment of the effectiveness of the hedges is carried out by examining the state of interest rates that affect the calculation of the theoretical price of both the hedged items and the hedging instrument.

5. Matters concerning Amortization of Goodwill and Negative Goodwill

Goodwill is amortized in equal installments over 20 years. However, goodwill in small amounts is amortized in a lump-sum in the year that it is recognized.

6. Changes in accounting principles or accounting procedures

(1) Adoption of the Accounting Standard for Asset Retirement Obligations

Effective in the fiscal year under review, the Company has adopted the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18 of March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21 of March 31, 2008)

This change had the effect of lowering ordinary profit by 294 million yen and increasing the losses before taxes by 2,333 million yen. There was also a 5,992 million yen change in asset retirement obligations due to the initial adoption of this accounting standard.

(2) Adoption of the Accounting Standard for Business Combinations

Effective in the fiscal year under review, the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of December 26, 2008), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 of December 26, 2008), the partial amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No.23, December 26, 2008), the Accounting Standard for Business Divestitures (ASBJ Statement No.7, December 26, 2008), the Accounting Standard for Equity-Method Accounting (ASBJ Statement No. 16 of December 26, 2008), and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, December 26, 2008).

7. Changes in presentation

(1) Consolidated Balance Sheet and Consolidated Statement of Changes in Shareholders' Equity

Effective in the fiscal year under review, the Company has adopted the form prescribed under the Insurance Business Act Enforcement Regulations (Ministry of Finance No. 5 of 1996) as amended by the Cabinet Office Ordinance for Partial Revision of the Insurance Business Act Enforcement Regulations (Cabinet Office Ordinance No. 5 of March 25, 2011), and presents the previous fiscal year's "valuation and translation adjustments" and "total valuation and translation adjustments" as "accumulated other comprehensive income." and "total accumulated other comprehensive income."

(2) Consolidated Income Statement

Effective in the fiscal year under review, the Company has adopted the form prescribed under the Insurance Business Act Enforcement Regulations (Ministry of Finance No. 5 of 1996) as amended by the Cabinet Office Ordinance for Partial Revision of the Insurance Business Act Enforcement Regulations (Cabinet Office Ordinance No. 41 of September 21, 2010), and presents the item "income before minority interests."

(Consolidated Balance Sheet)

1. The accumulated depreciation on tangible fixed assets is 301,117 million yen and the reduction entry amount is 16,605 million yen. In the fiscal year under review the reduction entry amount deducted from acquisition cost due to the receipt of government subsidies is 44 million yen.

2. The shares of non-consolidated subsidiaries and affiliated companies are as follows:

Securities (stock):	49,803 million yen
Securities (foreign securities):	33,031 million yen
Securities (other securities):	6,713 million yen

3. The amount of loans to financially impaired parties, overdue loans, loans overdue by no less than three months, restructured loans, and the total amount thereof are as follows:

(1) Loans to financially impaired parties and overdue loans mount to 269 million yen and 3,362 million yen, respectively.

Loans to financially impaired parties mean the loans without accrued unpaid interest (defined below), with respect to which such event as provided for in Article 96, Paragraph 1, Items 3-(a) through (e), or Item 4 of the Corporation Tax Enforcement Order (Government Ordinance No. 97, 1965) (provision limit for bad debt reserve) has occurred. The Loans without accrued unpaid interest represent those loans on which accrued interest receivable is not recognized because repayments of principal or interest were overdue for considerable periods and they are regarded as uncollectible (excluding the portion of loans that were written off) (hereinafter referred to as the "Loans without accrued unpaid interest").

Overdue loans represent loans without accrued unpaid interest except for loans to financially impaired parties and loans that have been granted grace for interest payments for the purpose of restructuring the debtor, or supporting the debtor in financial difficulty.

(2) Among loans receivables, receivables in arrears for three months or more amounts to 1,603 million yen.

Receivables in arrears for three months or more mean loans receivable for which payment of principal or interest is in arrears for three months or more from the day next following the stated payment date and which do not fall under receivables from debtors who are under collapse of management or receivables in arrears.

(3) Among loans receivables, receivables to which eased loan conditions were granted amount to 4,203 million yen.

Receivables to which eased loan conditions were granted mean loans receivable for which such arrangements as will be favorable to debtors including reduction or exemption of interest, postponement of interest payment or grant of grace period for the principal, abandonment of debts or others have been made, and which do not fall under receivables from debtors who are under collapse of management, receivables in delay or receivables in arrears for 3 months or more.

(4) Total of receivables from debtors who are under collapse of management, receivables in delay, receivables in arrears for three months or more, and receivables to which eased conditions were granted amounts to 9,439 million yen.

4. Assets pledged as collateral comprise 129,941 million yen in securities, 1,703 million yen in money trusts, 1,697 million yen in cash and deposits, and 234 million yen in tangible fixed assets. In addition to securing 37 million yen in borrowings recorded as other liabilities, these assets also comprise assets deposits in connection with overseas operations and securities pledged in connection with the Bank of Japan's Real Time Gross Settlement System.

5. Investment securities include loans in the aggregate amount of 83,429 million yen by a loan for consumption agreement.

6. Of the assets accepted in connection with resale agreements and cash-secured securities lending transactions, we have the right, through sale or re-collateralization, to dispose of 11,095 million yen in commercial paper and 15,121 million yen in securities, all of which we hold ourselves.

7. Details of retirement benefits are as follows:

(1) Details of retirement benefit obligation:

Retirement benefit obligation	-457,263 million yen
Plan assets	338,469 million yen
Unfunded obligation	-118,793 million yen
Unrecognized actuarial losses	45,496 million yen
Unrecognized past service obligation	-102 million yen
Net amount on the Balance Sheet	-73,398 million yen
Prepaid pension expenses	30,418 million yen
Reserve for annuity and retirement benefits	-103,817 million yen

(2) Actuarial assumptions for retirement benefit obligation:

Periodic allocation method for expected retirement benefit amount	Periodic fixed amount
Discount rate	Typically 2.00%
Expected rate of return	
Retirement benefit trust	0.00%
Other assets	Typically 1.50-3.00%
Amortization period for past service obligations	4 years
Amortization period for actuarial losses	Typically 10-12 years

8. Mitsui Sumitomo Insurance Co., Ltd. guarantees the execution of transactions undertaken by limited partnerships. The total present value of such transactions covered by this guarantee as of March 31, 2011 amounts to 73,106 million yen, but they are not recognized as customer liabilities under acceptance and guarantees or as liabilities under acceptance and guarantees because there is no substantial guaranteed amount taking account of collaterals.

