



MS&AD Insurance Group Holdings, Inc.

MS&AD Insurance Group Holdings, Inc.

ANNUAL REPORT 2011

Annual Report 2011

For the Year Ended March 31, 2011



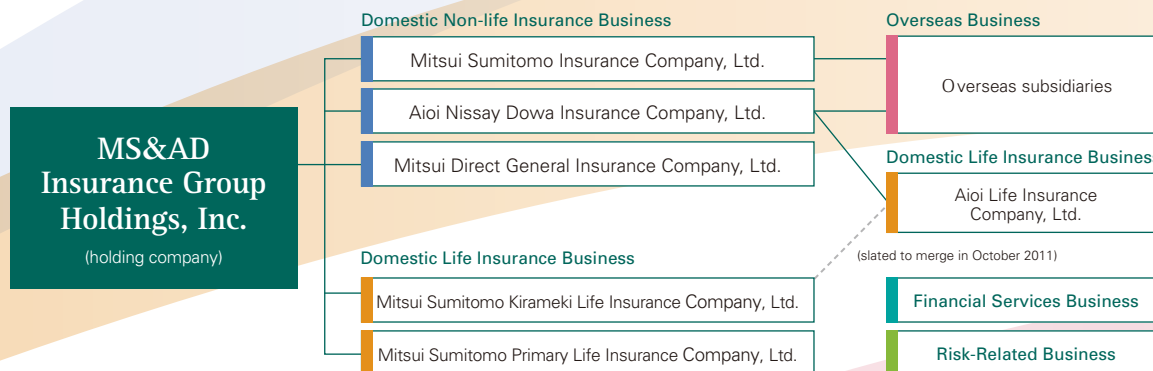
Profile

MS&AD Insurance Group was formed in April 2010 from the business integration of the Mitsui Sumitomo Insurance Group Holdings, Inc. (MSIG), Aioi Insurance Co., Ltd. (Aioi), and Nissay Dowa General Insurance Co., Ltd. (NDI) under the holding company MS&AD Insurance Group Holdings, Inc. (MS&AD Holdings).

MS&AD Insurance Group is continuing to integrate and reorganize affiliated operating companies as it pursues Group synergies to increase the quality of customer services and strengthen profitability and growth.

Amid these changes, in October 2010 the Group launched Aioi Nissay Dowa Insurance Co., Ltd. (ADI), and in April 2011 it converted MSI MetLife into a wholly owned subsidiary, re-launching it under the new name Mitsui Sumitomo Primary Life Insurance Co., Ltd. (MSI Primary Life). In October 2011, the Group plans to launch Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (MSI Aioi Life).

Moving ahead, the Group will work to quickly build up its operating base and management resources. This will pave the way for the creation of a world-leading insurance and financial services group that seeks to achieve sustainable growth and to enhance enterprise value.



Notes:

- MSI Kirameki Life and Aioi Life are scheduled to merge on October 1, 2011 to form Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
- Mitsui Sumitomo Primary Life Insurance Co., Ltd. (MSI Primary Life) is the new name of MSI MetLife, which was renamed after its conversion to a wholly owned subsidiary of MS&AD Holdings in April 2011.

Aspirations for the MS&AD Insurance Group

To clarify what kind of business group MS&AD Insurance Group aspires to become, we have adopted the following Mission, Vision and Values:

Our Mission

To contribute to the development of a vibrant society and help secure a sound future for the earth, by bringing security and safety through the global insurance and financial services business.

Our Vision

To create a world-leading insurance and financial services group that continues to seek sustainable growth and to enhance enterprise value.

Our Values

CUSTOMER FOCUSED

We continuously strive to provide security and achieve customer satisfaction.

INTEGRITY

We are sincere, kind, fair and just in all our dealings with everyone.

TEAMWORK

We achieve mutual growth by respecting one another's individuality and opinions, and by sharing knowledge and ideas.

INNOVATION

We listen to our stakeholders and continuously seek ways to improve our work and business.

PROFESSIONALISM

We make continuous efforts to improve our skills and proficiency to provide high-quality services.

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FORWARD-LOOKING STATEMENT

This presentation contains future plans, strategies and earnings forecasts for MS&AD Insurance Group Holdings, Inc. and Group companies. They are based on information available to the Group at the present time. Investors are advised that actual results may differ substantially from our forecasts, for various reasons. Actual performance could be adversely affected by (1) economic trends surrounding our business, (2) fierce competition within the insurance sector, (3) exchange-rate fluctuations, and (4) changes in tax and other regulatory systems.

In the presentation, the following abbreviations appear for company names.
MS&AD, MS&AD Insurance Group
The Group

MS&AD Holdings, MS&AD Insurance Group Holdings, Inc.
The holding company,
or the Company

MSIG	Mitsui Sumitomo Insurance Group Holdings, Inc.
MSI	Mitsui Sumitomo Insurance Co., Ltd.
Aioi	Aioi Insurance Co., Ltd.
NDI	Nissay Dowa General Insurance Co., Ltd.
ADI	Aioi Nissay Dowa Insurance Co., Ltd.
Mitsui Direct General	Mitsui Direct General Insurance Co., Ltd.
MSI Kirameki Life	Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
Aioi Life	Aioi Life Insurance Co., Ltd.
MSI Aioi Life	Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
MSI MetLife	Mitsui Sumitomo MetLife Insurance Co., Ltd.
MSI Primary Life	Mitsui Sumitomo Primary Life Insurance Co., Ltd.

The new company which will be formed on Oct 1, 2011 with the merger of Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. and Aioi Life Insurance Co., Ltd., is abbreviated as "MSI Aioi Life" in the presentation.

Financial Highlights

	Yen in millions					Dollars in millions	
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010	
Ordinary income:	¥2,117,072	¥2,137,603	¥2,040,013	¥1,962,689	¥ 3,404,942	\$ 41,023	
Net premiums written	1,492,808	1,541,032	1,445,651	1,394,164	2,543,786	30,648	
Ordinary profit (loss)	91,684	60,866	(13,044)	52,695	21,005	253	
Net income	60,796	40,027	8,192	37,640	5,420	65	
Comprehensive income (loss)	—	—	—	—	(189,373)	(2,282)	
Net assets	2,182,877	1,671,517	1,023,021	1,311,082	1,633,381	19,679	
Total assets	9,011,652	8,397,718	7,440,709	7,519,625	11,445,003	137,892	
	Yen					Dollars	
Net income per share							
Basic	¥ 42.82	¥ 28.37	¥ 19.45	¥ 89.84	¥ 8.68	\$ 0.10	
Net assets per share	1,536.71	1,178.48	2,411.70	3,143.32	2,597.19	31.29	
Equity ratio	24.06%	19.71%	13.59%	17.35%	14.11%	—	
Return on equity	2.90%	2.09%	0.61%	3.25%	0.37%	—	
Price earnings ratio	34.54	35.50	116.97	28.88	218.06	—	
	Yen in millions					Dollars in millions	
Cash flows							
Cash flows from operating activities	¥ 227,417	¥ 189,688	¥ 38,612	¥ (33,930)	¥ (59,339)	\$ (715)	
Cash flows from investing activities	(220,522)	(185,621)	94,495	52,741	89,783	1,082	
Cash flows from financing activities	(37,358)	(329)	4,184	(104,320)	19,893	240	
Cash and cash equivalents at the end of year	365,350	364,081	455,430	377,158	687,267	8,280	
Number of employees	18,882	20,237	21,336	21,908	36,538	—	

KEY BUSINESS RESULTS OF THE THREE GROUP COMPANIES (SIMPLE SUM)

	Yen in millions	
	FY2009	FY2010
Net premiums written	¥ 2,591,099	¥ 2,519,022
Ordinary profit (loss)	(52,914)	99,131
Net income (loss)	(9,489)	57,340
Total assets	11,345,045	11,481,312

Notes: 1. U.S. dollar amounts in this table have been translated from yen, for convenience only, at the rate of ¥83=US\$1. For details, see "1. Basis of presentation" in the "Basis of presentation" of the notes to consolidated financial statements.

2. Figures are a simple sum of the results for MSI Group Holdings (consolidated), Aioi Insurance (consolidated) and Nissay Dowa General Insurance (non-consolidated).

3. Figures are presented exclusive of the "Good Result Return (GRR)" premiums of MSI's proprietary automobile insurance product "Modo-Rich," which contains a special clause for premium adjustment and refund at maturity.

To Our Shareholders and Investors



We will create a world-leading insurance and financial services group that continues to seek sustainable growth and to enhance corporate value.

The Great East Japan Earthquake

The unprecedented disaster of March 11, 2011 stirred the whole of Japan into recovery and support activities that are ongoing today. We established an earthquake response headquarters immediately after the earthquake. We have been endeavoring to expedite payment of insurance claims through such means as reassigning staff to customer service functions from other organizational units. We have a total of 2,000 personnel assigned to handling customers' claims in the peak time. We are exerting our utmost efforts to serve our customers affected by the earthquake to fulfill our societal mission of contributing to reconstruction by paying insurance claims as soon as possible. (Please see page 8 "Impact of the Great East Japan Earthquake" for further details.)

I would like to stress that we were extremely heartened by the many messages of heartfelt encouragement and support that we received after the earthquake from domestic and overseas shareholders.

I would like to take this opportunity to thank you.

Progress with Management Integration

Since our management integration in April 2010, the Group has made steady progress in harnessing integration effects. In October 2010, Aioi Insurance Co., Ltd. merged with Nissay Dowa General Insurance Co., Ltd., and in April 2011, Mitsui Sumitomo Primary Life Insurance Co., Ltd. (formerly Mitsui Sumitomo MetLife Insurance Co., Ltd.) became a wholly owned subsidiary. In October 2011, Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. and Aioi Life Insurance Co., Ltd. are slated to merge.

Meanwhile, overseas, we have been actively making business investments, mainly in fast-growing Asia. Mitsui Sumitomo Insurance Co., Ltd. acquired an equity stake in a Chinese life insurance company in April 2010, started a strategic capital alliance in both life and non-life insurance in Malaysia in October 2010, and in May 2011, we announced a strategic capital alliance in the life insurance business in Indonesia.

MS&AD Insurance Group will continue its rapid pace of growth to create a world-class insurance and financial services group.

We would be very grateful for your continued support in the future.

September 2011

A handwritten signature in black ink that reads "T. Egashira". The signature is written in a cursive, flowing style.

TOSHIAKI EGASHIRA
Representative Director, President & CEO

Message from the President

Fiscal 2010 Overview

Disaster-related impacts cut net income by ¥51.9 billion compared with fiscal 2009, despite 0.9% growth in consolidated net premiums written.

Consolidated net premiums written increased 0.9% year on year to ¥2,541.4 billion. This revenue growth reflected steady progress in the collaboration between MSI and Sumitomo Life, as well as higher sales of mainstay automobile insurance policies by ADI, among other factors.

Consolidated ordinary profit fell sharply to ¥21.0 billion. This was principally due to a reduction in underwriting profit at our domestic non-life insurance operations as a result of the impact of the Great East Japan Earthquake in March 2011.

Consolidated net income of ¥5.4 billion was ¥51.9 billion less than in fiscal 2009. The key factors were earthquake-related effects and extraordinary losses of ¥39.7 billion in non-recurring expenses relating to business integration.

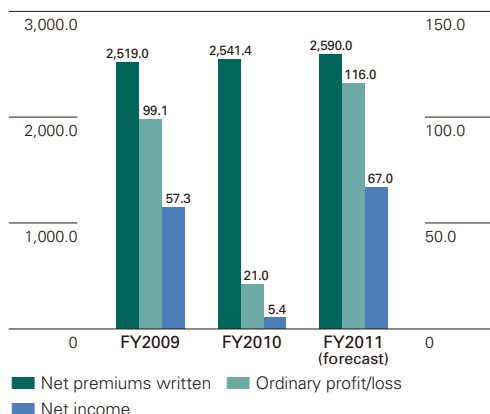
*1. Fiscal 2009 figures are a simple sum of the results for MSIG (consolidated), Aioi (consolidated) and NDI (non-consolidated).

*2. Figures are presented excluding "Good Result Return (GRR)" premiums for MSI's auto insurance product "Modo-Rich" that contains a special clause for premium adjustment and refund at maturity.

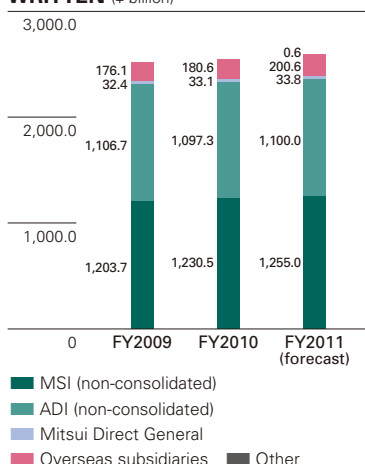


TOSHIAKI EGASHIRA
Representative Director, President & CEO

KEY FINANCIAL DATA (¥ billion)

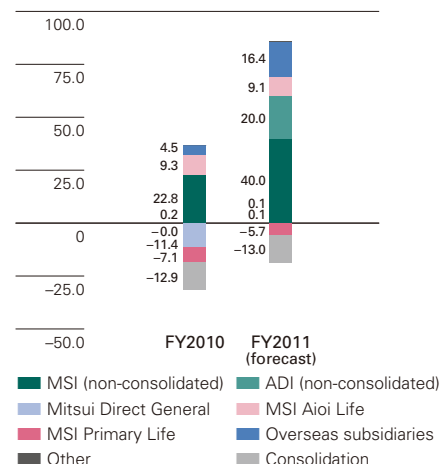


BREAKDOWN OF NET PREMIUMS WRITTEN (¥ billion)



* Before consolidation adjustment.
* FY2010 figures for ADI include by simple aggregation the (non-consolidated) H1 results for NDI.

BREAKDOWN OF NET INCOME (¥ billion)



* Net income of subsidiaries is on an equity-stake basis.
* The FY2010 figure for MSI Aioi Life is the simple aggregate of those for MSI Kirameki Life and Aioi Life, which are slated to merge in October 2011.

Forecasts for Fiscal 2011

We expect net premiums written to grow for a second consecutive year, rising 1.9%. Net income is projected to rebound to ¥67 billion, higher than in the year prior to the disaster.

We expect consolidated net premiums written to increase by 1.9% year on year in fiscal 2011 to ¥2,590 billion.

We expect net income to recover sharply to ¥67 billion. In addition to the elimination of the non-recurring impact of the disaster and lower extraordinary losses from business integration, the year-on-year comparison will also improve with the absence of the lump-sum provision for standard underwriting reserve that MSI Kirameki Life set aside in fiscal 2010.

The breakdown for net income shows gains at our non-life insurance operations of ¥17.1 billion for MSI and ¥31.4 billion for ADI on a year-on-year basis. We also expect Mitsui Direct General to be profitable for the second year running.

Meanwhile, on the life insurance side of the business, we are forecasting a net loss of ¥5.7 billion due to non-recurring, integration-related expenses arising from the merger of MSI Kirameki Life with Aioi Life in October 2011 to create Mitsui Sumitomo Aioi Life Insurance (MSI Aioi Life). We also expect profits to decline in year-on-year terms at MSI Primary Life, which became a wholly owned subsidiary of the group in April 2011, due to growth in expenses associated with writing more policies following a drive to boost sales.

Finally, we expect profits from our overseas insurance subsidiaries to increase compared with fiscal 2010 by ¥11.8 billion.

* Figures are presented excluding "Good Result Return (GRR)" premiums for MSI's auto insurance product "Modo-Rich" that contains a special clause for premium adjustment and refund at maturity.

Impact of the Great East Japan Earthquake

The Group's exposure to disaster-related claims is limited, and we expect to retain a sound level of capital even after payment of the disaster-related claims. We have therefore left our capital and shareholder return policies unchanged.

MS&AD Group's financial soundness has not been affected even after the payment of claims relating to the Great East Japan Earthquake of March 2011. This is because the payments against residential earthquake insurance policies can be covered by reversing earthquake contingency reserves. We are also expecting to pay claims on policies for commercial lines insurance. However, we think the overall impact will be limited, with net payouts of ¥62.7 billion for the two non-life companies due to rigorous risk management and appropriate re-insurance arrangements.

Effects of the Great East Japan Earthquake are discussed in more detail on p. 8.

Business Integration Costs and Synergy Benefits

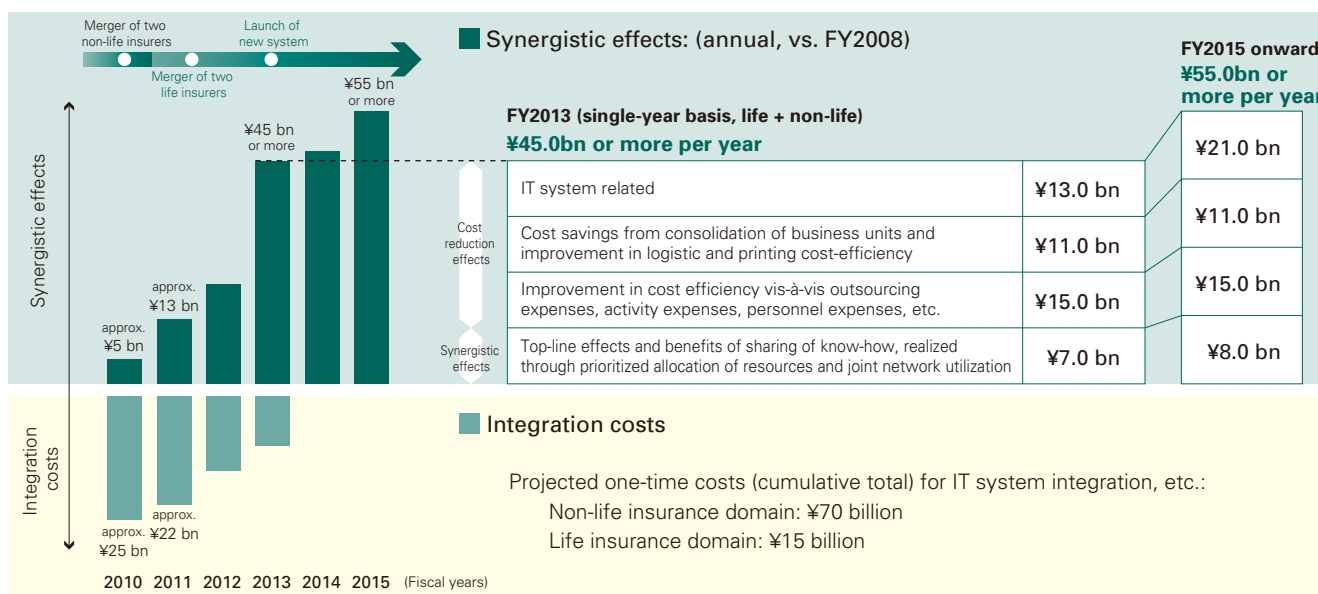
Cumulative synergy benefits are still expected to outweigh the integration costs by fiscal 2013.

