

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.