9. The Company and Mitsui Sumitomo Insurance Co., Ltd. have entered into a net assets maintenance agreement with Mitsui Sumitomo MetLife Insurance Co., Ltd., an affiliated of the Company, to provide it with funds in case its net assets fall short of certain level or its current assets are insufficient to pay off its obligations. Total liabilities of Mitsui Sumitomo MetLife Insurance Co., Ltd. as of March 31, 2011 amount to 3,015,418 million yen (including underwriting funds of 3,003,150 million yen) and its total assets amount to 3,0696,780 million yen.

The agreement is not intended to provide guarantee to payment of liabilities of Mitsui Sumitomo MetLife Insurance Co., Ltd. As of March 31, 2011, its net assets exceeded the specified standards nor are its current assets in short.

10. The balance of loans un-extended for loan commitment agreements is 14,437 million yen.

11. Matters relating to financial instruments are as follows:

(1) Matters relating to status of financial instruments

(i) Policies regarding financial instruments

The Group aims to continuously expand its net asset value while maintaining financial liquidity and appropriately managing risks, taking into consideration the need to ensure stable returns from asset management, security in the assets held, and sufficient liquidity. In order to accomplish this, the Group uses asset liability management strategies in order to appropriately manage our use of financial instruments. In making business decisions, the group assumes a variety of risks in connection with asset management, including market risk and credit risk, and these risks are managed in accordance with the Group's risk management policies and the risk management policies of each company.

The Group's cash inflows stem from our underwriting results and asset management results, and these can be greatly affected by external changes such as natural disasters and

financial market movements. In various scenarios Mitsui Sumitomo Insurance Co., Ltd. obtains funding by issuing long-term and short-term debt securities as needed to improve capital efficiency.

(ii) Description of financial instruments and the associated risks

The financial assets held by the Group consist primarily of government and corporate bonds, equity securities, other securities including foreign securities, and loans receivable. The risks associated with asset management are market risk (the risk of losses owing to fluctuations in interest rates, share prices or foreign exchange rates), credit risk (the risk associated with the issuers of securities and the counterparties in loan arrangements), and liquidity risk (the risk of losses arising from a situation in which the Group is compelled to complete a transaction at a low price due to market turmoil or some other situation).

The Group uses interest swaps, stock index options, forward exchange transactions, and currency options to hedge the market risk from changes in interest rates, share prices or currency rates. In addition to the abovementioned derivatives transactions, the Group also uses vehicles including credit derivatives and weather derivatives to achieve investment returns, while heeding the risks associated with these transactions.

Please refer to “Matters of Significance that are Fundamental to the Preparation of Consolidated Financial Statements, 4. Matters concerning Accounting, (8) Method of important hedge accounting for more information on derivatives for which hedge accounting has been adopted.

Derivatives transactions ordinarily entail market risk (the risk associated with changes in the market value of the underlying instrument) or the risk associated with changes in the phenomenon that serves as the basis for the derivative transaction. They also entail credit risk, or the risk of nonperformance of contracts due to counterparty insolvency or some other issue. The derivatives that are used by the Group likewise entail the market risk associated with fluctuations in the prices of the underlying transactions. However, when a derivative is used for hedging purposes, the prices of the underlying asset and the derivative will move in opposite directions, thus mitigating market risk. To avert credit risk in connection with nonperformance, the majority of the counterparties in our derivatives transactions are highly creditworthy financial institutions and, furthermore, our transactions are spread across a number of these counterparties.

(iii) Risk management systems related to financial instruments

The Group has adopted internal regulations on allocation of authority and risk management with respect to trading generally, and executes and manages transactions within pursuant thereto. Major consolidated domestic insurance subsidiaries systematically check the daily activities, ensuring separation of duties by keeping back-office administration separate from risk management. It also monitors activities to ensure that operations, types of products, holding limits, risk amounts, and the handling of losses, etc. are done in accordance with regulations. Furthermore, risk management departments evaluate and analyze risks and regularly report on the status of risks to the Board of Directors and other bodies.

a. Management of market risk

The Group has established and operates a risk management system based on the characteristics of assets, in accordance with internal regulations on management of market risk, etc. Major consolidated domestic insurance subsidiaries manage risks at both executive and risk management divisions, with management regulations and defined procedures in place for each area of investment as well as limits on amounts held or loss limits proportionate to the specific risk features. Furthermore, the risk management divisions conduct sensitivity analyses relating to changes in interest rates, stock prices and exchange rates, and measures the VaR (Value at Risk) of market risk.

Through these and other activities, they evaluate and manage risks in a multifaceted way.

b. Management of credit risk

The Group, in accordance with management standards relating to credit risk, has a system of credit risk management. Major consolidated domestic insurance subsidiaries manage the credit risks of issuers of marketable securities and counterparty risk in derivative transactions in departments that execute such transactions and risk management departments by regularly evaluating credit information and market prices. With regard to loans, Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd. have established a credit management system to examine the creditworthiness of each loan, set limits, manage credit information, rate loans internally, set limits on guarantees and collateral, and to handle problem loans and other such issues in departments that execute such transactions and in the risk management departments.

c. Management of liquidity risk

The Group divides cash flow conditions into two types—normal and crisis—and manages cash and conducts its operations with consideration to the level of liquidity appropriate to each type of cash flow condition. To maintain and ensure adequate liquidity in a changing environment, the Group adopts diverse strategies in raising funds. Furthermore, in preparation for the occurrence of unforeseen situations such as a decline in market liquidity stemming from a huge natural disaster or confusion in financial markets, the Group manages liquidity risk by holding and monitoring sufficient cash-on-hand and highly liquid marketable securities such as government bonds.

(iv) Supplementary explanation regarding the market value of financial instruments, etc.

The market value of financial instruments is based on market price, but may also include a reasonable calculation of value when the value cannot be derived by the market. The Group adopts certain assumptions in these calculations, and the values may change as assumptions change.

(2) Matters relating to market value of financial instruments, etc.

Consolidated balance sheets as of March 31, 2011, market values and comments regarding variances follows. Assets whose market value cannot be easily determined have not been included in this table. (See (Note) 2)

	Amount on consolidated balance sheet (Yen in millions)	Market value (Yen in millions)	Difference (Yen in millions)
(i) Cash, deposits and savings	623,606	623,606	-
(ii) Call loans	52,554	52,554	-
(iii) Receivables under resale agreements	23,094	23,094	-
(iv) Receivables under securities lending transactions	26,535	26,535	
(v) Monetary claims bought	116,620	116,620	-
(vi) Money trust	11,580	11,580	-
(vii) Securities			
Securities held to maturity	542,566	560,445	17,879
Securities earmarked for policy reserve	357,282	363,103	5,820
Other securities	6,601,530	6,601,530	-
(viii) Loans	1,056,523		
Bad debt reserve (*1)	-2,552		
	1,053,971	1,068,072	14,100
Total assets	9,409,342	9,447,142	37,800
Corporate bonds	163,963	167,301	2,337
Total debts	164,963	167,301	2,337
Derivative transactions (*2)			
Hedge accounting unapplied	[2,719]	[2,719]	-
Hedge accounting applies	2,878	2,878	-
Total derivative transactions	158	158	-

(*1) General provisions for loan losses and individual provisions for loan losses have been deducted.