Our forecasts for cumulative total business integration costs remain ¥70 billion for non-life and ¥15 billion for life insurance. Actual integration expenses in fiscal 2010 were approximately ¥25 billion. We expect these expenses to fall slightly to around ¥22 billion in fiscal 2011, reflecting the planned merger of our two life insurers during the year. Merger-related costs will continue to fall during fiscal 2012–13.

On the other hand, synergy benefits were worth about ¥5 billion in fiscal 2010. We expect such gains to rise to about ¥13 billion in fiscal 2011. Once all of our systems have been fully integrated in fiscal 2013, we will see synergy benefits start to accelerate as our system development and other costs decline further.

Overall, we still expect synergy benefits to outweigh integration costs on a cumulative basis by fiscal 2013.

INTEGRATION COSTS AND SYNERGIES (INCLUDING LIFE INSURANCE DOMAIN)



Focus on Achieving the Medium-Term Business Plan Targets

We are focused on implementing various measures to achieve our profit targets, despite the impact of the disaster.

Fiscal 2010 marked the initial year of our journey toward achieving our profit targets for March 2014. Unfortunately, due to the impact of the disaster, group core profit (GCP) dipped in year-on-year terms.

There were major achievements during the year, however, including the integration of Aioi and NDI. Overseas, we have formed a series of strategic capital alliances to expand our Asian life insurance operations by taking equity stakes in China's Sinatay Life Insurance and Malaysia's Hong Leong Financial Group. In April 2011, we converted a joint venture with MSI MetLife that sells individual annuities into a wholly owned subsidiary. We also began work on the development of a new fully integrated mainframe system to form the core system for our domestic non-life operations that will yield significant synergy benefits over time. Business investments in growth areas will also help us to make steady progress toward achieving the plan targets.

In May 2011, in another key development, we reached an agreement to take a 50% equity stake in Sinarmas Life, one of Indonesia's leading life insurers. This move signals our determination to continue making progress toward achieving our medium-term profit targets for fiscal 2013 by executing our plans for growth across every part of the business.

MEDIUM-TERM MANAGEMENT PLAN

"Medium-term targets" are numerical targets from the MS&AD Group medium-term management plan "MS&AD New Frontier 2013" (announced April 2010)

	FY2010			FY2011 forecast	FY2012 projection	FY2013 target
	Forecast* ⁴	Actual	vs. forecast			
Consolidated net premiums written (non-life)	2,578.8	2,541.4	-37.4	2,590.0	2,680.0	2,700.0
Annualized premium in force (life) * ¹	274.4	279.0	4.6	294.0	310.0	330.0

	FY2010			FY2011 forecast	FY2012 projection	FY2013 target
	Forecast* ⁴	Actual	vs. forecast			
Group Core Profit * ²	50.7	14.5	-36.2	73.0	100.0	150.0
Domestic non-life insurance business	40.7	6.5	-34.2	45.0	60.0	100.0
Domestic life insurance business	2.4	4.1	1.7	9.0	12.0	15.0
Overseas business	6.4	1.8	-4.6	17.0	25.0	30.0
Financial services business / Risk-related services business	1.2	1.9	0.7	2.0	3.0	5.0

ROE based on Group Core Profit * ³	2.9%	0.8%	-2.1pt	4.4%	5.7%	7%
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*1 Figures are the total annualized premiums in force of MSI Kirameki Life and Aioi Life (excluding group insurance); figures do not include MSI Primary Life.

*2 Group Core Profit = consolidated net income - net capital gains/losses on stock portfolio (gains/losses on sales, etc.) - net evaluation gains/losses on credit derivatives - other one-time factors + equity in earnings of the non-consolidated group companies

*3 ROE based on Group Core Profit = Group Core Profit + consolidated total net assets excluding minority interests (average of beginning and ending amount of B/S)

*4 Revised forecasts announced at previous Information Meeting (December 2010)

Impact of the Great East Japan Earthquake

MS&AD's capital level remains at a sound level despite the impact of the Great East Japan Earthquake of March 2011.

There is no change to our capital policies going forward.

Following the Great East Japan Earthquake, the MS&AD Group paid out insurance claims. These payments can be broadly classified into payments made under residential earthquake insurance and other payments.

Residential Earthquake Insurance

The residential earthquake insurance system is a joint government-private scheme to cover residential buildings and personal property, under which the government takes on a significant part of the liability for payment through reinsurance because of the huge amount of insurance expected to be payable in the event that a large earthquake occurs. Assuming the total payout for residential earthquake insurance for the Great East Japan Earthquake under the scheme comes to ¥1 trillion, for example, MS&AD's share of the liability will be around ¥130 billion. However, since this liability will be offset by a reversal of earthquake underwriting reserves for the same amount, the payment will have no impact on the Company's reported earnings.

Moreover, in light of the recent disaster, the Japanese government has revised the reinsurance arrangements for the residential earthquake insurance scheme, deciding in its preliminary revised budget to increase the liability of the government and to decrease that of non-life insurance companies.

Other than Residential Earthquake Insurance

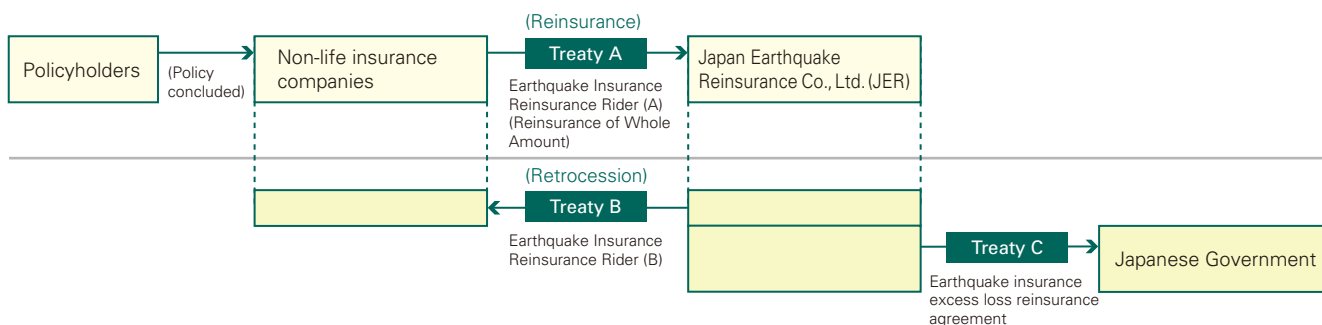
The Group estimates that the total gross amount of insurance claims payable to customers other than residential earthquake insurance will exceed ¥200 billion. However, due to rigorous risk management including appropriate reinsurance arrangements, MS&AD expects that net payments by its two non-life insurance companies will total ¥62.6 billion.

For the fiscal year ended March 31, 2011, most of this amount was recorded as outstanding claims, which caused underwriting profit to deteriorate. In the fiscal year ending March 31, 2012, however, we expect to reverse the reserve for catastrophe as we make payouts. The impact of the earthquake on the reported earnings for the fiscal year ending March 31, 2012 is expected to be around ¥10.0 billion at MSI and around ¥12.0 billion at ADI, which will push up underwriting profit for that period.

As noted here, MS&AD Group's exposure to the earthquake is limited, and its capital remains at an adequate level even after the impact of the earthquake. There is therefore no need to raise additional capital, and the Company's capital policy and shareholder return policies remain unchanged.

RESIDENTIAL EARTHQUAKE INSURANCE REINSURANCE SCHEME

(Source: Japan Earthquake Reinsurance Co., Ltd. website and annual report)



Treaty A Reinsurance by JER for non-life insurance companies

Non-life insurers operating within Japan cede to Japan Earthquake Reinsurance Co., Ltd. (JER) all of their insurance liabilities stemming from earthquake insurance policies underwritten pursuant to the Earthquake Insurance Act.

Treaty B Retrocession by JER on non-life insurance companies

JER enters into a separate reinsurance treaty with non-life insurers and retrocedes to the non-life insurers a portion of the insurance liability reinsured pursuant to Rider A. The percentage of insurance liability retroceded to individual non-life insurers is determined based largely on the insurers' earthquake insurance contingency reserve balances.

Treaty C Retrocession by JER on the government (Excess of loss reinsurance)

JER enters into an earthquake insurance excess loss reinsurance agreement with the government and retrocedes to the government a portion of the insurance liability reinsured pursuant to Rider A in an amount equivalent to the liability limit set by the National Diet.

IMPACT OF THE GREAT EAST JAPAN EARTHQUAKE (FIGURES AT THE END OF FY2011 1Q)

Non-life Insurance (amounts net of reinsurance recoverables, etc.)

Other than Residential Earthquake Insurance	MSI					ADI					Total (MSI + ADI)**
	Outstanding Claims from the Previous Fiscal Year	Losses Incurred in the Fiscal Year under Review	Claims Paid	Increase (decrease) in Outstanding Claims	Outstanding Claims in the Fiscal Year under Review	Outstanding Claims from the Previous Fiscal Year	Losses Incurred in the Fiscal Year under Review	Claims Paid	Increase (decrease) in Outstanding Claims	Outstanding Claims in the Fiscal Year under Review	Losses Incurred in the Fiscal Year under Review
Non-marine	39.8	0.0	4.5	(4.5)	35.2	19.1	0.2	1.6	(1.3)	17.7	0.2
Fire	28.7	0.0	1.9	(1.9)	26.8	16.5	0.0	1.0	(1.0)	15.5	0.0
Non-fire*	11.1	0.0	2.6	(2.6)	8.4	2.5	0.2	0.5	(0.3)	2.1	0.2
Marine (Hull/Cargo)	3.3	0.0	2.4	(2.4)	0.9	0.3	(0.1)	0.1	(0.3)	(0.0)	(0.1)
Total (Other than Residential Earthquake Insurance)	43.1	0.0	6.9	(6.9)	36.2	19.4	0.0	1.8	(1.7)	17.7	0.0

* Amount for non-fire under non-marine includes transport insurance.

** Mitsui Direct's incurred losses for the fiscal year under review are zero.

(Reference)

Residential Earthquake Insurance	10.1	71.1	15.5	55.6	65.8	8.0	56.6	12.3	44.2	52.3	127.7
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* The amount of insurance claims for residential earthquake insurance is reversed from the underwriting reserve for earthquake insurance, and so does not impact reported earnings.

Life Insurance (amounts net of reinsurance recoverables, etc.)

	MSI Kirameki Life					Aioi Life					Life Insurance Total**
	Outstanding Claims from the Previous Fiscal Year	Losses Incurred in the Fiscal Year under Review	Claims Paid	Increase (decrease) in Outstanding Claims	Outstanding Claims in the Fiscal Year under Review	Outstanding Claims from the Previous Fiscal Year	Losses Incurred in the Fiscal Year under Review	Claims Paid	Increase (decrease) in Outstanding Claims	Outstanding Claims in the Fiscal Year under Review	Losses Incurred in the Fiscal Year under Review
Total	1.5	(0.5)	0.6	(1.2)	0.2	0.5	(0.0)	0.2	(0.3)	0.1	(0.6)

* "Losses Incurred in the Fiscal Year under Review" is the sum of "Claims Paid" and "Increase (decrease) in Outstanding Claims."

** MSI Primary Life's claims paid and outstanding claims for the fiscal year under review are zero.

Business Overview: MS&AD at a Glance

Domestic Non-life Insurance Business

SEGMENT ACTIVITIES

By combining the respective know-how and infrastructures of MSI and ADI, we aim to improve the quality of our business processes and develop attractive products and services to meet the needs of our diverse customer base. We also endeavor to enhance sales capabilities by developing business models that can satisfy customers' needs in each market, and by concentrating resources in growing areas. In addition, we will reduce our operating expenses as far as possible and improve the efficiency of our operations by integration of business processes and systems, as well as sales and claims handling offices. Meanwhile, at Mitsui Direct, we will ensure profitability while expanding business in the high-growth direct sales market.

Domestic Life Insurance Business

At MSI Kirameki Life and Aioi Life, we leverage our expanded sales base to accelerate growth by providing customers with attractive products and services mainly through cross-selling as well as through other sales channels such as financial institutions and life insurance agencies, and through direct sales channels.

MSI Primary Life is offering products tailored to customers' needs and strengthening its sales capabilities in the individual annuities sector, as it establishes itself as a leading company in the field.

Overseas Business

In Asia, we utilize our class-leading business base and competitive edge to develop our business. In Europe, we are focusing on geographic expansion and developing a fully fledged service structure in pursuit of greater profits. In the Americas, we will focus on securing a solid profit base.

In new business investment, we will actively focus on strategic regions and fields by selecting and concentrating our investments.

Finally, we will expand our overseas reinsurance business.

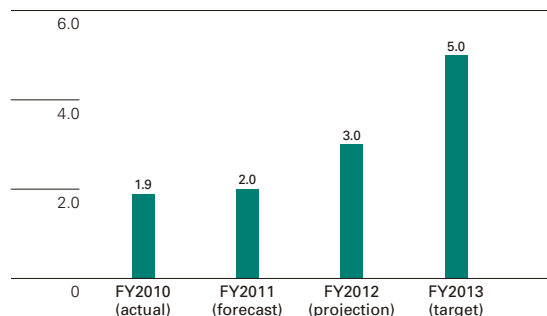
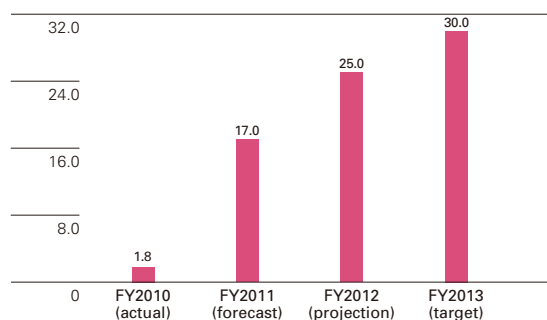
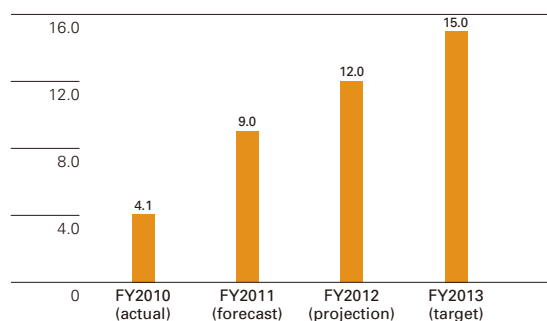
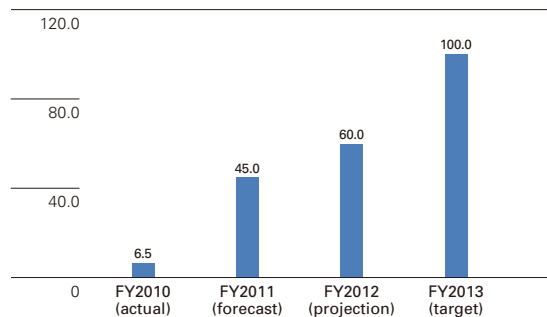
Financial Services Business

We offer a broad range of solutions services in the field of finance, boosting our capabilities in product development and marketing to expand our asset management business and rebuild our financial guarantee business. We also aggressively promote our 401K business as well as our ART business, business related to personal finance and venture capital business.

Risk-Related Business

We offer a range of risk solution services outside of insurance, serving customers through our risk management, nursing care, asset appraisal and assistance businesses.

We will also examine trends in environmental changes to discover new businesses.

CORE PROFIT*1 (¥ billion)**MAJOR OPERATING COMPANIES**

- Mitsui Sumitomo Insurance Co., Ltd.
- Aioi Nissay Dowa Insurance Co., Ltd.
- Mitsui Direct General Insurance Co., Ltd.

- Mitsui Sumitomo Aioi Life Insurance Co., Ltd.*2
- Mitsui Sumitomo Primary Life Insurance Co., Ltd.

- Overseas direct branches – MSI and ADI
- Overseas subsidiaries and affiliated companies, including regional holding companies – MSI and ADI

- Financial Services Divisions – MSI and ADI
- Sumitomo Mitsui Asset Management Co., Ltd.
- Mitsui Sumitomo Insurance Venture Capital Co., Ltd.
- MS&AD Loan Service Co., Ltd.
- Toyota Asset Management Co., Ltd.

- InterRisk Research Institute & Consulting, Inc.
- Mitsui Sumitomo Insurance Care Network Co., Ltd.
- Fureai Do-Life Services Co., Ltd.
- American Appraisal Japan Co., Ltd.

and others

*1: Core Profit = Consolidated net income – net capital gains/losses on stock portfolio (gains/losses from sales, etc.) – net evaluation gains/losses on credit derivatives – other incidental factors + equity in earnings of the non-consolidated Group companies

*2. MSI Kirameki Life and Aioi Life are slated to merge and become Mitsui Sumitomo Aioi Life Insurance in October 2011.

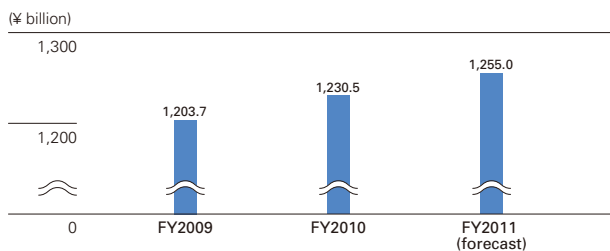
Domestic Non-life Insurance Business

MITSUI SUMITOMO INSURANCE CO., LTD. (MSI)

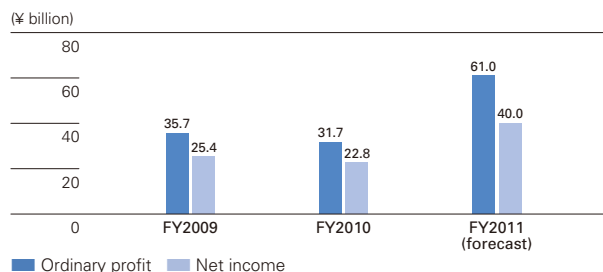
In Japan, MSI leverages its 530 sales offices and network of approximately 40,000 agents to deliver the highest quality of products and services. In addition, the company's 248 claims payment centers and approximately 8,400 dedicated claims support staff deliver peace of mind and security to customers.

Note: Descriptions regarding MSI are based on non-consolidated figures. Nonconsolidated figures include policies underwritten by overseas offices. As a result, there is some overlap with the "Overseas Business" operating results shown later in the report.