(*2) Derivative transactions posted under other assets and other liabilities are shown on a lump-sum basis. Net debts and credits produced by derivative transactions are shown in net amounts and, in the total, items that are net debts are shown in [].

Note 1. Methods used to calculate market value of financial instruments

Assets

(i) Cash, deposits and savings

Deposits are stated at the present value as calculated by assigning the deposits into classes based on time-to-maturity and then discounting them by the putative interest rate for a new deposit. However, deposits with no specified maturity and short-term deposits with a specified maturity are stated at their respective book values, because book value approximates the market value of these instruments.

(ii) Call loans

Call loans are stated at book value, because book value approximates the market value of these instruments.

(iii) Receivables under resale agreements

Receivables under resale agreements are stated at book value, because book value approximates the market value of these instruments.

(iv) Receivables under securities lending transactions

Receivables under securities lending transactions are stated at book value, because book value approximates the market value of these instruments.

(v) Monetary claims

The market value of monetary claims is essentially the same as book value; therefore, monetary claims are recorded according to the book value. Amounts for monetary claims other than commercial paper shown in the table are based, among other things, on the amounts provided by the transacting financial institution.

(vi) Money trusts

In the case of money trusts, market value is based on prices indicated by trust banks.

(vii) Marketable securities

The market value of equities is based on stock exchange prices and the market value of bonds is based on trading exchange prices or prices indicated by information providers. In addition, the market value of some bonds is based on prices indicated by the transacting financial institutions.

(viii) Loans

As long as there is no material change in the credit of the borrower, the market value of the loans with variable interest rate, which reflects the market interest rate in the short term, is essentially the same as the book value, so the market rate is set at book value. On loans with fixed rate, loans are first classified according to type, maturity, and credit risk; then the present value is determined by discounting future cash flow at a rate derived from applying a credit spread to the appropriate index on government treasuries. The value of a portion of personal loans is determined by discounting future cash flow for each type of instrument at a rate, assuming similar new loans are made under the same conditions.

Since limits for repayments of loans on insurance policies are not set because the various characteristics of the loans vary such as limits on the loan by repayments at cancellation, the book value is used for the market value, assuming market value is the same as book value given the expected maturity of the loan and interest rate conditions.

In addition, on loans to bankrupt, near-bankrupt, or potentially bankrupt borrowers, we first determine present value of estimated future cash flow, value of collateral and projected amounts collectable from guarantors to get an estimated amount from the bankruptcy, then subtract the present value of the loan loss from the consolidated balance sheet on that date of settlement to get an amount that is essentially the same as the market value.

Liabilities

Corporate bonds

Market value is based on reference prices for over-the-counter bond transactions disclosed by the Japan Securities Dealers Association.

Derivative transactions

In the case of derivative transactions, market value is based on forward exchange rates, final prices from the major stock exchanges, prices indicated by the transacting financial institutions, and prices calculated based on option price calculation models, etc.

(Note) 2. Financial instruments whose market value is difficult to determine are as set out below, and these instruments are not included in the table above.

The market value has not been provided for 89,548 million yen in shares of subsidiaries and affiliates not listed, 164,105 million yen in other equity securities not listed, 61,923 million yen in investment in capital of partnership where partnership assets are composed of unlisted equities, etc., and 2,165 million yen in corporate bonds because factors to reasonably calculate the value are insufficient due to bankruptcy or future cash flows are unknown.

12. Matters related to leased and other real estate are shown below.

(1) Matters related to status of leased and other real estate

some consolidated subsidiaries own leased office buildings, etc. in metropolitan Tokyo and other regions.

(2) Matters related to market value of leased and other real estate

Amount recorded in consolidated balance sheets (Yen in millions) Market value at end of current consolidated fiscal year (Yen in millions)

94,809

151,493

(Notes)1. The amount recorded on the consolidated balance sheets is the amount after deducting accumulated depreciation from the acquisition cost.

2. The market values as of the end of the fiscal year under review are generally values that are based on written real estate appraisals performed by outside real estate appraisers. However, when there have been no significant changes in certain assessed values or in indicators that are thought to properly reflect market prices since the time of the latest valuations,, real estate is stated at an amount that has been adjusted using such assessed values or indicators.

13. Matters relating to business combinations are as follows:

(Business combinations through acquisitions)

Business Integration

The Company entered into share exchange agreements, on September 30, 2009, with Aioi and NDGI pursuant to which the Company would become a wholly owning parent company, and consummated the share exchanges, on April 1, 2010, with each of Aioi and NDGI pursuant to the agreements, which had been approved at the extraordinary shareholders meeting held on December 22, 2009. Also on April 1, 2010, the Company changed its corporate name to MS&AD Insurance Group Holdings, Inc.

(1) Name and nature of business acquired, major reason for undertaking business combination, date of business combination, name of business after combination, percentage of voting rights acquired, and main reason for determining acquiring business

(i) Name and nature of business acquired

Name of business acquired: Aioi and NDGI

Nature of business acquired: non-life insurance business

(ii) Major reason for business combination

To achieve sustainable growth and to enhance enterprise value through the creation of a globally operating and world-leading insurance and financial services group by rapidly and significantly improving the quality and expanding the quantity of operational bases and corporate resources.

(iii) Date of business combination

April 1, 2010

(iv) Legal structure of business combination

Share exchanges in which the Company has become a wholly owning parent company

(v) Name of business after combination

MS&AD Insurance Group Holdings, Inc.

(vi) Percentage of voting rights acquired

100%

(vii) Main reason for determining acquiring business

It is determined that the Company is the acquiring company since it is the Company that issued shares and also shareholders of the Company before the combination own the largest percentage of voting rights of the Company after the combination.