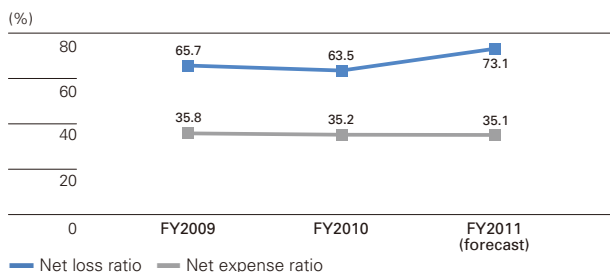
NET PREMIUMS WRITTEN



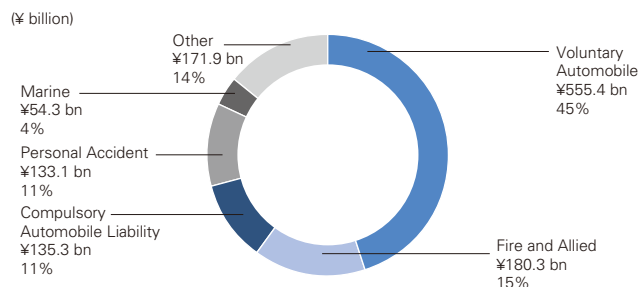
ORDINARY PROFIT / NET INCOME



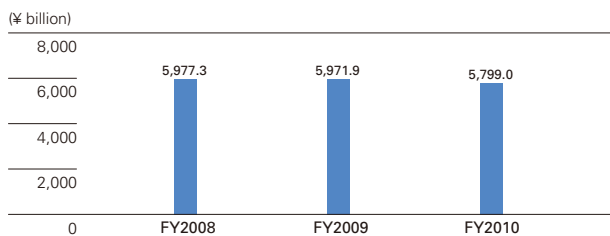
NET LOSS RATIO / NET EXPENSE RATIO (EXCLUDING CALI)



FY2010 NET PREMIUMS WRITTEN BY PRODUCT CATEGORY



TOTAL ASSETS



- Notes: 1. For the purpose of easy comparison with other non-life insurance companies, net premiums written exclude "Modo-Rich" funds. "Modo-Rich" funds refer to Good Result Return (GRR) premiums of the automobile insurance product "Modo-Rich," which contains a special clause that provides for premium adjustment and refund at maturity.
2. Net loss ratio = (net claims paid + loss adjustment expense) / net premiums written × 100
3. Net expense ratio = underwriting expenses / net premiums written × 100

Fiscal 2010 Results

Net premiums written totaled ¥1,230.5 billion, an increase of ¥26.8 billion, or 2.2%, over the previous fiscal year. Initiatives to bolster the alliance with Sumitomo Life Insurance Company and solid results from sales promotion measures contributed to an improvement in all policy categories.

Aggregate net claims paid for all policy categories declined by ¥6.0 billion compared to the previous year. Though voluntary automobile insurance claims rose due to a higher number of accident reports, claims for typhoon and other types of damage decreased, resulting in an overall decline. The Great East Japan Earthquake increased outstanding claim provisions by ¥40.7 billion, the main factor behind a ¥53.9 billion year-on-year increase in incurred loss.

In asset investment, net investment income totaled ¥83.9 billion, an increase of ¥26.1 billion over the previous year, as active sales of shareholdings outweighed declines in interest income and dividend income.

As a result of the above, ordinary profit totaled ¥31.7 billion, while net income totaled ¥22.8 billion, a decline of ¥2.5 billion from the previous year.

Fiscal 2011 Results Forecast

Net premiums written are forecast to increase by ¥24.4 billion over fiscal 2010. Revisions to voluntary automobile insurance and personal accident insurance premiums made in fiscal 2010 are expected to contribute fully to income in fiscal 2011. In addition, compulsory automobile liability insurance (CALI) premiums were revised in April 2011 and revisions are scheduled for voluntary automobile insurance premiums in October 2011, and these revisions are also expected to boost income.

Incurred loss excluding natural disasters and the Great East Japan Earthquake is forecast to decline ¥13.6 billion from fiscal 2010. While the automobile accident occurrence rate is expected to move sideways in the year, claims are expected to fall after high levels in fiscal 2010 caused by payouts for flood damage in Australia and earthquake damage in New Zealand. In addition, a decline in the incurred but not reported (IBNR) loss reserves for automobile insurance is expected.

In relation to the Great East Japan Earthquake, a reversal of catastrophe reserve is expected to boost underwriting profit by approximately ¥10.0 billion.

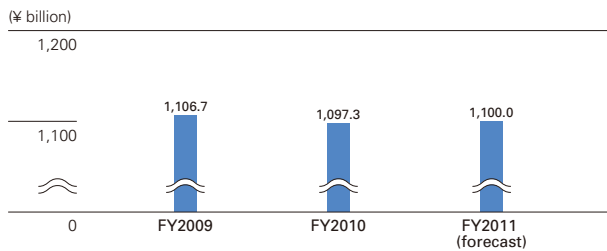
Domestic Non-life Insurance Business

AIOI NISSAY DOWA INSURANCE CO., LTD. (ADI)

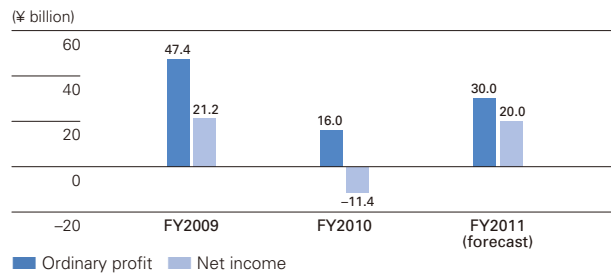
ADI was created through a merger in October 2010. The Company aims to provide customers with the highest quality products and services, and to grow based on the solid trust of each and every customer. ADI engages in locally rooted insurance operations in Japan through its 540 sales offices, approximately 49,000 agencies, 237 loss adjustment service bases and approximately 6,500 dedicated staff.

Note: ADI is a new company formed from the merger on October 1, 2010 of Aioi and NDI. The results for fiscal 2010 reported here have the first half results for NDI added to them.

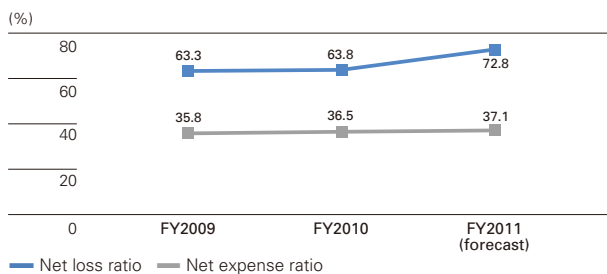
NET PREMIUMS WRITTEN



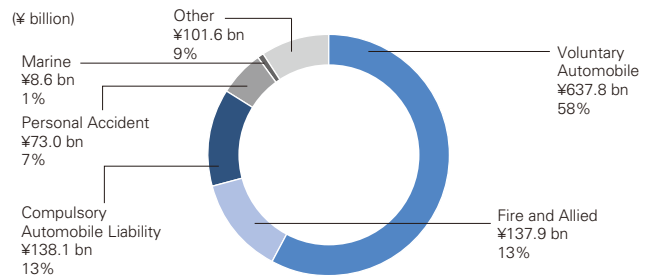
ORDINARY PROFIT / NET INCOME



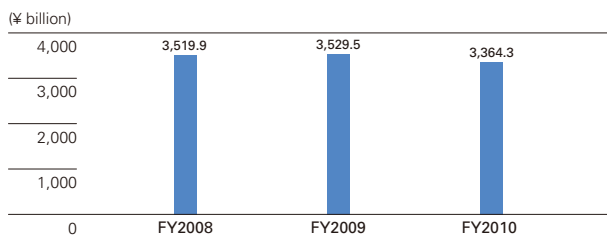
NET LOSS RATIO / NET EXPENSE RATIO (EXCLUDING CALI)



FY2010 NET PREMIUMS WRITTEN BY PRODUCT CATEGORY



TOTAL ASSETS



Notes: 1. Net loss ratio = (net claims paid + loss adjustment expense) / net premiums written × 100

2. Net expense ratio = underwriting expenses / net premiums written × 100

Fiscal 2010 Results

Net premiums written decreased 0.8% from the previous year to ¥1,097.3 billion. In the mainstay voluntary automobile insurance business, however, net premiums written increased 1.8% over the previous year as a result of expanded overseas insurance sales through an alliance with Toyota Motor Corporation.

Net claims paid increased by ¥5.3 billion compared to the previous year due to a higher number of accident reports in the voluntary automobile insurance business and other factors.

Outstanding claim provisions increased by ¥483.0 billion compared to the previous year, mainly due to the impact of the Great East Japan Earthquake.

In asset investment, net investment income totaled ¥51.4 billion, a decline of ¥10.0 billion due to a ¥5.1 billion increase in the losses on devaluation of securities and the absence of a large valuation profit on financial derivatives products booked in the previous year.

As a result of the above factors, ordinary profit totaled ¥16.0 billion, while net loss totaled ¥11.4 billion, a deterioration of ¥32.6 billion due to integration-related expenses of ¥30.4 billion booked as an extraordinary loss.

Fiscal 2011 Results Forecast

Net premiums written are forecast to increase by 0.2% over fiscal 2010 to ¥1,100.0 billion, boosted by revisions to CALI premiums in April 2011 and scheduled revisions to voluntary automobile insurance premiums in October 2011.

Incurred loss excluding natural disasters and the Great East Japan Earthquake are forecast to decline ¥28.7 billion from the previous year due to the implementation of various initiatives, including measures to improve the profitability of the voluntary automobile insurance business. In relation to the Great East Japan Earthquake, a reversal of catastrophe reserve is expected to boost underwriting profit by approximately ¥12.0 billion.

Net income is forecast to increase by ¥31.4 billion. Despite an expected decline in net investment income, profitability will improve mainly due to the absence of integration-related expenses booked the previous year (¥30.4 billion).

Domestic Non-life Insurance Business

MITSUI DIRECT GENERAL INSURANCE CO., LTD.

Mitsui Direct is a direct sales non-life insurance company which provides automobile insurance, health insurance and other types of products to individuals through the Internet or by telephone.

Fiscal 2010 Results

Net premiums written rose 2.1% over the previous year to ¥33.1 billion as a result of premium revisions and other factors.

The net loss ratio rose 6.4 points above the previous year on an increase in the automobile accident rate and efforts to expedite claims payments. The net expense ratio declined, however, by 2.9 points below the previous year to 21.9%. Ordinary profit therefore improved by ¥1.3 billion compared to the previous year, to ¥0.3 billion.

As a result of the above factors, net income (representing the Company's equity interest) increased by ¥0.9 billion

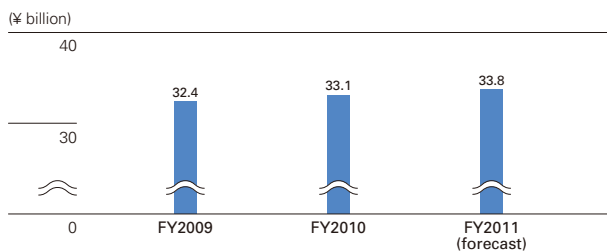
compared to the previous year, to ¥0.2 billion (representing the Company's equity interest), to achieve a profit for the year.

Fiscal 2011 Results Forecast

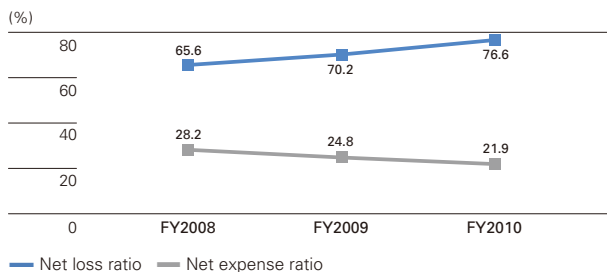
Net premiums written are forecast to increase 2.0% above fiscal 2010.

Ordinary profit is expected to decline ¥0.1 billion to ¥0.2 billion, due primarily to higher advertising expenses and an expected increase in claims related to natural disasters. Net income (representing the Company's equity interest) is forecast to decline by ¥0.1 billion to ¥0.1 billion.

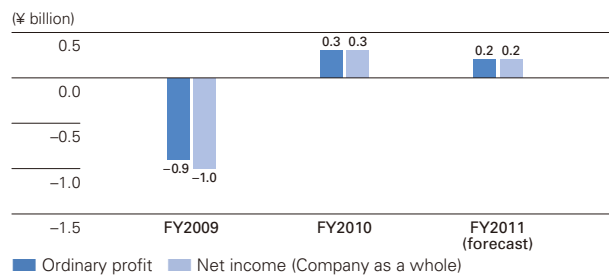
NET PREMIUMS WRITTEN



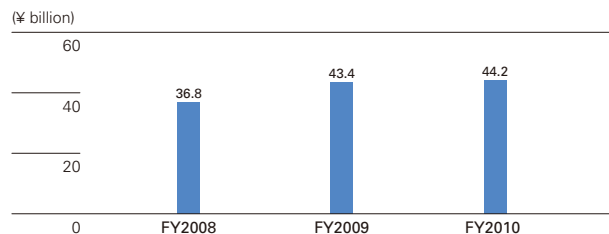
NET LOSS RATIO / NET EXPENSE RATIO



ORDINARY PROFIT / NET INCOME



TOTAL ASSETS



Domestic Life Insurance Business

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD (MSI AIOI LIFE)

MSI Kirameki Life and Aioi Life are due to merge on October 1, 2011 to form MSI Aioi Life.

MSI Aioi Life offers life insurance products tailored to customers' varied lifestyles and needs, including income-security insurance, and whole life and medical insurance policies.

Note: The forecast for fiscal 2011 represents the aggregate results for MSI Kirameki Life (first half) + Aioi Life (first half) + MSI Aioi Life (second half).

Fiscal 2010 Results

The amount of new policies at MSI Kirameki Life rose 13.3% over the previous year to ¥1,798.6 billion. The annualized premiums in force rose 4.0% year on year to ¥202.4 billion and of that amount, the third-sector increased 17.3%.

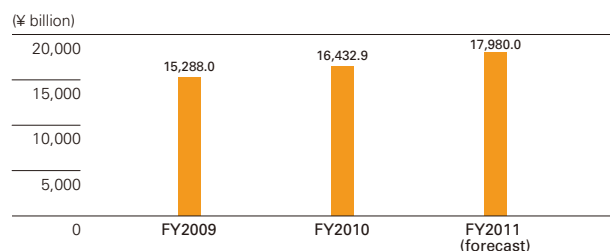
MSI Kirameki Life booked ¥1.5 billion in outstanding claims in relation to the Great East Japan Earthquake. In addition, the full amount of the required standard underwriting reserve (pretax amount of ¥11.1 billion) was provided in a lump sum during the year, resulting in a net loss of ¥5.3 billion. If the

Company had not booked a lump-sum provision to meet the requirements for the standard underwriting reserve, it would have posted net income of ¥1.8 billion in the year.

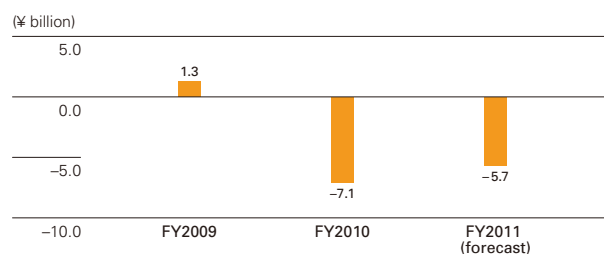
The amount of new policies at Aioi Life declined 1.4% year on year to ¥1,044.5 billion, mainly due to a decline in income-protection insurance products. The amount of policies in force rose a firm 7.7% year on year thanks to an expansion of variable universal life insurance.

Aioi Life posted a net loss of ¥1.8 billion. The main factors were ¥0.5 billion in outstanding claims related to the Great East Japan Earthquake, a year-on-year increase of ¥1.3 billion in

POLICIES IN FORCE



NET INCOME



death claims, and business integration-related expenses of ¥2.3 billion booked as an extraordinary loss.

Fiscal 2011 Results Forecast

The amount of new policies at MSI Aioi Life, (after the planned integration), is forecast to increase 25.2% over fiscal 2010 to ¥3,560.0 billion, driven by the benefits of an enhanced sales structure. The amount of policies in force is forecast to rise 9.4%, mainly from the strong growth in new policies.

A net loss of ¥5.7 billion is forecast, the result of expected non-recurring merger expenses of ¥10.9 billion to be booked as an extraordinary loss.

INCREASE IN SCALE FROM MERGER

Ranking by new business (among 47 insurers; FY2010)

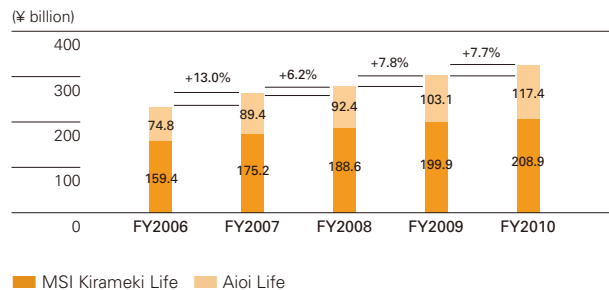
Amount of new business + net increase from conversions
(individual insurance and individual annuities)

Rank	Name	New business (¥ billion)	Share (%)
1	Nippon Life	7,829.4	11.2%
2	Dai-ichi Life	7,260.1	10.4%
3	Japan Post Insurance	6,728.7	9.6%
4	Meiji Yasuda Life	4,887.8	7.0%
5	Sumitomo Life	4,412.8	6.3%
10 equiv.	MSI Kirameki Life + Aioi Life	2,843.1	4.1%
14	MSI Kirameki Life	1,798.6	2.6%
18	Aioi Life	1,044.5	1.5%

Source: Prepared by MS&AD Holdings based on each company's financial reporting.

STEADY GROWTH IN EMBEDDED VALUE

Embedded Value



Domestic Life Insurance Business

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (MSI PRIMARY LIFE)

Leveraging the trust, experience and knowledge cultivated over many years by the MS&AD Insurance Group and its predecessor, MSI Primary Life specializes in providing individual annuities. It offers a balanced portfolio of variable annuities, which combine the appeal of insurance and asset management, and fixed annuities, where the policy principal is fixed at the time of purchase.

Notes: 1. Mitsui Sumitomo MetLife Insurance Co., Ltd. changed its name to Mitsui Sumitomo Primary Life Insurance Co., Ltd. on April 1, 2011.

2. Though the net income indicated is 100% of the actual amount, the effect on the Company's consolidated financial results for fiscal 2010 is 50% of the actual amount, representing the Company's equity interest.

Fiscal 2010 Results

The amount of new policies at MSI Primary Life totaled ¥253.7 billion. Sales declined amid a shrinking individual annuities market caused by adverse asset management conditions. Net income totaled ¥18.7 billion (the Company's equity interest is ¥9.3 billion). Accumulated expenses carried over from the establishment of MSI Primary Life were fully written off in the previous year, resulting in no depreciation expenses in the current year, while agent's commissions also declined due to the decrease in new policies.

LEADER IN THE INDIVIDUAL ANNUITIES SECTOR

Rankings by individual annuity sales through the bank channel

(October 2002 – October 2010)

VARIABLE ANNUITIES

Rank	Name	Amount sold (¥ billion)
1	Hartford Life	3,426.2
2	MSI Primary Life	2,765.7
3	Tokyo Marine Financial Life	2,661.1

FOREIGN CURRENCY-DENOMINATED FIXED ANNUITIES

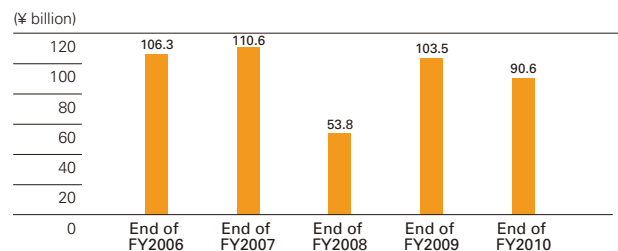
Rank	Name	Amount sold (¥ billion)
1	Alico Japan	3,245.3
2	MSI Primary Life	508.5
3	ALIG Edison Life	352.1

Source: Prepared by MS&AD Holdings based on data compiled by Hoken Mainichi Shimbin

Fiscal 2011 Results Forecast

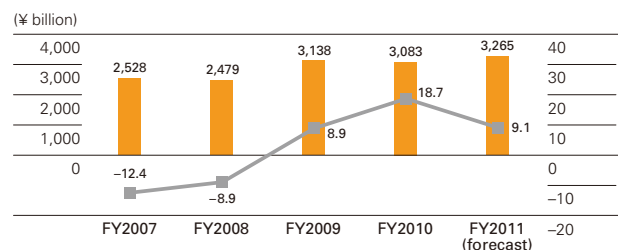
The amount of new policies is forecast to rise 36.7% as a result of a better balance between variable annuity and fixed annuity products. An increase in expenses is expected to accompany the increase in new policies, however, resulting in net income of ¥9.1 billion, a ¥9.7 billion decline from fiscal 2010.

EMBEDDED VALUE



POLICIES IN FORCE FIRM, POSITIVE EARNINGS CONTINUE

Policies in Force and Net Income



■ Policies in Force (left axis) — Net income (right axis)

Overseas Business

MITSUI SUMITOMO INSURANCE CO., LTD. / AIOI NISSAY DOWA INSURANCE CO., LTD

MS&AD Insurance Group has developed an overseas network of over 300 bases in 40 countries and regions, mainly in high-growth areas within Asia. With more than 50 years of experience in operating outside Japan, the Group aims to supply products and services tailored to various risks around the world.

Note: 1. The figures for the overseas business include the results of overseas consolidated subsidiaries, overseas branches of non-life companies and overseas unconsolidated subsidiaries.
2. The net income represents Group Core Profit.

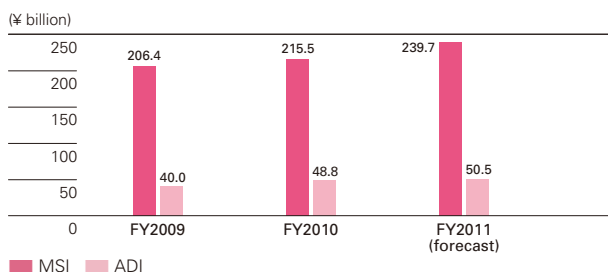
Fiscal 2010 Results

In the overseas business, various initiatives were taken to further expand the business on top of a strong foundation that has placed the MS&AD Group among the foremost foreign-capitalized firms in Asia, with a particularly strong presence in ASEAN countries. Also in China, local affiliates opened new branches to expand the network to eight sales units, the largest sales network among Japanese non-life companies. In addition, the Group made a foray into the life insurance business in April 2010 with MSI's acquisition of a stake in Chinese life insurer Sinatay Life Insurance Co., Ltd. Back to ASEAN Countries in Malaysia, MSI also acquired a 30% stake in the life insurance business of the Hong Leong Group in October 2010, to forge a strategic capital alliance.

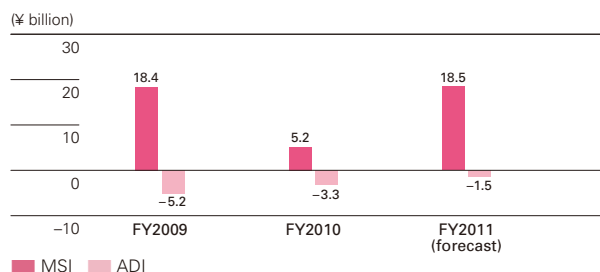
Net premiums written in the overseas business totaled ¥264.3 billion, an increase of ¥17.9 billion, or 7.3%, compared with the previous year (the increase was 11.7% when excluding the impact of yen appreciation). In Asia, income increased by ¥26.6 billion over the previous year as a result of double-digit growth in nearly all countries in the region, while in Europe, income declined by ¥10.0 billion due to continued strict underwriting standards in a soft market environment.

Net income from overseas business totaled ¥1.8 billion, a decline of ¥11.4 billion compared to the previous year. The significant decline was caused mainly by a severe drop in European premium revenue, major casualty losses in the first half of the year (¥6.8 billion), the New Zealand earthquake (¥4.7 billion in claims) and the Australian floods (¥2.2 billion in claims).

NET PREMIUMS WRITTEN



NET INCOME



Fiscal 2011 Results Forecast

Net premiums written in the overseas business are expected to increase ¥25.9 billion, or 9.8% year on year. In Asia, an improvement of ¥17.5 billion is forecast on the benefits of integration with the Hong Leong Financial Group's non-life business in Malaysia and strong increases in the Chinese and Indian operations. An increase of ¥4.4 billion is forecast for Europe on the expansion of non-Japanese commercial business. In the Americas, an increase of ¥4.5 billion is forecast on the expansion of business in Brazil.

Net income in the overseas business is forecast to surge ¥15.2 billion year on year with an ¥11.4 billion improvement in the European business mainly due to the absence of large losses in fiscal 2010. In other regions, Asia is expected to post a ¥6.4 billion improvement in income due to a large increase in premiums, while the Americas are also expected to post a ¥1.4 billion improvement.

OVERSEAS BUSINESS: STRATEGIC CAPITAL ALLIANCES

STRATEGIC CAPITAL ALLIANCE 1

China April 2010

- MSI acquired an equity stake in Sinatay Life Insurance Co., Ltd.

STRATEGIC CAPITAL ALLIANCE 2

Malaysia October 2010

- MSI acquired a 30% equity stake in a life insurer in the Hong Leong Group.
- The Hong Leong Group became a 30% shareholder in MSIG Malaysia.
- Also invested in a Takaful (Islamic insurance) company within the Hong Leong Group (April 2011)

STRATEGIC CAPITAL ALLIANCE 3

Indonesia Announced May 2011

- Capital alliance with the Sinar Mas Group, a major conglomerate
- MSI acquired an equity interest in PT Asuransi Jiwa Sinarmas (Sinarmas Life), the Sinar Mas Group's life insurance subsidiary. (MSI acquired the interest in July through a third-party allotment of newly issued shares.)
- Acquisition price of 50% interest: equivalent of approx. ¥67.2 billion
- As MSI acquired its stake, Sinarmas Life is renamed PT Asuransi Jiwa Sinarmas MSIG.

>>We will continue to geographically diversify our growth model.
>>Priority regions: Asia and Europe

INCREASE IN PREMIUMS AND GOOD UNDERWRITING RESULTS IN ASIA

Based on MSI's "overseas operations"* in Asia

(* consolidated subsidiaries + overseas branches + non-consolidated affiliates)

	FY2008	FY2009	FY2010	FY2011 (Forecast)
Growth in net premiums written (local currency basis)	14.6%	6.7%	20.9%	15.2%
Combined ratio	93.1%	90.0%	97.0%	89.5%

(FY2010 net premiums written in Asia (MS&AD total) ¥139.2 billion)

Financial Services Business

Risk-Related Business

In the financial services business, the Group continued to endeavor to expand the sales of services and products such as defined contribution pension plan products; weather and earthquake derivatives products; and loans under the securitization program in alliance with the Japan Housing Finance Agency.

In risk-related business, the Group supplies a variety of services relating to businesses such as risk management, nursing care and asset appraisal as part of efforts to increase competitiveness of insurance services and raise consolidated earnings.

Sumitomo Mitsui Asset Management Co., Ltd.	Japan's largest asset management company, in which four Sumitomo- or Mitsui-related financial companies have invested
Mitsui Sumitomo Insurance Venture Capital Co., Ltd.	Venture capital company that identifies ventures that have high potential and offers not only financial support but also prioritizes "business incubation investment"
MS&AD Loan Service Co., Ltd.	Provides administrative services for mortgage guarantee insurance, etc., trust guarantee services and private loan services
Toyota Asset Management Co., Ltd.	Asset management company jointly established with Toyota Financial Services Corporation
InterRisk Research Institute & Consulting, Inc.	Specialist risk management company offering both advanced investigative research services and practical consulting regarding risk management
Mitsui Sumitomo Insurance Care Network Co., Ltd.	Operates Yuraifu Yokohama and Yuraifu Setagaya fee-based nursing-homes for the elderly, and provides a wide range of nursing-care services
Fureai Do-Life Services Co., Ltd.	Provides services across a wide range of health, medical, nursing care and welfare matters.
American Appraisal Japan Co., Ltd.	Provides a variety of asset appraisal services, including for M&As and real estate, from a neutral and impartial perspective

Management Information

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MS&AD New Frontier 2013

(MS&AD Insurance Group Medium-Term Management Plan Fiscal 2010–Fiscal 2013)

Four Basic Strategies

1. Win customers' trust and realize growth through quality improvement.

- Make every operation customer focused and deliver products and services of the highest quality to all customers.
- Establish a virtuous cycle and realize sustainable growth by injecting profits obtained from growth back into quality improvement.

2. Integrate the total capabilities of the Group and pursue group synergies to enhance profitability even further.

- Aim to enhance efficiency and increase group profitability by pursuing synergies within the Group.
- Revise all of the Group's operations from the perspective of maximizing overall Group performance, integrating operational processes and computer systems, developing shared services and capitalizing on economies of scale.

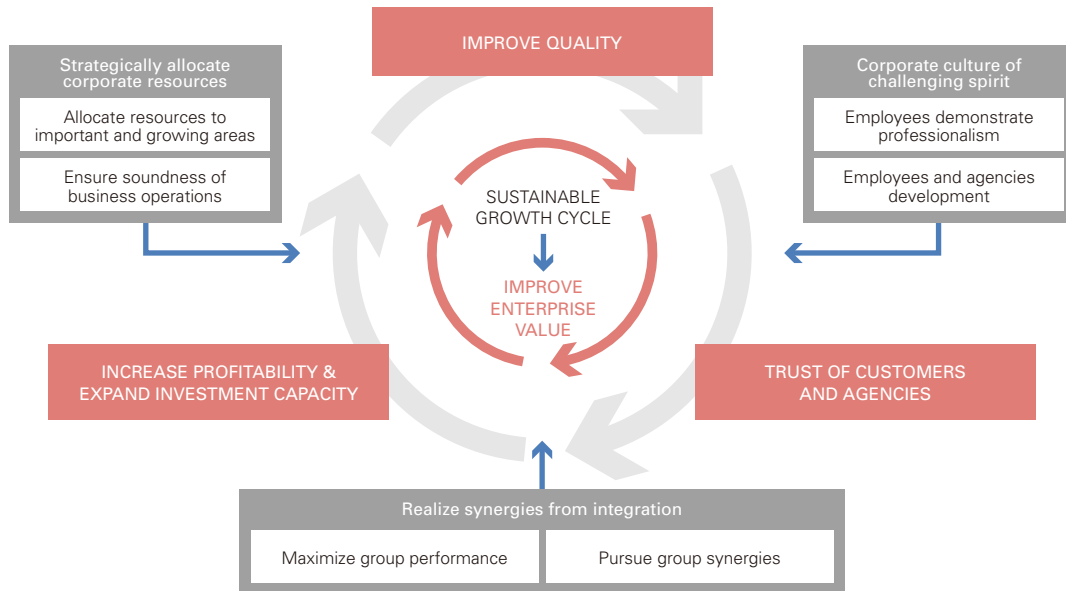
3. Allocate resources strategically to selected and focused areas, and ensure sound business operations.

- Allocate expanded corporate resources into important and growing areas, aiming to make efficient use of resources and to accelerate growth of the Group.
- Ensure sound operations throughout the entire Group, by conducting sound business operations in each group company as required for an insurance and financial institution and by establishing a Group-wide corporate governance structure centered on the holding company.

4. Foster a corporate culture of professional endeavor and grow with employees and agencies.

- Foster a corporate culture of taking up challenges as a professional on an individual employee level.
- Create a group where employees feel pride and satisfaction in their work, and that fosters mutual growth of employees and agencies with the Group.

To Improve Enterprise Value



Business Domain and Individual Strategies

The Group seeks to grow by expanding its business in the domains of domestic non-life insurance, domestic life insurance, overseas business, financial services and risk-related services.

Domestic Non-life Insurance Business

Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, Mitsui Direct General Insurance

- Develop and provide attractive products and services suitable for the various operational bases and customer bases.
- Enhance sales capabilities by developing business models that can satisfy customers' needs in each market, and by concentrating resources in growing areas.
- Improve quality of business processes and create best practices by utilizing the respective know-how and infrastructures of MSI and ADI.
- Reduce business expenses significantly and improve efficiency by integrating operational processes and systems, and consolidating offices for sales and claims handling.
- Mitsui Direct General Insurance to ensure profitability while simultaneously expanding business in the high-growth direct sales market.

Domestic Life Insurance Business

Mitsui Sumitomo Kirameki Life Insurance, Aioi Life Insurance, Mitsui Sumitomo Primary Life Insurance

- MSI Kirameki Life and Aioi Life to accelerate growth by utilizing the expanded operating base and focusing on cross-selling to provide customers with attractive products and services, through sales channels such as financial institutions, life insurance agencies and direct sales.
- MSI Primary Life to establish the Group's position as a leading company in the area of individual annuities business by providing products that meet customers' needs and by enhancing sales capabilities.

Overseas Business

- Expand business actively in the Asian region using the Group's extensive operational bases and competitive edge.
- Pursue geographical expansion and profits in Europe by enhancing the Group's services structure, and ensure solid profit in the Americas.
- Actively invest in new business in selected and focused strategic regions and domains.
- Expand the overseas reinsurance business.

Financial Services Business

- Expand the asset management business by boosting capabilities in product development and marketing.
- Restructure the financial guarantee business in line with structural changes in the financial market.
- Actively promote 401k business in response to both corporate and individual needs.
- Expand ART (Alternative Risk Transfer) business, personal loan related business and venture capital business.

Risk-Related Services Business

- Provide services outside of insurance, that contribute to customers' risk solutions, including risk management, nursing care, asset appraisal and assistance businesses.
- Promote discovery of new businesses in light of changes in the business environment.

Corporate Governance

Basic Policies

In line with its Management Philosophy, MS&AD Holdings, as a holding company overseeing all group businesses, has established a transparent management framework that incorporates internal checking functions. The Company's objectives are to sustain consistent growth for the Group over the long term by using corporate resources efficiently and managing risks properly and ultimately, to further increase corporate value.

Functions of Group Companies

The Holding Company's Functions

- Formulate and promote group strategies
- Group risks management
- Capital policies
- Promote integration
- Promote shared services
- Support development of businesses of group companies
- Management and administration of group companies

The Group Operating Companies' Functions

- Formulate strategies and execute operation within the designated area
- Manage and administrate business on a stand-alone basis

Management Structure

As a company whose operations are reviewed by corporate auditors, MS&AD Holdings is working to improve corporate governance in large part by reinforcing the functions of the Board of Directors and Board of Auditors, and through the active disclosure of information.

Furthermore, MS&AD Holdings has introduced an executive officer system and is strengthening the control of MS&AD Holdings management by clarifying the roles of the Board of Directors, who are responsible for management decision-making and supervision, and the Executive Officers, who are responsible for business execution. Moreover, MS&AD Holdings believes that in order to reinforce the management monitoring and supervision functions, and thereby reinforce the transparency of the management, it is crucial to incorporate perspectives independent of the management. Consequently, four of the thirteen members on the Board of Directors and three of the five Corporate Auditors are selected from outside. In addition, the Board of Directors has two internal committees: the Nomination Committee and Remuneration Committee, which are chaired by outside directors who also account for the majority of the members.

Management Structure for Group Business

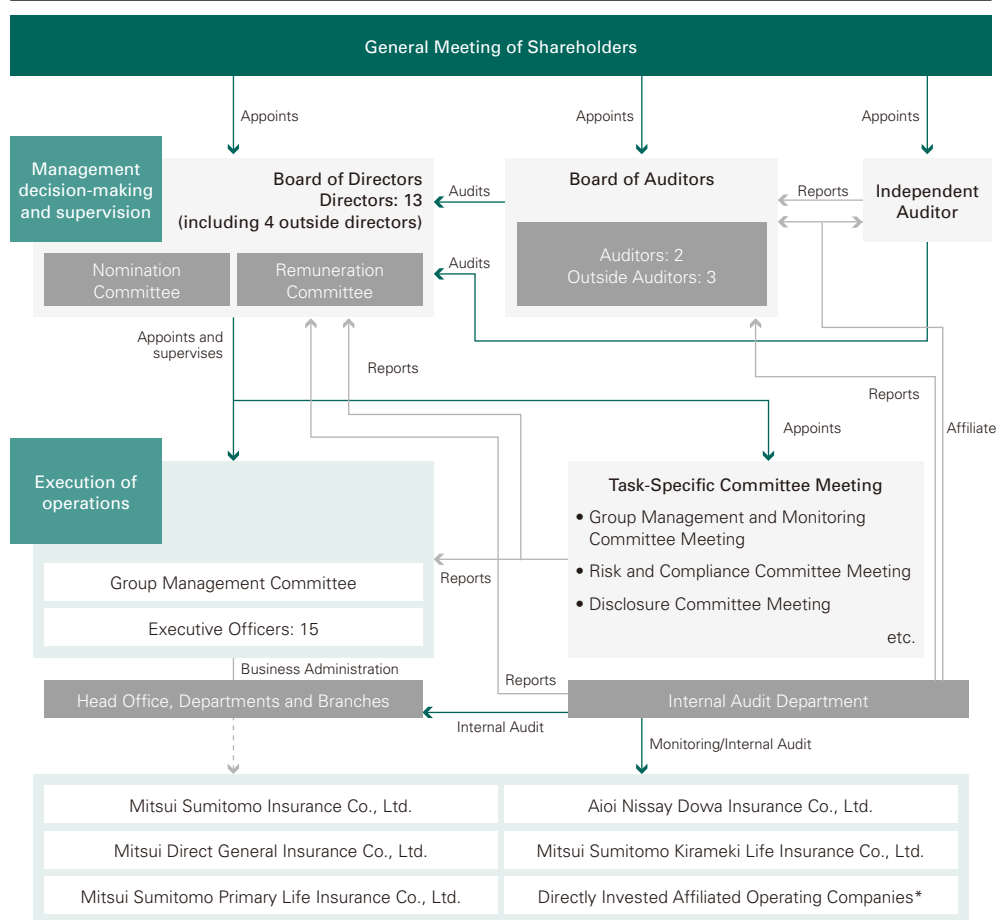
MS&AD Holdings has a business management agreement with its directly invested domestic insurance companies (Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., Mitsui Direct General Insurance Co., Ltd., Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., Mitsui Sumitomo Primary Life Insurance Co., Ltd.) and its affiliated operating companies including InterRisk Research Institute and Consulting, Inc., which are directly invested. Thus, it has established an appropriate framework for management control.