(2) Time period for which results of business acquired are included in consolidated accounting statements

From April 1, 2010 to March 31, 2011

(3) Amount and composition of cost of acquisition of business acquired

	Aioi	(Yen in millions) NDGI
Consideration for acquisition	361,948	188,116
Direct expenditure for acquisition	171	88
Acquisition cost	362,119	188,205

- (4) Exchange ratio of shares by class, method of evaluation and number of shares delivered
- (i) Exchange ratio of shares by class
0.190 ordinary share of the Company was allotted for 1 ordinary share of Aioi and 0.191 ordinary share of the Company was allotted for 1 ordinary share of NDGI

(ii) Method of evaluation

In order to support their respective efforts to ensure the fairness and appropriateness of the share exchange ratio, Aioi requested Nomura Securities and Morgan Stanley (currently, Morgan Stanley MUFG Securities), NDGI requested Goldman Sachs, and the Company requested Nikko Citigroup (currently, Citigroup Global Markets Japan Inc.) to perform financial analyses relating to the applicable share exchange ratio under the Business Integration.

Aioi, NDGI, and the Company together on several occasions conducted careful negotiations and discussions on the share exchange ratios, comprehensively taking into account such factors as the financial position, assets, and future prospects of each party, making reference to the financial analyses prepared with respect to the share exchange ratios. As a result of the negotiations and discussions, the parties reached the conclusion that the share exchange ratio set out above is appropriate and agreed to determine the share exchange ratio shown above.

(iii) Number of shares delivered

	Aioi	NDGI
Shares delivered	139,479,256 shares	72,491,759 shares

- (5) Amount, source, and method and time period for amortizing goodwill, and amount and source of negative goodwill

(i) Aioi Insurance Co., Ltd.

a. Amount of goodwill

32,776 million yen

b. Source of goodwill

The amount of investment based on the corporate value as appraised at the time of determination of the share exchange ratio exceeded the net value of the assets received and the liabilities assumed.

c. Method and time period for amortization

Amortized evenly over 20 years

(ii) Nissay Dowa General Insurance Co., Ltd

a. Amount of gains on negative goodwill

13,543 million yen

b. Source of negative goodwill

The net value of the assets received and the liabilities assumed exceeded the amount of investment based on the corporate value as appraised at the time of determination of the share exchange ratio.

- (6) Amount and composition of assets received and liabilities assumed at date of business combination

(i) Aioi Insurance Co., Ltd.

	(Yen in millions)
Total Assets	2,922,533
(Securities)	1,788,478)
Total Liabilities	2,592,226
(Policy reserves)	2,447,572)

(ii) Nissay Dowa General Insurance Co., Ltd

	(Yen in millions)
Total Assets	1,138,325
(Securities	849,127)
Securities	936,565
(Policy reserves	902,926)

Assumption of non-life insurance operations in Malaysia

On June 18, 2010, Mitsui Sumitomo Insurance Co., Ltd., a subsidiary of the Company, entered into a basic agreement with Hong Leong Financial Group ("Hong Leong Group"), a prominent Malaysian conglomerate, to form a strategic alliance in non-life and life insurance operations. In accordance with this basic agreement, MSIG Insurance (Malaysia) Berhad, a subsidiary of Mitsui Sumitomo Insurance Co., Ltd., assumed the non-life insurance operations of Hong Leong Assurance Berhad, a member of the Hong Leong Group on October 1, 2010.

(1) Name of counterpart and nature of business acquired, main reason for undertaking business combination, date of business combination, and legal form of business combination

(i) Name of counterpart and nature of business acquired

Name of counterpart	Hong Leong Assurance Berhad
Nature of business acquired	non-life insurance business

(ii) Main reason for undertaking business combination

Asia outside of Japan is a strategic region for our growing overseas operations, and by acquiring non-life insurance operations through this business combination and taking an equity interest in Hong Leong Assurance Berhad, which operates a life insurance business, the Company aims to simultaneously expand our non-life insurance operations and enter the life insurance market in the Asia ex-Japan market, and also establish a stable base of operations in the Asia ex-Japan market.

(iii) Date of business combination

October 1, 2010

(iv) Legal form of business combination

Assuming business operations for shares of common stock issued by MSIG Insurance (Malaysia) Berhad

(2) Time period for which results of business acquired are included in consolidated accounting statements

October 1, 2010 to December 31, 2010

(3) Acquisition cost of the acquired business, itemization of the acquisition cost, and number and value of the granted shares

(i) Amount and composition of cost of acquisition of business acquired

	(Yen in millions)
Consideration for acquisition (acquisition cost)	16,808
Common stock issued by MSIG Insurance (Malaysia) Berhad	

(ii) Number and value of granted shares

The granted shares were 99,942,858 shares of MSIG Insurance (Malaysia) Berhad common stock, valued at 16,808 million yen.

(4) Amount, source, and method and time period for amortizing goodwill

- (i) Amount of goodwill
16,808 million yen
 - (ii) Source of goodwill
The source of the goodwill is the expected future excess returns from the future business development.
 - (iii) Method and time period for amortization
Amortized evenly over 20 years
- (5) Amount and composition of assets received and liabilities assumed at date of business combination

	(Yen in millions)
Total assets	8,906
(Cash, deposits and savings)	4,464)
(Securities)	3,075)
Total liabilities	8,906
(Policy reserves)	7,565)

Transactions under common control

Merger of Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd.

Under a merger agreement approved by both companies' shareholders at extraordinary shareholders meetings each held on December 22, 2009, Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd., subsidiaries of the Company, merged on October 1, 2010, and the name of the merged company was changed to Aioi Nissay Dowa Insurance Co., Ltd.

- (1) Name and nature the business of parties to combination, date of business combination, legal form of business combination, name of business after combination, and description of transaction, including purpose of transaction

- (i) Names and nature of business of parties to combination

- a. Combining company

Name Aioi Insurance Co., Ltd.

Description of business Non-life insurance business

- b. Combined company

Name Nissay Dowa General Insurance Co., Ltd.

Description of business Non-life insurance business

- (ii) Date of business combination

October 1, 2010

- (iii) Legal form of business combination

Merger by absorption with Aioi Insurance Co., Ltd. as the surviving entity

- (iv) Name of business after combination

Aioi Nissay Dowa Insurance Co., Ltd.

- (v) Description of transaction, including purpose of transaction

On April 1, 2010 Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd. became wholly owned subsidiaries of the Company through statutory share exchanges. Merger of these two companies is intended for the new merged entity, one of the core non-life insurance companies of the MS&AD Insurance Group, to enhance the value of the Group.

- (2) Description of accounting treatment used

This transaction was treated as a transaction under common control pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, December 26, 2008).

14. Book-value per share is 2,597.19 yen per share. The amount deductible from total net assets, which forms the basis for the calculation, is a minority interest of 18,152 million yen. The number of shares of common stock as of March 31, 2011 is 621,911 thousand shares.

15. Subsequent events that occurred after the end of the consolidated fiscal year under review and have material impact on the assets and performance during the subsequent consolidated fiscal years are as follows.