MS&AD Holdings believes that obtaining timely and accurate information regarding the business of its domestic insurance subsidiaries is beneficial to the smooth operations of the group. Therefore, many MS&AD Holdings board members concurrently serve as directors of the subsidiary companies. Furthermore, directors from the subsidiary companies participate in MS&AD Holdings' Group Management Committee meetings when pertinent matters are under discussion.

Notes: 1. Pending permission from the relevant authorities, MSI Kirameki Life and Aioi Life are scheduled to merge on October 1, 2011 to form Mitsui Sumitomo Aioi Life Insurance Co., Ltd.

2. MS&AD Holdings has five affiliated operating companies: InterRisk Research Institute & Consulting, Inc., MS&AD Business Support Co., Ltd., MS&AD Staff Services Co., Ltd., MS&AD Research Institute Co., Ltd. and MS&AD Business Service Co., Ltd.

CORPORATE GOVERNANCE STRUCTURE



* InterRisk Research Institute & Consulting, MS&AD Business Support, MS&AD Staffing Services, MS&AD Research Institute and MS&AD Business Service

Basic Policy Regarding Internal Control System

MS&AD Holdings has a Basic Policy Regarding the Internal Control System. The system stipulated in this policy was established to be in alignment with Japan's Companies Act in addition to holding "securing trust in financial reporting" as its top priority. The summary of the basic policy is as follows.

1. System to Ensure Appropriate Operations of Corporate Group Comprised of MS&AD and its Subsidiaries

Based on the management agreements that it concludes with its directly invested subsidiaries, MS&AD Holdings requires them to comply with the Group Basic Policy as well as to seek approval from and report to MS&AD Holdings on any important matters related to any directly invested subsidiary. Additionally, the directly invested domestic insurance companies, in principle, manage their own subsidiaries accordingly, as agreed in the contract.

2. System to Ensure the Assignments of the Directors are Carried Out Efficiently

To realize rapid decision-making and appropriate monitoring, MS&AD Holdings has introduced an executive officer system, appoints outside directors and sets the number of directors at fifteen or less.

3. System to Ensure that the Execution of Duties of the Directors and the Employees Adhere to Laws and the Articles of Incorporation

(1) In accordance with the "MS&AD Insurance Group Basic Policy on Compliance" set out by MS&AD's Board of Directors, MS&AD Holdings and its Group companies make sure that each and every director and employee is aware of the importance of compliance, ensures compliance with all applicable legislation, internal regulations and other rules, and maintains high ethical standards as part of all business activities. MS&AD Holdings and its Group companies also put in place systems to eliminate the influence of antisocial forces, and thoroughly instruct all directors and employees to take a resolute stance against such forces, and never to comply with any inappropriate or unjust demand.

(2) To promote and ensure complete compliance in MS&AD Holdings and the Group companies, MS&AD Holdings maintains organizations and structures such as the Compliance Department and reports regularly on the overall compliance

promotion status of the Group to the Board of Directors. To monitor the status of compliance promotion, MS&AD Holdings has a Risk and Compliance Committee and takes necessary measures on issues identified by the Committee. Moreover, MS&AD Holdings and the Group companies have an internal reporting system so that all directors and employees may directly report to in-house contacts or outside lawyers on individual or group behaviors that are unjust, illegal or unethical.

4. Regulations and System Related to Managing Risk of Losses (Integrated Risk Management System)

(1) In addition to establishing a shared basic approach in accordance with the "MS&AD Insurance Group Basic Policy on Risk Management," MS&AD Holdings and its Group companies have established a Corporate Risk Management Department and put in place the necessary organizational framework to report regularly to the Board of Directors on risks and risk management across the entire Group. MS&AD Holdings has also established a Risk and Compliance Committee to monitor risk and risk management and formulate necessary measures to avoid and minimize risks based on the results of consultations held by the Committee (including the results of integrated risk management evaluation (quantitative analysis)).

(2) MS&AD Holdings evaluates risk management and business contingency plans at Group companies, and establishes a risk management and business contingency plan for the Group as a whole.

5. System to Ensure Credibility of Financial Reports

Out of the corporate auditors, MS&AD Holdings nominates at least one person who is equipped with sufficient knowledge of accounting or finance.

Moreover, in accordance with the "MS&AD Insurance Group Basic Policy for Disclosure," MS&AD Holdings and its Group companies have put in place the necessary framework to ensure the timely and appropriate disclosure of financial information and other information relating to the Group. Meanwhile, the Information Disclosure Committee maintains and implements an internal control system for financial reporting of the Company and the Group, and examines the effectiveness of the disclosure system.

6. System to Ensure Effective Internal Auditing

In line with the “MS&AD Insurance Group Basic Policy on Internal Audit,” MS&AD Holdings maintains an internal audit system covering all the business activities of the Group in order to ensure efficiency and effectiveness of internal audits. The Internal Audit Department reports all important items from the internal auditing results of MS&AD Holdings and its directly invested domestic insurance companies, as well as improvement progress in the audited departments, to the Board of Directors.

7. System to Manage and Store Information Related to Directors’ Execution of Duties

MS&AD Holdings appropriately stores and manages information and documents relating to Directors’ and Executive Officers’ execution of duties, in accordance with regulations for document management. Directors and Corporate Auditors are able to browse the information at all times.

8. System to Ensure that Audits by the Auditors Are Carried Out Effectively

(1) System related to employees hired to assist the duties of the corporate auditors

To support the duties of corporate auditors, MS&AD Holdings has a Corporate Auditor Office with full-time employees.

Organizational change of the Corporate Auditor Office as well as transfer or discharge of hired employees only takes effect upon reaching a consensus at the Board of Auditors. Employee evaluation also takes place upon consultation with an auditor assigned by the Board of Auditors.

(2) Systems for reporting to the corporate auditors

Directors and executive officers report to the Board of Auditors without delay about matters governed by law, decisions that greatly influence business operations and organizations, the results of internal audits and the status and content of reporting through this reporting system. Employees are able to directly report to the Board of Auditors about managerial acts that are seriously fraudulent or illegal, and about matters that may have an extremely negative impact on the Company.

(3) Other systems

Corporate auditors attend important meetings including the Group Management Committee Meetings. The Chairman of the Board, President, and Representative Directors convene regular consultations with the Board of Auditors. Additionally, the Internal Audit Department cooperates with the audit upon request from the corporate auditors.

Directors, Executive Officers and Auditors

(As of July 31, 2011)

DIRECTORS AND EXECUTIVE OFFICERS



Representative Director,
President & CEO

TOSHIAKI EGASHIRA

Chairman of MSI



Representative Director
Executive Officer

ICHIRO TATEYAMA

Chairman of ADI



Representative Director
Executive Officer

YASUYOSHI KARASAWA

President & CEO of MSI



Representative Director
Executive Officer

HISAHITO SUZUKI

President of ADI



Director
Senior Executive Officer

SUSUMU FUJIMOTO

Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept., Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
Mitsui Sumitomo Primary Life Insurance Co., Ltd.
Mitsui Direct General Insurance Co., Ltd.
Senior Executive Officer of MSI



Director
Managing Executive Officer

SHUHEI HORIMOTO

Corporate Planning Dept., Corporate Communications and Investor Relations Dept., Business Development Dept., Internal Audit Dept.



Managing Executive Officer
TAKAYOSHI UMEMURA

General Administration Dept., Human Resources Dept., Accounting Dept.



Director
Executive Officer

MASANORI YONEDA

Executive Vice President of ADI



Executive Officer

YASUO KISHIMOTO

Financial Services Business
Senior Executive Officer of MSI



Executive Officer

SEIICHI OTA

Underwriting
Managing Executive Officer of MSI



Executive Officer
SHIRO FUJII
Administrative and Systems
Managing Executive Officer of MSI



Director
Executive Officer
MITSUHIRO TSUCHIYA
Managing Executive Officer of ADI



Executive Officer
KOJIRO HATAOKA
Claims Services
Executive Officer of ADI



Director
Executive Officer
ICHIRO IIJIMA
Overseas business
Vice President Executive Officer of MSI



Executive Officer
KOICHI SUGIYAMA
Marketing & Sales
Executive Officer of ADI



Outside Director
TOSHIHIKO SEKI*1



Outside Director
AKIRA WATANABE*2



Outside Director
MITSUHIRO UMEZU*3



Outside Director
DAIKEN TSUNODA*4

CORPORATE AUDITORS



Auditor of the Board (Full time)
KATSUAKI IKEDA



Auditor of the Board (Full time)
MASAYOSHI NAKAMURA



Auditor of the Board (Outside)
SOSUKE YASUDA*5



Auditor of the Board (Outside)
KUNIAKI NOMURA*6



Auditor of the Board (Outside)
HIROYUKI TEZUKA*7

*1. Attorney-at-Law, Emeritus Professor Tohoku University, Ph.D.

*2. Attorney-at-Law, Partner at Seiwa Meitetsu Law Office

*3. Associate Professor at Keio University Faculty of Business and Commerce, Associate Director at Keio University International Center, Ph.D.

*4. Attorney-at-Law, Partner at Nakamura, Tsunoda & Matsumoto

*5. Special Advisor to Gyosei & Co., Representative Partner of Gyosei Tax Accountants

*6. Attorney-at-Law, Nomura Law Office

*7. Attorney-at-Law, Partner at Nishimura & Asahi

Internal and External Audit Structures

MS&AD Insurance Group Internal Audit Structure

MS&AD Insurance Group has the “MS&AD Insurance Group Basic Policy on Internal Audit,” and conducts internal audits with the aim of ensuring that all Group companies manage operations in a sound and proper manner. By checking the appropriateness and effectiveness of legal and regulatory compliance systems and other internal controls, and by providing advice for their improvement, these audits are also intended to improve internal controls and upgrade management oversight.

In accordance with the “MS&AD Insurance Group Basic Policy on Internal Audit,” each Group company has established internal auditing capabilities. Internal audits are conducted by the internal audit divisions of each Group company to check the operational status of the internal controls by that company (including its related subsidiaries and affiliates). The internal audit divisions report audit findings to those parts of the organizations that have been audited and provide advice on how to rectify any relevant issues, and check on the progress of related improvements through reports and other communications submitted by the organizations. Internal audit findings and reports on related progress are made periodically to each Group company’s Board of Directors.

MS&AD Holdings has an Internal Audit Department which acts as an independent auditing function. In addition to conducting internal audits on MS&AD Insurance Group Holdings, Inc., this department monitors the results of the internal audits conducted by the Group’s domestic insurance companies and monitors progress in rectifying issues or making improvements. The department reports to the Board of Directors on related compliance issues which are important for Group management.

Internal/External Audits

MS&AD Holdings operations are subject to internal audits by the corporate auditors and the Internal Audit Department and audits conducted by the independent auditors.

Internal Audits

Internal audits are conducted by the corporate auditors (administrative/accounting audits) and by the Internal Audit Department. To improve auditing effectiveness, the corporate auditors and Internal Audit Department work cooperatively by ensuring mutual access to the results of internal audits.

External Audits

External audits are conducted by the independent auditors KPMG AZSA LLC. (under Japan’s Companies Act and the Financial Instruments and Exchange Act)

Apart from the above auditing procedures, the Group is also subject to regulatory audits under the Insurance Business Act by the Financial Services Agency and by the Ministry of Finance’s Local Finance Bureau.

Disclosure Policy

MS&AD Holdings formulated the Group disclosure policy as the “MS&AD Insurance Group Basic Policy for Disclosure” in April 2010. Under this policy, all Group companies are required to comply in every way with the disclosure rules stipulated in laws and regulations, the disclosure rules of stock exchanges, and any other relevant laws and regulations. At the same time, Group companies seek to ensure proper disclosure of information so that all stakeholders are kept accurately and promptly informed.

MS&AD Insurance Group Basic Policy for Disclosure

MS&AD Holdings and its domestic insurance subsidiaries (Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., Mitsui Direct General Insurance Co., Ltd., Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., Aioi Life Insurance Co., Ltd. and Mitsui Sumitomo Primary Life Insurance Co., Ltd.) shall disclose information as outlined below with the aim of ensuring that all important information relating to the Group’s operations is communicated fairly, accurately and in a timely manner.

1. Basic Attitude toward Information Disclosure

MS&AD Holdings will disclose information so that customers, shareholders, investors, and others can accurately grasp and appraise the situation of the Group.

2. Disclosure Criteria

MS&AD Holdings will disclose information in a timely manner in accordance with laws and regulations, as well as securities listing regulations and rules on timely disclosure of corporate information of listed companies set out by stock exchanges (hereafter collectively referred to as “the Timely Disclosure Regulations”).

In addition, MS&AD will disclose any other information that would be helpful for customers, shareholders and investors with their policy interpretation or their investment decisions.

3. Disclosure Manner

By utilizing diverse media, such as annual reports, news releases and official websites, MS&AD Insurance Group companies will strive to ensure fair disclosure to their customers, shareholders, investors and other interested parties.

Risk Management

Risk Management Basic Policy

We have set out the “MS&AD Insurance Group Basic Policy on Risk Management,” which underpins common risk management exercised throughout the Group. The policy stipulates the basic processes and the Group-wide framework for risk management, and defines the categories of risks which the Group should identify and manage.

The Group’s domestic insurance companies follow this basic policy to set out their own individually tailored risk management policies, and be proactive in managing their own risks.

Risk Management Structure

The Group’s domestic insurance companies implement risk management on an individual basis. As the holding company, we implement an integrated risk management program and monitor Group-wide risks and Group companies’ risk management activities.

Our Corporate Risk Management Department receives and analyzes reports on risk and risk management from domestic Group insurance companies on a regular basis. Important issues in the reports are discussed at the Risk Compliance Committee and reported to the Board of Directors.

Enterprise Risk Management

Based on reports of risks and risk management activities from domestic Group insurance companies, we manage various risks we face, including risks that are difficult to measure, by using both quantitative and qualitative approaches.

■ Quantitative Approach

By using probabilistic risk assessment model (VaR*), we periodically measure insurance underwriting risk, asset management risk and operational risks to confirm that the risk exposure is well manageable within the Group capital.

We also monitor the risk trends and moves of the domestic Group insurance companies to confirm that their risk level does not exceed predetermined limits for each company.

In ascertaining the status of risk and capital, we check our management plans (income and expenditure plan) and conduct periodic stress tests to ascertain the effect of an anomalous event such as a large-scale natural disaster or turmoil in the financial markets.

* VaR (Value at Risk) is the maximum loss expected at a certain level of probability.

■ Qualitative Approach

To evaluate insurance underwriting risk, asset management risk, liquidity risk and operational risk, we assess domestic Group insurance companies’ risk management activities and risk management frameworks.

We also regulate the accumulation of loans and investments, and monitors transactions between Group companies to ensure that the soundness of MS&AD Insurance Group is not compromised by transmission, misdistribution and concentration of risk.

Insurance Business Risks

There are a variety of risks inherent in the insurance business. Given that the insurance business hinges on insurance claim payments and payment of insurance proceeds and benefits, insurance underwriting risks and asset management risk need to be managed in consideration of the relationship to shareholders’ equity and the need to maintain a balance with earnings, rather than simply being repressed. Moreover, we need to manage liquidity risk with respect to its bearing on funding requirements now and in the future. Operational risks stemming from issues such as clerical errors and system failures, on the other hand, need to be minimized by ensuring appropriate operations so as to prevent losses wherever possible.

The MS&AD Insurance Group treats risk management as the highest Group management priority. We strive to manage each of these risks with precision to realize the Group’s management vision.

■ Insurance Underwriting Risks

Insurance underwriting risks are risks for underwriting loss by frequency or damageability which significantly surpass the projection on which the insurance premiums are calculated.

■ Asset Management Risks

Asset Management Risk are risks for fluctuation of interest rates, stock prices, exchange rates, real estate prices, rents, etc. or financial situation of investing entities that cause reduction in value or income, including offset assets. They also include risks that we cannot hold assets in alignment with characteristics of liability such as claims payment.

■ **Liquidity Risks**

Liquidity risks are risks that cash shortage caused by large claims such as natural disaster such as major earthquake enforces us to secure financing in exchange for selling assets with significantly unfair price (cash management risk) or risks that market disturbance prevents market transaction or enforces unfair trade (market liquidity risk).

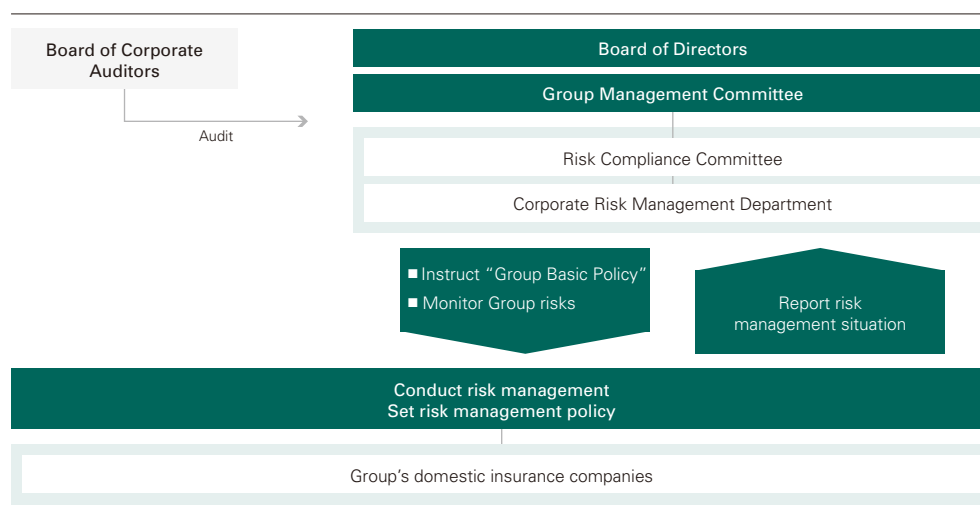
■ **Operational Risks**

Operational risks are risks that cause losses by failure of operational process or business system, misconduct of executives or employees or external incidents such as accidents or disasters.

Crisis Management Structure and BCP

To prepare for the situation where a risk event occurs and has a significant impact on our business continuity, the Group insurance companies have created crisis management manuals that set out crisis response measures and business continuity plans (BCPs). We perform periodic reviews and drills to assure the effectiveness of these measures as we work to establish appropriate business continuity management (BCM). Moreover, to prepare for the chance that a crisis might spread between Group companies, we have developed a Group-wide crisis management system, and conduct periodic evaluations of Group insurance companies' BCPs and BCM to ensure they are effective.