(1) Acquisition of additional shares to convert Mitsui Sumitomo MetLife Insurance Co., Ltd. into subsidiary

In accordance with an agreement to purchase shares from MetLife Worldwide Holdings, Inc., a subsidiary of MetLife, Inc., the Company acquired additional shares in Mitsui Sumitomo MetLife Insurance Co., Ltd. ("Mitsui Sumitomo MetLife"), a joint venture with MetLife on April 1, 2011, thus converting Mitsui Sumitomo MetLife into a wholly owned subsidiary. Also on April 1, 2011, the name of Mitsui Sumitomo MetLife was changed to Mitsui Sumitomo Primary Life Insurance Co., Ltd.

(i) Name and nature of business acquired, main reason for undertaking business combination, date of business combination, legal form of business combination, name of business after combination, percentage of voting rights acquired and main reason for determining acquiring business.

a. Name and nature of business acquired

Name of business acquired	Mitsui Sumitomo MetLife Insurance Co., Ltd.
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Nature of business	Life insurance business
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b. Main reason for undertaking business combination

Making Mitsui Sumitomo MetLife a subsidiary will help further strengthen its ties to our group companies, reinforce the marketing structure, and improve business efficiency, and, in doing so, strengthen our position in the individual annuity insurance market, which is expected to grow in the future.

c. Date of business combination

April 1, 2011

d. Legal form of business combination

Acquisition of shares

e. Name of business after combination

Mitsui Sumitomo Primary Life Insurance Co., Ltd.

f. Percentage of voting rights acquired

Percentage of voting rights held immediately prior to business combination	51%
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Percentage of additional voting rights acquired on the date of business combination	49%
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Share of voting rights subsequent to the acquisition	100%
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g. Main reason for determining acquiring business

Since the Company possesses the voting rights in their entirety and has gained control of Mitsui Sumitomo MetLife, it was decided that the Company would be the acquiring business.

(ii) Amount and composition of cost of acquisition of business acquired

	(Yen in millions)
Market value of Mitsui Sumitomo MetLife common shares held immediately prior to business combination	25,382
Market value of Mitsui Sumitomo MetLife additional common shares and common shares with restricted voting rights acquired on the business combination date	25,382
<u>Amount directly expended for acquisition</u>	<u>195</u>
Cost of acquisition of business acquired	50,960

(iii) Difference between cost of acquisition of business acquired and sum of cost of acquisition in each of relevant transactions leading up to acquisition

	(Yen in millions)
Cost of acquisition of business acquired	50,960
Sum of cost of acquisition in each of relevant transactions leading up to acquisition	52,673
<u>Difference (gain from step acquisition)</u>	<u>-1,712</u>

(iv) Amount and source of negative goodwill

a. Amount of gains on negative goodwill

3,329 million yen

b. Source of negative goodwill

The net value of the assets received and the liabilities assumed exceeded the amount of investment pursuant to the share purchase agreement.

(v) Amount and composition of assets received and liabilities assumed at date of business combination

	(Yen in millions)
Total assets	3,069,708
(Securities	2,399,455)
Total liabilities	3,015,418
(Policy reserves	3,003,150)

The amounts presented in the above items (ii), (iii), and (iv) are estimates based on information reasonably available at present.

(2) Strategic equity alliance with major life insurance company in Indonesia

Mitsui Sumitomo Insurance Co., Ltd., a subsidiary of the Company, entered into an agreement on May 2, 2011 to form a strategic equity alliance with PT Asuransi Jiwa Sinarmas (“Sinarmas Life”), which is part of the Sinar Mas Group, Indonesia's largest business conglomerate. The details of this alliance are as set out below.

(i) Objective of alliance

Asia outside of Japan is a strategic region for our growing overseas operations, and the objective of the alliance is to move into the Indonesian life insurance market, helping to establish a stable base of operations and improve profitability in the Asia ex-Japan market.

(ii) Summary of alliance

Mitsui Sumitomo Insurance Co., Ltd. was the sole subscriber to a third-party allotment of shares (7 trillion Indonesian rupiahs, or approximately 67.2 billion yen)

issued by Sinarmas Life (unlisted). As a result, Sinar Mas Multiartha (the Sinar Mas Group's financial holding company) and Mitsui Sumitomo Insurance Co., Ltd. each possess a 50% interest in Sinarmas Life. (Conversion rate: 1 Indonesian rupiah = 0.0096 yen)

After this investment, Mitsui Sumitomo Insurance Co., Ltd. will actively participate in the management of Sinarmas Life, including appointing members of the management team and staff. By providing the wide-ranging expertise that it has accumulated in the life insurance business both inside and outside of Japan, Mitsui Sumitomo Insurance Co., Ltd. aims to help Sinarmas Life market savings-type products to the Indonesian insurer's existing base of affluent consumers, and also help it to strengthen its marketing of protection-type products in order to tap the country's enormous middle class market.

(iii) Alliance timetable

The alliance is slated to begin this summer, assuming that approval is received from the Indonesian government.

16. Any amount less than the stated unit is rounded down.

(Consolidated Statement of Income)

- Underwriting expenses include a financial derivatives expense of 4,105 million yen that is associated with derivatives trading undertaken for the purpose of mitigating the foreign exchange risk associated with foreign currency denominated reinsurance transactions.
- A breakdown of major business expenses is as follows:

Agency commissions	465,290 million yen
Salaries	251,738 million yen

Business expenses are the aggregate amount of loss adjustment expenses, operating expenses and general and administrative expenses, and commission and brokerage expenses in the accompanying consolidated statement of income.
- Other extraordinary income consists of a gain on changes in equity holdings in connection with acquisition of business at a subsidiary with its shares as consideration.
- In the fiscal year under review, impairment losses have been recorded against assets as listed below.

Use	Type	Asset	Impairment charge (Yen in millions)		
			Details		
Rental property	Land and buildings	13 properties, including rental buildings, in Aichi Prefecture	3,338	Land Buildings	345 2,993
Idle real estate and real estate for sale	Land and buildings	31 properties, including company housing, in Hiroshima Prefecture	1,149	Land Buildings	652 497
Other assets	Software, etc.	Software used in connection with administrative services	423	—	—

Real estate used for insurance operations is grouped by consolidated subsidiary, and for some domestic consolidated subsidiaries these are further grouped by business unit. Rental properties, idle real estate and real estate for sale are grouped by each individual property.

Due to lower real estate prices or intended sales, the book values for the above assets have been lowered to their recoverable values. The amounts of such reductions have been treated as impairment losses (4,911 million yen) and recorded as extraordinary losses.