RISK MANAGEMENT STRUCTURE



Compliance / Privacy Protection Policy

Compliance

Basic Policy on Compliance

MS&AD Holdings has the “MS&AD Insurance Group Basic Policy on Compliance” as a basic standard for compliance for the entire Group. MS&AD Insurance Group companies are working to ensure complete compliance at every level with the policy and with other policies based on it. Every officer and employee of the Group is taught to follow the law and company rules with a high sense of ethical perspective when carrying out their corporate duties. In this way, they uphold the trust placed in the Group by customers and other stakeholders, and carry out the Group’s responsibility to society as a corporation.

Compliance Promotion Structure

The Compliance Department carries out unified management of compliance matters for the Group. Departments in charge of compliance at MS&AD Insurance Group companies plan and implement compliance-related policies, internal rules and measures, as well as operational rules for insurance sales. The departments also lead operations to verify and investigate behavior suspected of being illegal or in contravention of company rules.

Activities

Compliance Program

As part of a compliance implementation plan of the company, each group company has its Compliance Program that is approved by the Board of Directors. Reports on the implementation and issues of the Program are submitted regularly to the Compliance Committees of each company, and to the Board of Directors.

Compliance Manual

Each group companies have their Compliance Manual that states their compliance-related policies, regulations and applicable laws to be observed, with examples and interpretations, for board members and employees. The Manual is distributed to board members and employees, and the basic tenets of compliance are familiarized through employee training and examinations. Procedures for reporting suspected inappropriate behavior are stipulated in the manual, and systems are in place for verifying and investigating suspect behaviors.

Compliance-Related Training

Based on the Compliance Program, Group companies organize education / training programs for officers, employees and agencies every year to enhance their knowledge of laws, regulations and company rules, and strengthen awareness of compliance .

Compliance-Related Inspections

Group companies conduct compliance-related inspections in accordance with each company’s business model to prevent and quickly discover any behavior suspected of contravening the law or company rules.

Monitoring Group Companies

The Compliance Department at MS&AD Holdings monitors the compliance promotion structure and compliance promotion at Group companies and reports regularly to the Board of Directors once it has developed a clear understanding of the status across the Group. Group Compliance Division Meetings are held to share knowledge and expertise on compliance-related issues in order to enhance the compliance promotion structure throughout the Group.

Privacy Protection Policy

MS&AD Insurance Group will observe the laws and regulations governing protection of personal information, and will continuously implement measures to strengthen information management. These include setting internal rules, upgrading system security, conducting thorough information management training for staff and agents, and taking steps to mitigate risk of exposure information leak risk. In addition, the Group has set

out a “Basic Policy on Information Management,” and the holding company has set out the “MS&AD Insurance Group Holdings, Inc. Basic Policy on Sharing Customer Information.” These have been published on our website:

<http://www.ms-ad-hd.com/en/privacypolicy/index.html>

<http://www.ms-ad-hd.com/en/privacypolicy/sharing/index.html>

CSR Management

It is the mission of the MS&AD Insurance Group to contribute to the development of a vibrant society and help secure a sound future for the earth by bringing security and safety through the global insurance and financial services business.

We intend to discharge our corporate social responsibility through all our business activities based on our basic idea that all of our business activities are for realization of our mission and vision. The MS&AD Insurance Group places this as our CSR management.

Pillars of Approaches

The two pillars of our approaches to CSR management are creating a sustainable society through our core business and sharing our mission, vision and values.

■ Pillar I

Creating a sustainable society through our core business

As an entity engaged in a global development of business, the Group is required to take action that will help to create a sustainable society. We strive to respond to expectations and needs from local and international communities and create a sustainable society through our core operations. To present the status of our approaches in an easy-to-understand manner, we will disclose information with objective indicators.

■ Pillar II

Sharing our mission, vision and values

All Group employees share the mission, vision and values in order to realize the first pillar of approaches.

In intangible insurance and financial services, the work of employees and agents in contact with customers is the very product. As we see it, the key to CSR management for creating a sustainable society through our core business is to have each and every employee always consider the linkage of his or her work with the society and to review that work with reference to the Group's mission.

An electronic version of the MS&AD CSR Report is available through our official website:

<http://www.ms-ad-hd.com/en/csr/index.html>

Determination of KPIs for Promotion of CSR Management

The MS&AD Insurance Group is considering establishment of key performance indicators (KPIs) for further promotion of CSR management.

■ Objective of KPI Determination

The instatement of KPIs for further promotion of CSR management will enable incorporation of the perspective of social sustainability right into business activities, numerical expression of the state of progress and action in line with the PDCA cycle.

We also believe that KPIs will make it possible for employees themselves to learn how they are helping to create a sustainable society through their work.

Participation in the U.N. Global Compact

In June 2004, the MS&AD Insurance Group became the first financial institution to proclaim its participation in the U.N. Global Compact.

The Global Compact is an initiative that was advocated by Kofi Annan, the former U.N. Secretary-General, in 1999. It calls upon globally active companies to observe and practice ten principles related to human rights, labour, the environment and anti-corruption. The Group observes the ten principles posted in the Global Compact and is committed to continued active efforts to uphold them.

Social Contribution Activities

As a member of local communities and international society, the MS&AD Insurance Group contributes to sustainable development through various Company-organized social contribution activities. We also lend assistance to social contribution activities run by our employees.

Group Initiatives

■ Disaster Relief Donation Matching Gift Program (since Fiscal 2004)

We have a donation matching gift program for donations made for disaster relief, whereby the Group matches the donations made by employees to the victims of disasters.

(1) Scope of application:

- Domestic: Disasters for which the Disaster Relief Act applies
- Overseas: Large-scale disasters for which Nippon Keidanren provides information about support for victims

(2) Amount of Corporate Donation: In principle, the same amount as the amount of donations collected from employees

■ Donations in Fiscal 2010

Disaster	Date	No. of volunteers	Amount of donation
Yushu earthquake in Qinghai Province, China	April 14	1,627	¥4,280,709
July rainstorms (Yamaguchi and Hiroshima prefectures)	From mid to late July	2,025	¥3,993,866
Floods in northwest Pakistan	July 25	1,360	¥2,525,850
Floods in Gansu Province, China	August 7	1,143	¥2,057,340
Heavy rain and floods in Amami region	October 20	2,446	¥5,291,000
Sri Lanka flood	January 9	1,226	¥1,757,500
Brazil flood	January 11	1,226	¥1,732,500
New Zealand earthquake	February 22	3,324	¥7,684,600
Great East Japan Earthquake	March 11	21,156	¥150,000,000
Total		35,533	¥179,323,365

* The figures in this table represent donations from the entire MS&AD Group

* For the Great East Japan Earthquake employees working around the world contributed donations separately from the donation listed above, and the Company matched these for a total of ¥32.25 million.

MS&AD Unison Smile Club

The MS&AD Unison Smile Club is a social contribution activities group organized by the employees of the MS&AD Insurance Group.

From April 1, 2011, the MS&AD Smile Heart Club merged its name with ADI's Unison Donation Program, and the two programs now share their activities.

The MS&AD Unison Smile Club takes voluntary employee donations through a system where employees contribute an amount from their monthly paychecks equal to a voluntary multiple of ¥100. This money is then used to support activities for NPOs, to purchase and donate wheelchairs and welfare vehicles, as funds to support the social contribution activities of departments and offices, and for holding charity events.

The following are some of the initiatives supported by these funds in fiscal 2010.

■ Former Smile Heart Club

Charity Events Held (as of March 31, 2011)

"Buta-Neko" Charity Concert (since 2000)

This is a lunchtime mini-concert put on by the students and alumni of Tokyo University of the Arts. Proceeds from this charity event totaling ¥981,438 were donated to Family House, an NPO which operates accommodation facilities for children with cancer or other serious diseases and their families.

Light Music Club Valentine Charity Concert (since 1996)

Proceeds from this concert together with those from the "Valentine Fund Raising" are donated to Minsai Center, an organization that arranges scholarships to support children in rural Thailand and Laos in attending middle school. 264 children have received scholarships to date.

Supporting the World's Children with Charity Christmas Cards (since 1992)

Proceeds from sales of Christmas cards are used to provide assistance to children in countries suffering from either war or disasters. Total proceeds since 1992 amount to ¥42.27 million.



"Sending Hand-Knitted Gifts to Children Around the World" Project (since 1992)

Approximately 500 volunteers from both inside and outside the Company participated in a project to send hand-knitted presents to children in Vietnam in fiscal 2010. To date, a total of 27,095 items have been delivered to children.



"Send a Picture Book to Children in Laos, Cambodia and Afghanistan Campaign" (since 2000)

Employees took part in an effort to prepare Japanese picture books for use in literacy education overseas by affixing stickers to the pages bearing translations in local languages. The project is run by the Shanti Volunteer Association, and has sent 6,934 books to date.

■ Former Unison Donation Program

As well as collecting donations from officers and employees, the Company provided matching gifts pegged to the number of participants as part of its donation program.

In fiscal 2010, we donated 92 wheelchairs throughout Japan, 5 welfare vehicles and money to purchase 196 school satchels for children in 32 foster care facilities who are starting school.

In addition, we made donations to groups that work in environmental preservation, health care support and guide dog training support.



Environmental Initiatives

Basic Stance on Environmental Issues

MS&AD Insurance Group formulated the “MS&AD Insurance Group Environmental Basic Policy” (“MS&AD Environmental Basic Policy”) on April 1, 2010, following the foundation of the Group. Going forward, all Group employees will work together

in accordance with the “MS&AD Environmental Basic Policy” to tackle global environmental issues. This is a key element to achieving our corporate mission statement of what we stand for as a corporate Group.

MS&AD Insurance Group Environmental Basic Policy

Basic Philosophy

MS&AD Insurance Group will continue to make efforts to preserve and improve the global environment through business activities in line with the Group Mission Statement, “Through our insurance and financial service businesses bringing security and safety to people and businesses around the world and making a lasting contribution to the enrichment of society.” The Group will also promote stable and sustainable activities based on its action plans summarized below.

Action Plans

(1) Contribute to global environmental protection through our insurance and financial service businesses

In various departments of our Company and of each company in our Group, we strive to develop, expand and provide products and services that contribute to environmental protection.

(2) Reduce the environmental burden incurred in conjunction with our business activities and conserve biodiversity

On top of adhering to environment-related regulations and charter/guidelines set by the industry, and that we have agreed to, each of the MS&AD companies is committed to reducing its environmental burden caused by its business activities and to conserving biodiversity.

(3) Improve our environmental management system (EMS)

Through constructing an environmental management system and conducting activities with set environmental goals and objectives, we are committed to sustainable improvement and pollution prevention.

(4) Coexistence with society through environmental awareness activities

We are committed to coexisting with society and disclosing environmental information by raising environmental awareness among every executive and employee, encouraging them to actively take part in environmental protection activities and promoting environmental awareness activities internally and externally.

All executives and employees in our Group, as well as the public, will be informed of our environmental policy.

Established April 1, 2010

Medium- to Long-Term Plan for Reducing CO₂ Emissions

In September 2010, the MS&AD Insurance Group formulated a medium- to long-term plan for reducing CO₂ emissions across the Group. Through constant improvements to our environmental management systems, we will work towards the creation of a low-carbon society.

■ Medium- to Long-Term Plan to Reduce CO₂ Emissions

	FY	Target reduction vs. base year	CO ₂ emission volume	Crude oil equivalent (**)
Base year	FY2009	–	145,658 tons	51,881 kl
Medium-term target	FY2012	4%	139,832 tons	49,806 kl
Long-term target	FY2020	30%	101,960 tons	36,317 kl

■ Regarding CO₂ Emission Volumes in This Plan

- MS&AD Insurance Group total energy use at bases throughout Japan
(Within the scope of calculation under Japan’s revised Act on the Rational Use of Energy)
- Gasoline used by MS&AD Insurance Group companies’ vehicles in Japan

* CO₂ emission volumes calculated using the systems for calculation, reporting and publication stipulated in Japan’s Act on Promotion of Global Warming Countermeasures

Based on these targets, each company in the Group has formulated its own medium- to long-term plan for reducing its CO₂ emissions, including concrete measures for achieving the reductions.

Environmental Management System

To promote efforts to address environmental issues, the Company continues to encourage MS&AD Insurance Group companies to obtain the ISO14001 certification, which is the international standard for environmental management systems.

In the years ahead, we will redesign our method for applying environmental management systems with an eye to operating the system across the entire Group. In tandem, all employees will work together in activities to maintain our ISO14001 certification.

Environmental Education Programs

MS&AD Insurance Group works to raise the environmental awareness of its employees and also engages in environmental education programs for both family members of employees and the general public.

The “MS&AD Parent and Child Environmental Education Seminar” is held at locations throughout Japan as an initiative to educate employees and their family members about environmental issues. The seminar was offered at four locations in fiscal 2010.

To raise the level of environmental awareness among our employees, we have been carrying out the “MS&AD Eco Smile” program. In this program, employees do a self-check and score their own efforts with respect to a number of categories, including “Eco-life,” “Waterfront biodiversity,” “Eco-friendly shopping” and “Volunteering.” In fiscal 2010, a total of 85,870 employees participated in the program. We made a donation to an environmental organization matching the total combined score of all participating employees.

Approaches to Preservation of Biodiversity

“MS&AD Ramsar Supporters” is the name of a group of Group employees who are working to conserve the biodiversity of waterfront areas, particularly focusing on the wetlands registered under the Ramsar Convention. The Supporters widened their scope of activity during fiscal 2010, with employees and their families from every Group company participating. At eight sites around Japan, including Yatsu Higata, Chiba, volunteers worked to cut back phragmites (common reeds) and clean up tidal wetlands. To raise the profile of these activities further, we adopted two characters—“Mizube” and “Higatan”—as mascots for the program. Other efforts were directed toward creating a corporate network for joint research into biodiversity conservation, thereby extending our scope beyond the Group to raise awareness of biodiversity conservation among corporations, and promote research into mitigating environmental risks.



MS&AD Ramsar Supporters



Mizube & Higatan

Financial Section

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Five-Year Summary (Unaudited)

Mitsui Sumitomo Insurance Company, Limited and Subsidiaries for the Years Ended March 31, 2007 and 2008, and Mitsui Sumitomo Insurance Group Holdings, Inc. and Subsidiaries for the Years Ended March 31, 2009 and 2010, and MS&AD Insurance Group Holdings, Inc. and Subsidiaries for the Year Ended March 31, 2011

	Yen in millions					Dollars
	2007	2008	2009	2010	2011	in millions
Ordinary income:	¥2,117,072	¥2,137,603	¥2,040,013	¥1,962,689	¥ 3,404,942	\$ 41,023
Net premiums written	1,492,808	1,541,032	1,445,651	1,394,164	2,543,786	30,648
Ordinary profit (loss)	91,684	60,866	(13,044)	52,695	21,005	253
Net income	60,796	40,027	8,192	37,640	5,420	65
Comprehensive income (loss)	—	—	—	—	(189,373)	(2,282)
Net assets	2,182,877	1,671,517	1,023,021	1,311,082	1,633,381	19,679
Total assets	9,011,652	8,397,718	7,440,709	7,519,625	11,445,003	137,892
	Yen					Dollars
Net income per share						
Basic	¥ 42.82	¥ 28.37	¥ 19.45	¥ 89.84	¥ 8.68	\$ 0.10
Net assets per share	1,536.71	1,178.48	2,411.70	3,143.32	2,597.19	31.29
Equity ratio	24.06%	19.71%	13.59%	17.35%	14.11%	—
Return on equity	2.90%	2.09%	0.61%	3.25%	0.37%	—
Price earnings ratio	34.54	35.50	116.97	28.88	218.06	—
	Yen in millions					Dollars
Cash flows						in millions
Cash flows from operating activities	¥ 227,417	¥ 189,688	¥ 38,612	¥ (33,930)	¥ (59,339)	\$ (715)
Cash flows from investing activities	(220,522)	(185,621)	94,495	52,741	89,783	1,082
Cash flows from financing activities	(37,358)	(329)	4,184	(104,320)	19,893	240
Cash and cash equivalents at the end of year	365,350	364,081	455,430	377,158	687,267	8,280
Number of employees	18,882	20,237	21,336	21,908	36,538	—

Note: U.S. dollar amounts in this table have been translated from yen, for convenience only, at the rate of ¥83=US\$1. For details, see "1. Basis of presentation" in the "Basis of presentation" of the notes to consolidated financial statements.

KEY BUSINESS RESULTS OF THE THREE GROUP COMPANIES (SIMPLE SUM)

	Yen in millions	
	2009	2010
Net premiums written	¥ 2,591,099	¥ 2,519,022
Ordinary profit (loss)	(52,914)	99,131
Net income (loss)	(9,489)	57,340
Total assets	11,345,045	11,481,312

Notes: 1. Figures are a simple sum of the results for MSI Group Holdings (consolidated), Aioi Insurance (consolidated) and Nissay Dowa General Insurance (non-consolidated).

2. Figures are presented exclusive of the GRR premiums of MSI's proprietary automobile insurance product "Modo-Rich," which contains a special clause for premium adjustment and refund at maturity.

Management's Discussion and Analysis (Japan GAAP)

1. OVERVIEW

This Management's Discussion and Analysis (MD&A) aims to provide readers with information concerning matters that could affect the financial condition and business results of MS&AD Insurance Group Holdings, Inc. ("MS&AD Holdings") and its subsidiaries (collectively, "MS&AD"). Specifically, upon describing MS&AD's businesses and explaining points for consideration in the Overview section, the information provided herein includes: critical accounting policies and estimates, summary of business results, cash flow analysis and financial position, issues to be addressed by MS&AD, risk analysis, solvency margin ratio and credit ratings for MS&AD Group companies.

(1) Description of Businesses

The following is a description of MS&AD's principal businesses and the positioning of Group companies (121 subsidiaries and 28 affiliated companies (as of March 31, 2011)) within these businesses.

1) Domestic Non-life Insurance Business

MS&AD's non-life insurance business in Japan is operated by the following three subsidiaries.

Mitsui Sumitomo Insurance Company, Limited ("MSI")
Aioi Nissay Dowa Insurance Company, Limited ("ADI")
Mitsui Direct General Insurance Company, Limited.
("Mitsui Direct")

2) Domestic Life Insurance Business

The following two subsidiaries and an affiliated company operate MS&AD's life insurance business in Japan.

Mitsui Sumitomo Kirameki Life Insurance Company, Limited ("MSI Kirameki Life")
Aioi Life Insurance Company, Limited ("Aioi Life")
Mitsui Sumitomo MetLife Insurance Company, Limited.
("MSI MetLife")

3) Overseas Business

In Japan, MS&AD's overseas business is operated by the overseas divisions of its domestic non-life insurance subsidiaries; and in overseas countries the overseas business is operated by overseas subsidiaries including Mitsui Sumitomo Insurance USA Inc., Mitsui Sumitomo Insurance Company of America, Mitsui Sumitomo Insurance Company (Europe), Limited and MSIG Insurance (Singapore) Pte. Ltd., and by overseas branches of MS&AD's domestic non-life insurance subsidiaries.

4) Financial Services Business

MS&AD's financial services businesses including asset management, financial guarantees, 401k, ART (alternative risk transfer), personal finance and venture capital businesses, are operated by domestic non-life insurance subsidiaries, Sumitomo Mitsui

Asset Management Company, Limited, Mitsui Sumitomo Insurance Venture Capital Company, Limited and others.

5) Risk-Related Business

MS&AD's risk-related businesses including risk management, nursing care and asset appraisal businesses are operated by InterRisk Research Institute & Consulting, Inc., Mitsui Sumitomo Insurance Care Network Company, Limited and others.

(2) Points to Be Noted Regarding Figures

MSI and ADI, the core companies of MS&AD, are Japanese corporations and prepare legal consolidated financial statements in accordance with accounting principles generally accepted in Japan ("Japan GAAP"). In addition, as MS&AD's sales (net premiums written) are mainly derived from the Japanese market, the preparation of various MS&AD plans as well as the management of monthly business results are essentially based on Japan GAAP. As such, MS&AD New Frontier 2013, MS&AD's medium-term management plan from fiscal 2011 to fiscal 2013, has been prepared based on Group Core Profit mainly under Japan GAAP. Therefore, in principle, this MD&A uses figures in accordance with Japan GAAP as previously mentioned.

2. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

MS&AD Holdings' consolidated financial statements are prepared in accordance with Japan GAAP. The preparation of these financial statements requires the management of MS&AD Holdings to select and apply accounting policies as well as to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Management bases its estimates on historical experience and other assumptions that it believes are reasonable. Nevertheless, these estimates contain inherent uncertainties and thus actual results could differ.

Significant accounting policies used in the preparation of MS&AD Holdings' consolidated financial statements are presented in "5. Accounting policies" in the "Basis of presentation" of the "Notes to Consolidated Financial Statements." Management foresees the following significant accounting policies and estimates as having a significant impact on its consolidated financial statements.

1) Method for Determination of Fair Value

A portion of assets and liabilities is recorded on the balance sheets at fair values. Their fair values are determined based on market prices. For derivatives for which market prices are not available, the estimate of fair value is based on the present value of future cash flows, the indication of reference obligations, the contract periods and other components.

2) Impairment of Marketable Securities

Marketable securities are subject to the risk of price fluctuations in securities markets. Accordingly, MS&AD carries out impairment accounting for securities based on reasonable criteria set by MS&AD in accordance with relevant accounting standards and practices. If the securities markets decline, MS&AD's marketable securities could be subject to losses on their devaluation.

3) Impairment of Long-Lived Assets

MS&AD carries out impairment accounting to reflect recoverable amounts under certain conditions for fixed assets for which investment amounts are unlikely to be recovered due to a decline in value. The recoverable amount for an asset or asset group is the higher of the net sales value (the value computed by deducting expected disposal expenses from the fair value of an asset or asset group) or the value in use (the present value of expected future cash flows resulting from the continual usage and subsequent disposal an asset or asset group). Accordingly, the amount of the impairment loss for long-lived assets depends on estimated future cash flows based on the assumptions and forecasts which MS&AD considers reasonable. Consequently, an additional impairment loss could be incurred in the event of a change in the usage of the long-lived assets or in the event of changes in real estate or leasing market prices.

4) Deferred Tax Assets

In determining recoverable deferred tax assets, future taxable income is estimated based on the assumptions and forecasts which MS&AD considers reasonable. Because the recoverable amount of deferred tax assets depends on estimates of future taxable income, the amount of deferred tax assets could fluctuate in the event of a subsequent change to estimates of future taxable income.

5) Allowance for Credit Losses

In preparation for losses on bad credit, MS&AD records estimated amounts deemed to be unrecoverable as an allowance for credit losses. There is a possibility of a change in initial estimated amounts for unrecoverable amounts, as well as in amounts recorded as an allowance for credit losses, due to changes in the financial condition of the debtor.

6) Outstanding Claims

MS&AD estimates and sets aside reserves as outstanding claims for any unpaid amounts of its payment obligations as determined or recognized by insurance contracts. The recorded amounts for claims paid and outstanding claims for claims payable could change from initial estimates due to the results of legal judgments or exchange rate fluctuations.

7) Underwriting Reserves

To execute future obligations in accordance with insurance contracts, MS&AD sets aside underwriting reserves. It could become necessary to increase policy reserves and other provisions in the event of significant changes in the business environment and conditions initially forecasted and in the event of unforeseen losses and claims.

8) Retirement Benefit Expenses and Obligations

Retirement benefit expenses and obligations are calculated based on assumptions that include discount rates, future retirement rates and mortality rates. However, future retirement benefit expenses and obligations could change in the event that actual results differ from the assumptions used in their projection, or in the event that it becomes necessary to change the assumptions.

3. SUMMARY OF BUSINESS RESULTS

During the fiscal year the Japanese economy followed a gradual recovery trend with corporate profits improving, among other indicators. From the second half of the year however, exports began to decline and private consumption peaked as the effect of a government new vehicle purchase subsidy scheme began to wane, and the economy did not fully recover.

The business environment for the insurance industry remains extremely challenging. In the non-life insurance industry, premium income was largely flat, while the loss ratio of mainstay automobile insurance products remained high. In the life insurance industry, the amount of in-force policies continued to decline against the backdrop of an aging society and a declining birthrate.

In this business environment MS&AD Holdings and MSI carried out business integration with Aioi Insurance Co., Ltd. ("Aioi") and Nissay Dowa General Insurance Co., Ltd. ("NDI") on April 1, 2010. The Company changed its name from Mitsui Sumitomo Insurance Group Holdings, Inc. to MS&AD Insurance Group Holdings, Inc., and made a fresh start as the holding company for the MS&AD Insurance Group.

On starting, MS&AD formulated its medium-term management plan, MS&AD New Frontier 2013, which aims to win customers' trust and increase profitability through quality improvement in all activities, and to raise enterprise value through a continuous growth cycle. Guided by this plan, MS&AD advanced its domestic non-life insurance business, domestic life insurance business and overseas business, pursued Group synergies, worked to make operations more efficient and integrated systems.

The Great East Japan Earthquake that occurred on March 11, 2011 caused unprecedented damage especially to the Tohoku and Kanto regions of Japan. In response, MS&AD worked to provide its customers with peace of mind as quickly

as possible. MS&AD dispatched a number of personnel to call centers and the Tohoku area bases, as the entire Group worked urgently to set up a system for responding quickly to insurance payment claims and other customer concerns.

The consolidated business results for the fiscal year ended March 31, 2011 were as follows.

Key Consolidated Financial Indicators

	(Yen in millions)			
	2010	2011	Change	Change (%)
Net premiums written	¥1,394,164	¥2,543,786	¥1,149,621	82.5%
Life insurance premiums	135,165	244,533	109,368	80.9
Ordinary profit	52,695	21,005	(31,689)	(60.1)
Net income	37,640	5,420	(32,219)	(85.6)

In the non-life insurance business, net premiums written rose ¥1,149.6 billion year on year to ¥2,543.7 billion, mainly because ADI became a consolidated subsidiary.

In the life insurance business, life insurance premiums rose ¥109.3 billion year on year to ¥244.5 billion, mainly because Aioi Life became a consolidated subsidiary.

Ordinary profit fell ¥31.6 billion year on year to ¥21.0 billion. The main factor in this was the posting in underwriting expenses of ¥64.7 billion in claims*2 (the sum of net claims paid, life insurance claims and provision for outstanding claims; hereafter the same) relating to the Great East Japan Earthquake, although gains on sales of securities increased, pushing up investment income. Net income fell ¥32.2 billion year on year to ¥5.4 billion, mainly reflecting ¥13.5 billion in negative goodwill (extraordinary income) recognized with accounting treatment for the acquisition of NDI and management integration related expenses of ¥39.7 billion (extraordinary losses).

(Notes)

1. Aioi and NDI became consolidated subsidiaries on April 1, 2010 through a share exchange. On October 1, 2010, they were merged to form ADI.
2. Under the Law Concerning Earthquake Insurance the amount of claims for earthquake insurance for private homes and property; (hereafter "home earthquake insurance") is reversed from reserves so that there is no effect on income. It is therefore excluded.

(Reference)

For reference we include below a comparison analysis with a simple total of the previous fiscal year's results for the Group, Aioi (consolidated) and NDI (non-consolidated).

Key Consolidated Financial Indicators (Comparison with simple total of three companies in the previous fiscal year)

	(Yen in millions)			
	2010	2011	Change	Change (%)
Net premiums written	¥2,518,286	¥2,543,786	¥25,499	1.0%
Life insurance premiums	212,902	244,533	31,630	14.9
Ordinary profit	99,131	21,005	(78,126)	(78.8)
Net income	57,340	5,420	(51,920)	(90.5)

In the non-life insurance business, net premiums written rose ¥25.4 billion year on year to ¥2,543.7 billion, mainly because of revenue growth at MSI and at overseas consolidated subsidiaries.

In the life insurance business, life insurance premiums rose ¥31.6 billion year on year, to ¥244.5 billion, due to an increase in revenues at MSI Kirameki Life and Aioi Life.

Ordinary profit fell ¥78.1 billion year on year to ¥21.0 billion. The main factor was lower earnings at MSI and ADI, largely due to an increase in claims arising from the Great East Japan Earthquake, and lower earnings at domestic life insurance subsidiaries and overseas consolidated subsidiaries. Net income fell ¥51.9 billion year on year to ¥5.4 billion, mainly reflecting ¥13.5 billion in negative goodwill (extraordinary income) recognized with accounting treatment for the acquisition of NDI and management integration related expenses of ¥39.7 billion (extraordinary losses).

An overview by lines of insurance is as follows:

Direct Premiums Written (Comparison with simple total of three companies in the previous fiscal year)
(including Deposit premiums from policyholders)

Lines of Insurance	(Yen in millions)					
	2010			2011		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 523,871	0.2%	18.0%	¥ 487,365	(7.0)%	16.9
Marine	101,801	(16.9)	3.5	102,993	1.2	3.6
Personal Accident	365,226	(6.2)	12.6	367,750	0.7	12.7
Voluntary Automobile	1,250,008	0.3	43.0	1,277,752	2.2	44.3
Compulsory Automobile						
Liability	280,512	(6.4)	9.7	278,695	(0.6)	9.7
Other	382,639	(3.2)	13.2	370,215	(3.2)	12.8
Total	¥2,904,060	(2.4)	100.0	¥2,884,772	(0.7)	100.0
Deposit premiums from policyholders	¥ 207,127	(11.4)	7.1	¥ 196,070	(5.3)	6.8

(Note) The figures represent amounts after elimination of internal transactions between segments.

Net Premiums Written (Comparison with simple total of three companies in the previous fiscal year)

Lines of Insurance	(Yen in millions)					
	2010			2011		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 371,720	0.5%	14.8%	¥ 354,560	(4.6)%	13.9%
Marine	84,215	(19.4)	3.3	89,455	6.2	3.5
Personal Accident	208,779	(1.1)	8.3	212,790	1.9	8.4
Voluntary Automobile	1,251,255	0.5	49.7	1,291,900	3.2	50.8
Compulsory Automobile						
Liability	272,645	(8.7)	10.8	273,871	0.4	10.8
Other	329,669	(7.6)	13.1	321,208	(2.6)	12.6
Total	¥2,518,286	(2.6)	100.0	¥2,543,786	1.0	100.0

(Note) The figures represent amounts after elimination of internal transactions between segments.

Net Claims Paid (Comparison with simple total of three companies in the previous fiscal year)

Lines of Insurance	(Yen in millions)					
	2010			2011		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 152,762	2.6%	9.5%	¥ 137,343	(10.1)%	8.7
Marine	46,269	(5.2)	2.9	39,823	(13.9)	2.5
Personal Accident	115,172	5.9	7.1	112,581	(2.2)	7.1
Voluntary Automobile	799,860	1.9	49.6	837,013	4.6	52.8
Compulsory Automobile Liability	258,117	(2.8)	16.0	260,890	1.1	16.4
Other	241,261	5.4	14.9	198,475	(17.7)	12.5
Total	¥1,613,443	1.7	100.0	¥1,586,128	(1.7)	100.0

(Note) The figures represent amounts after elimination of internal transactions between segments.

Segment Information

(1) Domestic Non-life Insurance Business (MSI)

Ordinary income was ¥1,685.8 billion after recording underwriting income of ¥1,559.7 billion, investment income of ¥122.9 billion, and other ordinary income of ¥3.1 billion. Meanwhile, ordinary expenses came to ¥1,654.1 billion, the result of underwriting expenses of ¥1,407.6 billion, investment expenses of ¥31.2 billion, operating expenses and general and administrative expenses of ¥212.9 billion and other ordinary expenses of ¥2.3 billion.

As a result, ordinary profit decreased ¥4.0 billion versus the previous fiscal year to ¥31.7 billion. Net income came to ¥22.8 billion, a decrease of ¥2.5 billion versus the previous fiscal year.

(2) Domestic Non-life Insurance Business (ADI)

ADI is a new company formed from the merger on October 1, 2010 of Aioi and NDI. The results for the fiscal year reported here have the first half results for NDI added to the results for Aioi.

Ordinary income was ¥1,380.6 billion after recording underwriting income of ¥1,293.4 billion, investment income of ¥84.2 billion, and other ordinary income of ¥2.9 billion. Meanwhile, ordinary expenses came to ¥1,364.5 billion, the result of underwriting expenses of ¥1,132.5 billion, investment expenses of ¥25.1 billion, operating expenses and general and administrative expenses of ¥205.5 billion and other ordinary expenses of ¥1.2 billion.

As a result, ordinary profit for the fiscal year was ¥16.0 billion. The result was a net loss of ¥11.4 billion.

(3) Domestic Non-life Insurance Business (Mitsui Direct)

Ordinary income was ¥33.3 billion after recording underwriting income of ¥33.1 billion and investment income of ¥0.2 billion. Meanwhile, ordinary expenses came to ¥32.9 billion, the result of underwriting expenses of ¥25.9 billion and operating expenses and general and administrative expenses of ¥7.0 billion.

As a result, ordinary profit increased ¥1.3 billion year on year, to ¥0.3 billion. Net income also came to ¥0.3 billion, a turnaround of ¥1.3 billion from a net loss in the previous fiscal year.

As a result, net income on an equity-adjusted basis (segment income) came to ¥0.2 billion, turning around ¥0.9 billion from a net loss in the previous fiscal year.

(4) Domestic Life Insurance Business (MSI Kirameki Life)

Ordinary income was ¥265.3 billion after recording insurance premiums and other of ¥243.1 billion, investment income of ¥21.6 billion, and other ordinary income of ¥0.6 billion. Meanwhile, ordinary expenses came to ¥268.5 billion, the result of insurance claims and other of ¥126.6 billion, provision for underwriting reserves and other of ¥95.5 billion, investment expenses of ¥0.8 billion, operating expenses of ¥41.8 billion and other ordinary expenses of ¥3.6 billion.

As a result, the company recorded an ordinary loss of ¥3.2 billion, a change of ¥5.9 billion from ordinary profit in the previous fiscal year. Net loss came to ¥5.3 billion, a change of ¥5.3 billion from a largely breakeven result for the previous fiscal year.

(5) Domestic Life Insurance Business (Aioi Life)

Ordinary income was ¥121.0 billion after recording insurance premiums and other of ¥110.0 billion, investment income of ¥9.9 billion, and other ordinary income of ¥1.0 billion. Meanwhile, ordinary expenses came to ¥118.8 billion, the result of insurance claims and other of ¥43.6 billion, provision for underwriting reserves and other of ¥52.7 billion, investment expenses of ¥0.5 billion, operating expenses of ¥20.2 billion and other ordinary expenses of ¥1.6 billion.

As a result, ordinary profit for the fiscal year was ¥2.2 billion. The result was a net loss of ¥1.8 billion.

(6) Domestic Life Insurance Business (MSI MetLife)

MSI MetLife is an affiliate accounted for using the equity method. Equity in earnings of affiliate (segment income) increased ¥4.9 billion year on year to ¥9.3 billion.

(7) Overseas Business (Overseas insurance subsidiaries)
Net premiums written in the overseas insurance subsidiaries segment rose ¥21.9 billion compared to the previous fiscal year to ¥180.6 billion.

Ordinary profit declined ¥16.3 billion to ¥8.0 billion, and net income (segment income) fell by ¥15.6 billion to ¥4.5 billion.

4. CASH FLOW ANALYSIS AND FINANCIAL POSITION

Net cash used in operating activities was ¥59.3 billion, ¥25.4 billion more than in the previous period. This was due to the increase in the amount of insurance claims paid and other factors. Net cash provided by investing activities was ¥89.7 billion, ¥37.0 billion more than in the previous fiscal year, due to an increase in proceeds from sales and redemption of securities. Net cash provided by financing activities was ¥19.8 billion, a change of ¥124.2 billion from net cash used in the previous period, due to proceeds from issuing corporate bonds. As a result of these cash flows, along with an increase in cash and cash equivalents of ¥277.0 billion relating to business combination, etc., cash and cash equivalents at the end of the fiscal year increased by ¥310.1 billion from the previous fiscal year, to ¥687.2 billion.

Total assets at March 31, 2011 stood at ¥11,445.0 billion, a 52.2% increase compared with the previous fiscal year-end, primarily because of the consolidation of ADI. Total net assets at March 31, 2011 were up 24.6% from a year earlier to ¥1,633.3 billion. The increase was primarily because of an increase in capital surplus following an exchange of shares between MSIG, and Aioi and NDI.

5. ISSUES TO BE ADDRESSED BY MS&AD

Efforts to meet the needs of customers accurately and to improve profitability have become important in the insurance industry, in which business conditions remain severe, as lackluster growth in the number of automobiles owned and the aging population and declining birthrate bring about increased competition between insurance companies.

Under the circumstances, in order to fulfill its social mission as an insurance and finance group that provides security and safety, the entire MS&AD Insurance Group will work together to respond to customers who have been affected by the Great East Japan Earthquake. At the same time, following the medium-term management plan, MS&AD New Frontier 2013, the Group will gain customers' trust by providing high-quality products and services to all customers of its businesses. These include the domestic non-life insurance business, the domestic life insurance business, the overseas business, the financial services business and risk-related services business. Moreover, MS&AD aims to maximize synergies by establishing common administrative and system platforms, and concentrating business operations. This will allow the Group to focus its

management resources in key areas and growth areas.

Through these efforts, the MS&AD Insurance Group will create a world-class insurance and financial services group that operates on a global basis, and achieve sustained growth and enhancement of its corporate value.