The recoverable value for such properties is either the net realizable value or the value in use. The net realizable value is calculated based on the appraised value according to a real estate appraiser, and the value in use is calculated by discounting future cash flows using a discount rate of 2.18%.

- Other extraordinary losses comprise 39,710 million yen in business integration expenses, a 2,316 million yen impact from the adoption of the accounting standard for asset retirement obligations, and a 2,136 million yen financial burden connected with building construction.

6. Net income per share for the fiscal year under review is 8.68 yen. Net income for the fiscal year under review, which forms the basis for the calculation, is 5,420 million yen and all amounts represent net income associated with common stock. The average number of shares issued and outstanding during the fiscal year under review is 624,048 thousand shares. Net income per share after adjustment for residual securities is not stated because there are no residual securities.

7. Any amount less than the stated unit is omitted.

(Consolidated Statement of Changes in Net Assets)

1. Matters concerning class and total number of shares issued and class and total number of shares of treasury stock

	Number of shares as of March 31, 2010 (in thousands)	Number of shares increased during the fiscal year under review (in thousands)	Number of shares decreased during the fiscal year under review (in thousands)	Number of shares as of March 31, 2011 (in thousands)
Shares issued				
Common stock	421,320	211,971	-	633,291
Total	421,320	211,971	-	633,291
Treasury stock				
Common stock	6,367	5,018	6	11,379
Total	6,367	5,018	6	11,379

(Notes) 1. The increase in shares issued by 211,971 thousand is due to issue of additional shares in connection with statutory share exchanges with Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd.

2. The increase in shares of treasury stock of common stock by 5,018 thousand is due to an increase by 4,969 thousand resulting from purchases of shares in the market and an increase by 41 thousand resulting from purchase of sub-lot shares by the Company.

3. The decrease by 6 thousand shares of common stock is due to the sale of sub-lot shares.

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Aggregate dividend amount (Yen in millions)	Dividend per share (yen)	Record date	Effective date
June 29, 2010 general shareholders' meeting	Common shares	11,203	27	March 31, 2010	June 30, 2010
November 19, 2010 board of directors meeting	Common shares	16,792	27	September 30, 2010	December 10, 2010

Note: The 38,373 million yen in dividends from surplus includes dividends paid by wholly-owned subsidiaries (through share exchanges), comprising dividends in the total amount of 7,341 million yen paid by Aioi Insurance Co., Ltd. (decided at its

general shareholders' meeting of June 29, 2010, with a record date of March 31, 2010, an effective date of June 30, 2010, and distributed from retained earnings) and dividends in the total amount of 3,036 million yen paid by Nissay Dowa General Insurance Co., Ltd. (decided at its general shareholders' meeting of June 29, 2010, with a record date of March 31, 2010, an effective date of June 30, 2010, and distributed from retained earnings).

(2) Of the dividends with a record date falling in the fiscal year under review, the following dividends have an effective date that falls in the subsequent fiscal year

Resolution	Class of shares	Aggregate dividend amount (Yen in millions)	Source	Dividend per share (yen)	Record date	Effective date
June 29, 2011 general shareholders' meeting	Common shares	16,791	Retained earnings	27	March 31, 2011	June 30, 2011

3. The previous year-end figure for "total accumulated other comprehensive income" shows the figure for the "total valuation and translation adjustments" for the end of the previous fiscal year.

4. Any amount less than the stated unit is omitted.

NON-CONSOLIDATED BALANCE SHEET (As of March 31, 2011)

(Yen in millions)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current Assets	34,843	Current Liabilities	462
Cash deposits and savings	25,995	Accounts payable	235
Accounts receivable	8,032	Corporate tax accrued	8
Deposits from affiliates	601	Consumption tax, etc. accrued	25
Other	213	Deposits	11
		Accrued bonuses for employees	180
Fixed Assets	1,312,207	Other	0
Tangible fixed assets	167		
Buildings	132	Total Liabilities	462
Tools, furniture and fixtures	34		
Investments and other assets	1,312,039	(Net Assets)	
Stock of affiliates	1,312,039	Shareholders' equity	1,346,589
		Common stock	100,000
		Capital surplus	1,196,465
		Additional paid-in capital	729,255
		Other capital surplus	467,210
		Retained earnings	74,909
		Other retained earnings	74,909
		Retained earnings carried forward	74,909
		Treasury stock	-24,785
		Total Net Assets	1,346,589
Total Assets	1,347,051	Total Liabilities and Net Assets	1,347,051

NON-CONSOLIDATED STATEMENT OF INCOME

(From: April 1, 2010

To: March 31, 2011)

(Yen in millions)

Item	Amount	
Operating Income		
Dividends paid by affiliates	65,528	
Commissions earned from affiliates	3,615	69,143
Operating Expenses		
Sales and general administrative expenses	3,433	3,433
Operating income		65,710
Non-operating Income		
Interest earned	5	
Interest on refund	7	
Other	0	13
Non-operating Expenses	7	7
Ordinary profit		65,716
Extraordinary losses		
Expenses in connection with business integration	480	
Losses on sales of fixed assets	28	509
Current net income before taxes		65,206
Corporate, residential, and business taxes	3	3
Net income		65,202

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From: April 1, 2010

To: March 31, 2011)

(Yen in millions)

Item	Amount
Shareholders' Equity	
Common stock	
Balance as of March 31, 2010	100,000
Balance as of March 31, 2011	100,000
Capital surplus	
Legal capital surplus	
Balance as of March 31, 2010	179,191
Balance as of March 31, 2011	
Increase in connection with statutory share exchange	550,064
Total change this year	550,064
Balance as of March 31, 2011	729,255
Other capital surplus	
Balance as of March 31, 2010	467,210
Change this year	
Disposal of treasury stock	-0
Total change this year	-0
Balance as of March 31, 2011	467,210
Retained Earnings	
Other retained earnings	
Retained earnings carried forward	
Balance as of March 31, 2010	37,702
Change this year	
Dividends of retained earnings	-27,995
Net income for this year	65,202
Total change this year	37,207
Balance as of March 31, 2011	74,909
Treasury Stock	
Balance as of March 31, 2010	-14,687
Change this year	
Acquisition of treasury stock	-10,112
Disposal of treasury stock	14
Total change this year	-10,098
Balance as of March 31, 2011	-24,785
Total Shareholders' Equity	
Balance as of March 31, 2010	769,415
Change this year	
Increase in connection with statutory share exchange	550,064
Dividends of retained earnings	-27,995
Net income	65,202
Acquisition of treasury stock	-10,112
Disposal of treasury stock	13
Total change this year	577,173
Balance as of March 31, 2011	1,346,589

NON-CONSOLIDATED EXPLANATORY NOTES

(Notes on Matters Concerning Important Accounting Policies)

1. Standard and method for valuation of securities

Valuation of stock of subsidiaries and affiliates is done at the cost method on a moving average cost basis.

2. Method for depreciation of tangible fixed assets

Depreciation of tangible fixed assets is computed using the declining-balance method, except for buildings (excluding fixtures) for which the straight-line method is applied.

Major useful lives for tangible fixed assets are as follows:

Buildings	8-38 years
Furniture and fixtures	4-20 years

3. Criteria for recording of allowances

The Company provides for an estimated amount payable at the end of the business year for accrued bonuses for employees and executives.

4. Consumption tax accounting

Consumption tax is accounted for under the tax exclusive (*zei nuki*) method.

(Change in accounting policies)

(Adoption of Accounting Standard for Business Combinations, etc.)

Effective in the fiscal year under review, the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of December 26, 2008), the Accounting Standard for Business Divestitures (ASBJ Statement No.7, December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, December 26, 2008).

(Notes on Balance Sheet)

1. Accumulated depreciation of tangible fixed assets 40 million yen

2. Guarantee obligations

The Company has entered into agreements to maintain net assets with Mitsui Sumitomo MetLife Insurance Co., Ltd., an affiliate of the Company, in order to provide funds should the net assets of such company fall below a particular level, or should current assets be insufficient for the payment of loans. Mitsui Sumitomo Insurance Co., Ltd. also carries contractual obligations jointly with the Company. Their total liabilities as of March 31, 2011 stood at 3,015,418 million yen (including underwriting funds of 3,003,150 million yen), with total assets of 3,069,708 million yen.

Note that this agreement is not intended to guarantee payment of the liabilities of Mitsui Sumitomo MetLife Insurance Co., Ltd. As of March 31, 2011, net assets of Mitsui Sumitomo MetLife Insurance Co., Ltd. exceeded the specified standard, and there was no insufficiency in current assets.

3. Amounts receivable from and payable to affiliates

Short-term loans receivable	607 million yen
Short-term loans payable	45 million yen

(Notes on Statement of Income)

Volume of transactions with affiliates	
Volume of operating transactions	
Operating income	69,143 million yen
Operating expenses	406 million yen
Volume of non-operating transactions	3 million yen

(Notes on Statement of Changes in Net Assets)

Class and number of treasury shares as of March 31, 2011	
Common Stock	11,379,824 shares

(Notes on Tax Effect Accounting)

The primary cause of deferred tax assets is the amount of losses carried forward for tax purposes. Note that because an amount equivalent to the amount of the deferred tax assets is deducted as a valuation allowance, the deferred tax assets are not included in the balance sheet.

(Notes on Per Share Information)

Net assets per share	2,165.24 yen
Net income per share	104.48 yen

(Notes on Business Combination)

(Business Combination by way of Acquisition)

Business Integration

The Company entered into share exchange agreements, on September 30, 2009, with Aioi Insurance Co., Ltd. ("Aioi") and Nissay Dowa General Insurance Co., Ltd. ("NDGI") pursuant to which the Company would become a wholly owning parent company, and consummated the share exchanges, on April 1, 2010, with each of Aioi and NDGI pursuant to the agreements, which had been approved at the extraordinary shareholders meeting held on December 22, 2009. Also on April 1, 2010, the Company changed its corporate name to MS&AD Insurance Group Holdings, Inc.

Further details are described under "Consolidated Explanatory Notes – Consolidated Balance Sheets – 13. – Business Integration."

Assumption of non-life insurance operations in Malaysia

On June 18, 2010, Mitsui Sumitomo Insurance Co., Ltd., a subsidiary of the Company, entered into a basic agreement with Hong Leong Financial Group ("Hong Leong Group"), a prominent Malaysian conglomerate, to form a strategic alliance in non-life and life insurance operations. In accordance with this basic agreement, MSIG Insurance (Malaysia) Berhad, a subsidiary of Mitsui Sumitomo Insurance Co., Ltd., assumed the non-life insurance operations of Hong Leong Assurance Berhad, a member of the Hong Leong Group on October 1, 2010.

Further details are described under "Consolidated Explanatory Notes – Consolidated Balance Sheets – 13. – Assumption of non-life insurance operations in Malaysia."

Transaction under common control

Merger of Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd.

Under a merger agreement approved by both companies' shareholders at extraordinary shareholders meetings each held on December 22, 2009, Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd., subsidiaries of the Company, merged on October 1, 2010, and the name of the merged company was changed to Aioi Nissay Dowa Insurance Co., Ltd.

Further details are described under “Consolidated Explanatory Notes – Consolidated Balance Sheets – 13. – Merger of Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd.”

(Other)

1. Acquisition of additional shares to convert Mitsui Sumitomo MetLife Insurance Co., Ltd. into a subsidiary

In accordance with an agreement to purchase shares from MetLife Worldwide Holdings, Inc., a subsidiary of MetLife, Inc., the Company acquired additional shares in Mitsui Sumitomo MetLife Insurance Co., Ltd. ("Mitsui Sumitomo MetLife"), a joint venture with MetLife on April 1, 2011, thus converting Mitsui Sumitomo MetLife into a wholly owned subsidiary. Also on April 1, 2011, the name of Mitsui Sumitomo MetLife was changed to Mitsui Sumitomo Primary Life Insurance Co., Ltd.

Further details are described under “Consolidated Explanatory Notes – Consolidated Balance Sheets – 15.(1) – Acquisition of additional shares to convert Mitsui Sumitomo MetLife Insurance Co., Ltd. into a subsidiary”

2. Strategic equity alliance with major life insurance company in Indonesia

Mitsui Sumitomo Insurance Co., Ltd., a subsidiary of the Company, entered into an agreement on May 2, 2011 to form a strategic equity alliance with PT Asuransi Jiwa Sinarmas (“Sinarmas Life”), which is part of the Sinar Mas Group, Indonesia's largest business conglomerate.

Further details are described under “Consolidated Explanatory Notes – Consolidated Balance Sheets – 15.(2) – Strategic equity alliance with major life insurance company in Indonesia”

Audit Report by Accounting Auditor concerning Consolidated Financial Statements

Audit Report by Independent Auditor

May 17, 2011
The Board of Directors
MS&AD Insurance Group Holdings, Inc.

KPMG AZSA LLC

Kimitaka Mori (Seal)
Designated and Engagement Partner
Certified Public Accountant

Ikuo Hirakuri (Seal)
Designated and Engagement Partner
Certified Public Accountant

Yoshiki Hisano (Seal)
Designated and Engagement Partner
Certified Public Accountant

We, the auditors, under the provisions of Article 444, Paragraph 4, of the Companies Act, have audited of the consolidated financial statements for MS&AD Insurance Group Holdings Inc., namely, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and consolidated explanatory notes for the consolidated fiscal year from April 1, 2010 through March 31, 2011. The preparation of these consolidated financial statements is the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We, the auditors, have conducted the audit in accordance with auditing standards that are generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurances as to whether the consolidated financial statements are free of material misrepresentation. An audit includes, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes an assessment of the accounting principles used, method of their application and significant estimates made by Management, as well as an evaluation of the overall presentation of consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and operating results of MS&AD Insurance Group Holdings and the consolidated subsidiary companies composing the group for the year ended in the consolidated financial statements, in conformity with accounting principles that are generally accepted in Japan.

There exists no interest between the Company and our firm or engagement partners that must be cited according to the regulations of the Certified Public Accountants Act.

Audit Report by Accounting Auditor

Audit Report by Independent Auditor

May 17, 2011
The Board of Directors
MS&AD Insurance Group Holdings, Inc.

KPMG AZSA LLC

Kimitaka Mori (Seal)
Designated and Engagement Partner
Certified Public Accountant

Ikuo Hirakuri (Seal)
Designated and Engagement Partner
Certified Public Accountant

Yoshiki Hisano (Seal)
Designated and Engagement Partner
Certified Public Accountant

We, the auditors, under the provisions of Article 436, Paragraph 2(1) of the Companies Act, have audited the financial statements for MS&AD Insurance Group Holdings Inc., namely the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and non-consolidated explanatory notes, and the supplementary schedules for the third fiscal year of operations from April 1, 2010 until March 31, 2011. The preparation of these financial statements and the supplementary schedules is the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audit.

We, the auditors, have conducted the audit in accordance with auditing standards that are generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurances as to whether the financial reports and the attached particulars are free of material misrepresentation. An audit includes, on a test basis, evidence supporting the amounts and disclosures in financial reports and the attached particulars. An audit also includes an assessment of the accounting principles used, method of their application and significant estimates made by Management, as well as an evaluation of the overall presentation of financial statements and the supplementary schedules. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and the supplementary schedules referred to above represent fairly, in all material respects, the financial position and operating results of Mitsui Sumitomo Insurance Group Holdings Inc. for the year ended in the financial statements and the supplementary schedules, in conformity with accounting principles that are generally accepted in Japan.

There exists no interest between the Company and the auditor or managing partners that must be cited according to the regulations of the Certified Public Accountants Act.

Audit Report by Board of Corporate Auditors

Audit Report of Board of Corporate Auditors

The Corporate Auditors hereby report as set out below concerning the Directors' performance of their duties during the third fiscal year beginning April 1, 2010 and ending March 31, 2011, upon deliberations based on the audit reports prepared by each of the Corporate Auditors.

1. Method and Content of Audit conducted by Corporate Auditors and Board of Corporate Auditors

The Board of Corporate Auditors formulated audit policies, audit plans and other relevant matters regarding audit, received reports from each of the Corporate Auditors regarding the progress and the results of their audit, received reports from the Representative Directors and the Accounting Auditor regarding the performance of their respective duties, and requested further explanation as necessary.

In conformity with standards of audit by Corporate Auditors adopted by the Board of Corporate Auditors, and in accordance with the audit policies and audit plans, each of the Corporate Auditors communicated with Directors, Executive Officers, internal audit division, and other employees and thus collected information and maintained the audit environment. We attended Board of Directors meetings and other important meetings, received reports from Directors, Executive Officers and other employees concerning performance of their duties, obtained explanation as necessary, examined important documents and inspected the operations and financial affairs of the company. Also, as concerns the resolutions of the Board of Directors to establish such systems that ensure directors and employees carry out their duties in accordance with law and the Company's Articles of Incorporation and other systems to ensure appropriateness of the Company's operations as provided by Article 100, Sections 1 and 3 of the Ordinance for Enforcement of Companies Act (internal control systems) and the systems established under such resolutions, Corporate Auditors each periodically received reports from Directors, Executive officers and employees, obtained explanation as necessary and expressed opinions concerning the status of the systems. We received reports from Directors and the Accounting Auditor, KPMG AZSA LLC, regarding assessment and audit of the internal control over financial reporting, and obtained explanation as necessary. With respect to subsidiaries, we communicated and exchanged information with directors and corporate auditors of subsidiaries, and obtained reports regarding their operations as necessary. Through the foregoing methods, we reviewed the Business Reports and the supplementary schedules thereto for the fiscal year under review.

We further monitored and examined as to whether the Accounting Auditor maintain their independence and conduct audit in an appropriate manner, as well as received reports concerning the performance of their duties and obtained explanation as necessary from the Accounting Auditor. We also received notice from the Accounting Auditor that they have in place "a system to ensure performance of duties in an appropriate manner" (matters provided for by each item of Article 131 of the Corporate Accounting Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and other applicable standards, and obtained explanation as necessary. On the basis of the foregoing methods, we have reviewed the consolidated financial statements and financial statements and the supplementary schedules thereto for the fiscal year under review.

2. Audit Results

(1) Results of Audit of Business Reports

i. We conclude that business reports and the supplementary schedules thereto fairly represent the status of the Company in accordance with applicable laws and regulations and the Articles of Incorporation of the Company.

ii. We find no misconduct or material fact constituting a violation of any laws or regulations or the Articles of Incorporation of the Company in connection with the Directors' performance of their duties.

iii. We conclude that the resolutions adopted by the Board of Directors concerning the internal control systems (including internal control over financial reporting) are appropriate with respect to the internal controls system. We find nothing to be mentioned with respect to the description on the Business Reports and the Directors' performance of their duties concerning the internal control systems.

(2) Results of Audit of Consolidated Financial Statements

We conclude that the methods of audit used and the results of audit reached by the Accounting Auditor, KPMG AZSA LLC are appropriate.

(3) Results of Audit of Financial Statements and Supplementary Schedules thereto

We conclude that the methods of audit used and the results of audit reached by the Accounting Auditor, KPMG AZSA LLC are appropriate.

May 18, 2011

Board of Corporate Auditors, MS&AD Insurance Group Holdings, Inc.

Takashi Yamashita, Full-time Corporate Auditor	_____	Seal
Masahiko Oji, Full-time Corporate Auditor	_____	Seal
Sosuke Yasuda, Corporate Auditor	_____	Seal
Kuniaki Nomura, Corporate Auditor	_____	Seal
Hiroyuki Tezuka, Corporate Auditor	_____	Seal

Note: Corporate Auditors Sosuke Yasuda, Kuniaki Nomura and Hiroyuki Tezuka are each an outside corporate auditor as provided for by Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act.

- End -