6. RISK ANALYSIS

(i) Asset management risk

The Group holds various assets under management, including marketable securities, loans, real estate and off-balance-sheet assets. There is a risk that a deterioration in economic or financial market conditions could reduce the value of these assets. The main kinds of such risk are as follows.

a. Risk of decline in stock prices

The Group holds large amounts of stock for the purpose of maintaining relationships with business partners over the medium to long term. There is a risk of a reduction in the value of these assets, valuation losses and loss on sales in the event of a decline in stock prices.

b. Interest rate risk

There is a risk that the prices on holdings of fixed interest-rate assets such as bonds and loans will decline if interest rates rise.

Furthermore, the Group sells savings-type as well as long-term third-sector products and life insurance based on a predetermined fixed rate of return. Therefore, if interest rates were to rise, the value of insurance liabilities will decrease, even if the asset value decreases.

c. Exchange rate risk

There is a risk that the prices on holdings of assets denominated in foreign currencies, mainly the US dollar and the euro, will decline in response to exchange rate movements.

d. Credit risk

There is a risk that the value of asset holdings such as stocks, corporate bonds and loans will be diminished by lowered credit ratings or bankruptcies of stock and bond issuers or borrowers, or disruptions in the credit markets, and a risk of being unable to recover principal and/or interest.

(ii) Risk of large insurance claims due to natural disasters

Natural disasters such as typhoons and earthquakes can give rise to large insurance claims, and the Group hedges such risk through reinsurance and a reserve for catastrophe. Nevertheless, there is a possibility that large-scale natural disasters could occur as a result of irregular weather associated with global warming and other unexpected factors. There is a risk that business results will deteriorate if large insurance claims must be paid for such disasters.

(iii) Liquidity risk

With an increase of payments of insurance claims from a natural disaster comes a risk of losses from the necessity of having to procure funds at a cost significantly above normal rates or being forced to sell assets at extremely low prices to raise funds. There is also a risk of encountering difficulty in borrowing due to a decline in the function of the corporate bond market as a result of increased credit risk.

(iv) Reinsurance risk

The Group utilizes reinsurance to diversify its liabilities assumed under insurance contracts and to stabilize earnings. Nevertheless, there is a risk that a worsening of conditions in the reinsurance market leading to a sharp rise in premiums could cause the Group's cash flows to suffer. There is also a risk that the Group could experience problems securing adequate reinsurance protection, which would inhibit its insurance underwriting capabilities.

Moreover, there is also a credit risk associated with reinsurance companies that in the event of their bankruptcy, we would not be able to recover reinsurance claims.

(v) Risk of loss resulting from unforeseen changes, including changes in economic and social environments

Although insurance companies set premiums levels based on forecasts of probable future damages, the actual amount of damages may exceed projections. This is particularly true when the term of coverage is long because of the possibility of significant changes in the economic and social environments beyond initial expectations, which might cause unforeseen damages. Accordingly, there is a risk that earnings may be reduced from the need to increase reserves.

(vi) Risk of intensified competition from further industry deregulation and increased entry of new participants

The Group's business environment is becoming increasingly harsh due to factors such as new entrants into the insurance industry in conjunction with ongoing deregulation and downward pressure on premium levels. There is a risk that earnings will be impacted from further deregulation and increased entry of new participants.

(vii) Risk associated with domestic life insurance business

The Group is working to expand its domestic life insurance business as one of its growth areas. However, the domestic life insurance business is seeing increasing competition from other life insurance companies, mainly major domestic life insurance providers and providers from overseas. In this environment there are various business risks, such as the risk that

the Group may be unable to develop a stable market position, or that profitability in the business will deteriorate due to the inherent risk in life insurance products.

(viii) Risk associated with overseas business

The Group is aggressively pursuing business overseas in areas such as Asia, Europe and the Americas through branches and subsidiaries. With this comes the risk of unexpected changes in the political, economic and social environments of these countries as well as regulatory changes, foreign currency fluctuations, natural disasters or the emergence of a transmittable disease.

(ix) Risk of leaks of customer information

The Group maintains large amounts of customer information, including personal information, and any large-scale leak of information poses a risk of loss of trust from customers and society. There is also the risk of a negative impact on Group business results due to sanctions imposed by supervisory authorities with respect to the business operation from which such leaks originate.

(x) Business operation risk

This risk relates to the Group's business activities. Specifically, administrative errors, legal or regulatory violations, impropriety by employees, criminal conduct by outside parties, malfunctioning of information systems and the occurrence of disasters pose a risk of losing the trust of customers and society and a risk of interfering with business operations. Moreover, there is also the possibility of sanctions imposed by supervisory authorities in response to any of these problems, which would adversely affect the Group's business results.

(xi) Risk of disruption of business

The Group has formulated a business continuity plan and prepared a crisis management framework to respond to the occurrence of natural disasters or unusual events such as an earthquake in the Tokyo area or an outbreak of disease such as the H1N1 influenza virus. This framework is intended to limit the duration of any disruption of business and enable business operations to be continued. However, if such disruption is greater than anticipated, there is a risk that the Group's business results and financial condition may be affected.

(xii) Risks from changes in applicable laws and systems

The Group conducts business based on the provisions of applicable laws such as the Insurance Business Law of Japan and issues financial reports in accordance with the laws, regulations and accounting standards that relate to corporate accounting and tax affairs. Any future amendment to these applicable laws and regulations that requires a change to the methods of selling insurance products and the product content,

as well as the methods for estimating and accounting for insurance reserves, deferred tax assets and other items may impact the Group's business results.

(xiii) Reputation risk

Rumors about the insurance industry or the Group have the potential to affect the social credibility of the Group, regardless of whether or not they are true. Such rumors can be created or spread through the mass media, postings on the Internet or other means. The Group strives to minimize the effect of rumors by discovering them quickly and responding to them in a timely and appropriate fashion. However, if a malicious rumor were to be circulated, there is a risk that it may impact the Group's business results.

(xiv) System integration risk

The Group's main non-life insurance subsidiaries are working to integrate their non-life insurance systems with the goal of achieving full operation in fiscal 2013. Such integration operations carry the risk of systems disruptions, including the stoppage, malfunction and improper use of information systems. The Group has taken steps to manage systems risk, such as by establishing a Systems Integration Committee; however, if a major systems disruption were to occur, there is a risk that it may impact the Group's business results.

(xv) Risk of not fully realizing synergies from business integration

The Group takes synergy effects from business integration into account when formulating management index targets. The Group will expand its customer base by improving the quality of service it offers, share and standardize administrative tasks and systems and take all manner of other measures in business integration; however, if the expected synergy effects of integration are not fully realized, there is a risk that the Group's business performance may fall short of the targets set out in the medium-term management plan.

7. SOLVENCY MARGIN RATIO

The solvency margin ratio is the solvency margin amount (payment capability, for example, capital and reserves) as a percentage of total risk, which is calculated as "risk exceeding ordinary forecast" based on Japan's Ministry of Finance (MOF) Notice No. 50, issued in 1996, and Articles 86 and 87 of the Enforcement Regulations of the Insurance Business Law of Japan.

As an indicator of an insurance company's ability to pay claims in the event of risk exceeding ordinary forecasts, in the event that the solvency margin ratio falls below a fixed level, regulatory authorities may require the insurance company to submit a plan for management reform.

According to Notice No. 3 of the MOF and the Financial Services Agency (FSA) of Japan, a solvency margin ratio of 200% indicates that an insurance company has sufficient capability to pay insurance claims and other obligations.

Primarily due to the decrease in the market value of stocks held, MSI's solvency margin total amount decreased ¥241.7 billion versus the end of the previous fiscal year. As a result of this and other factors, the solvency margin ratio decreased 70.6 points from the previous fiscal year-end, to 768.8%.

The solvency margin ratio for ADI at the end of the fiscal year under review was 681.6%.

The following shows the solvency margin ratios of domestic insurance companies.

MSI's Solvency Margin Ratio

As of March 31, 2010 and 2011

	(Yen in millions)	
	2010	2011
Solvency margin total amount	¥2,241,511	¥1,999,806
Risk amount	534,040	520,222
Solvency margin ratio	839.4%	768.8%

(Reference) Figures calculated using the new standard that comes into effect from March 31, 2012.

In order to further increase the reliability of the solvency margin ratio, the laws and regulations regarding calculation of the ratio have been revised, and from March 31, 2012, a new standard will enter force. Until the new standard comes into effect, we will provide the solvency margin ratios calculated under the new standard for reference.

The new standard for calculating the solvency margin ratio may produce a lower ratio than the current standard due to more stringent measuring of risk and other factors. However, as with the current standard, a solvency margin ratio of 200% or higher is taken to indicate that an insurance company has sufficient capability to pay insurance claims and other obligations.

(Note) The "new standard" refers to the current standard after having reflected the content of the revisions prescribed in Cabinet Office Ordinance No. 23 of April 20, 2010 and FSA Public Ministerial Announcement No. 48 (effective from March 31, 2012).

	(Yen in millions)	
	2011	
Solvency margin total amount	¥1,999,806	
Risk amount	747,903	
Solvency margin ratio	534.7%	

ADI's Solvency Margin Ratio As of March 31, 2010 and 2011

	(Yen in millions)	
	2010	2011
Solvency margin total amount	¥723,308	¥953,479
Risk amount	191,355	279,763
Solvency margin ratio	755.9%	681.6%

(Note) Two of the Company's subsidiaries, Aioi and NDI, merged on October 1, 2010. The succeeding company changed its name to Aioi Nissay Dowa Insurance Company Limited (ADI). The figures shown here for March 31, 2010 are for Aioi.

(Reference) Figures calculated using the new standard that comes into effect from March 31, 2012.

	(Yen in millions)	
	2011	
Solvency margin total amount	¥953,479	
Risk amount	374,833	
Solvency margin ratio	508.7%	

Mitsui Direct's Solvency Margin Ratio As of March 31, 2010 and 2011

	(Yen in millions)	
	2010	2011
Solvency margin total amount	¥10,738	¥11,105
Risk amount	3,206	3,470
Solvency margin ratio	669.8%	640.0%

(Reference) Figures calculated using the new standard that comes into effect from March 31, 2012.

	(Yen in millions)	
	2011	
Solvency margin total amount	¥11,105	
Risk amount	5,295	
Solvency margin ratio	419.4%	

Kirameki Life's Solvency Margin Ratio As of March 31, 2010 and 2011

	(Yen in millions)	
	2010	2011
Solvency margin total amount	¥124,409	¥133,423
Risk amount	11,682	12,545
Solvency margin ratio	2,129.7%	2,127.0%

(Reference) Figures calculated using the new standard that comes into effect from March 31, 2012.

	(Yen in millions)	
	2011	
Solvency margin total amount	¥125,594	
Risk amount	19,673	
Solvency margin ratio	1,276.8%	

Aioi Life's Solvency Margin Ratio As of March 31, 2010 and 2011

	(Yen in millions)	
	2010	2011
Solvency margin total amount	¥74,227	¥77,149
Risk amount	7,443	7,896
Solvency margin ratio	1,994.3%	1,954.1%

(Reference) Figures calculated using the new standard that comes into effect from March 31, 2012.

	(Yen in millions)	
	2011	
Solvency margin total amount	¥75,953	
Risk amount	10,367	
Solvency margin ratio	1,465.2%	

MSI MetLife's Solvency Margin Ratio As of March 31, 2010 and 2011

	(Yen in millions)	
	2010	2011
Solvency margin total amount	¥174,313	¥182,069
Risk amount	32,949	35,474
Solvency margin ratio	1,058.0%	1,026.4%

(Reference) Figures calculated using the new standard that comes into effect from March 31, 2012.

	(Yen in millions)	
	2011	
Solvency margin total amount	¥143,513	
Risk amount	42,720	
Solvency margin ratio	671.8%	

8. CREDIT RATINGS FOR MS&AD GROUP COMPANIES

The following MS&AD Group companies receive ratings on their capabilities to perform their debt obligations relating to insurance contracts, commercial paper and other specific debt obligations, as shown below.

These ratings illustrate the high evaluation that leading rating agencies have of the financial strength of each company.

As of September 1, 2011

Rating Agencies	Ratings by Operating Company (Insurance financial strength and long-term debt)				
	Mitsui Sumitomo Insurance Co., Ltd.	Aioi Nissay Dowa Insurance Co., Ltd.	Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.	Aioi Life Insurance Co., Ltd.	Mitsui Sumitomo Primary Life Insurance Co., Ltd.
Standard & Poor's	AA-	AA-	AA-		AA-
Moody's Investors Service	Aa3	A1			
A.M. Best Company	A+	A			
Rating and Investment Information	AA	AA	AA	AA	AA
Japan Credit Rating Agency	AAA	AA+			

Premiums and Losses—Non-life Insurance (Unaudited)

(a) Direct Premiums Written (including Deposit premiums from policyholders)

Lines of Insurance	(Yen in millions)								
	2007			2008			2009		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 301,692	(0.8)	16.7	¥ 317,881	5.4	17.4	¥ 314,513	(1.1)	18.5
Marine	113,005	11.4	6.3	121,969	7.9	6.7	110,565	(9.3)	6.5
Personal Accident	327,518	(4.1)	18.1	298,155	(9.0)	16.3	263,396	(11.7)	15.5
Voluntary Automobile	611,148	2.6	33.8	634,948	3.9	34.8	615,451	(3.1)	36.2
Compulsory Automobile Liability	176,826	(2.7)	9.8	165,851	(6.2)	9.1	137,598	(17.0)	8.1
Other	276,517	2.7	15.3	287,459	4.0	15.7	258,712	(10.0)	15.2
Total	¥1,806,708	0.7	100.0	¥1,826,265	1.1	100.0	¥1,700,238	(6.9)	100.0
Deposit premiums from policyholders	¥ 224,676	(10.0)	12.4	¥ 197,116	(12.3)	10.8	¥ 165,464	(16.1)	9.7

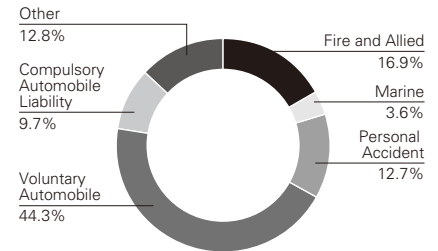
(b) Net Premiums Written

Lines of Insurance	(Yen in millions)								
	2007			2008			2009		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 208,951	1.2	14.0	¥ 225,160	7.8	14.6	¥ 220,095	(2.2)	15.2
Marine	95,486	12.6	6.4	104,127	9.0	6.8	93,680	(10.0)	6.5
Personal Accident	139,531	(2.6)	9.3	138,217	(0.9)	9.0	135,937	(1.6)	9.4
Voluntary Automobile	601,353	1.9	40.3	624,949	3.9	40.5	608,613	(2.6)	42.1
Compulsory Automobile Liability	192,087	(0.7)	12.9	191,255	(0.4)	12.4	148,501	(22.4)	10.3
Other	255,398	3.9	17.1	257,321	0.8	16.7	238,822	(7.2)	16.5
Total	¥1,492,808	2.0	100.0	¥1,541,032	3.2	100.0	¥1,445,651	(6.2)	100.0

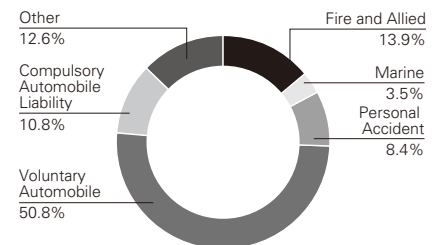
(c) Net Claims Paid

Lines of Insurance	(Yen in millions)								
	2007			2008			2009		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 100,229	13.6	11.9	¥ 104,817	4.6	11.9	¥ 96,269	(8.2)	10.8
Marine	38,684	10.0	4.6	44,367	14.7	5.0	42,481	(4.3)	4.8
Personal Accident	62,908	12.2	7.4	70,232	11.6	8.0	71,916	2.4	8.0
Voluntary Automobile	375,298	3.0	44.3	391,877	4.4	44.6	393,311	0.4	44.1
Compulsory Automobile Liability	134,908	3.4	15.9	136,542	1.2	15.5	137,383	0.6	15.4
Other	134,415	13.2	15.9	131,887	(1.9)	15.0	151,348	14.8	16.9
Total	¥ 846,445	6.7	100.0	¥ 879,724	3.9	100.0	¥ 892,710	1.5	100.0

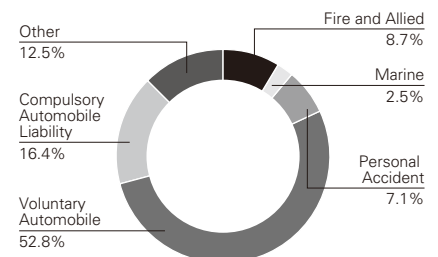
(Yen in millions)						(Dollars in millions)	
2010			2011				
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	
¥ 309,649	(1.5)	18.9	¥ 487,365	57.4	16.9	\$ 5,872	
91,816	(17.0)	5.6	102,993	12.2	3.6	1,241	
246,694	(6.3)	15.1	367,750	49.1	12.7	4,431	
615,907	0.1	37.6	1,277,752	107.5	44.3	15,395	
129,284	(6.0)	7.9	278,695	115.6	9.7	3,358	
243,482	(5.9)	14.9	370,215	52.1	12.8	4,460	
¥1,636,834	(3.7)	100.0	¥2,884,772	76.2	100.0	\$34,756	
¥ 145,026	(12.4)	8.9	¥ 196,070	35.2	6.8	\$ 2,362	

DIRECT PREMIUMS WRITTEN (2011)
TOTAL ¥2,884.7 BILLION


(Yen in millions)						(Dollars in millions)	
2010			2011				
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	
¥ 218,268	(0.8)	15.7	¥ 354,560	62.4	13.9	\$ 4,272	
75,936	(18.9)	5.4	89,455	17.8	3.5	1,078	
135,128	(0.6)	9.7	212,790	57.5	8.4	2,564	
610,955	0.4	43.8	1,291,900	111.5	50.8	15,565	
134,931	(9.1)	9.7	273,871	103.0	10.8	3,300	
218,944	(8.3)	15.7	321,208	46.7	12.6	3,870	
¥1,394,164	(3.6)	100.0	¥2,543,786	82.5	100.0	\$30,648	

NET PREMIUMS WRITTEN (2011)
TOTAL ¥2,543.7 BILLION


(Yen in millions)						(Dollars in millions)	
2010			2011				
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	
¥ 96,342	0.1	10.6	¥ 137,343	42.6	8.7	\$ 1,655	
40,442	(4.8)	4.4	39,823	(1.5)	2.5	480	
77,046	7.1	8.4	112,581	46.1	7.1	1,356	
395,925	0.7	43.3	837,013	111.4	52.8	10,084	
133,723	(2.7)	14.6	260,890	95.1	16.4	3,143	
171,210	13.1	18.7	198,475	15.9	12.5	2,391	
¥ 914,691	2.5	100.0	¥1,586,128	73.4	100.0	\$19,110	

NET CLAIMS PAID (2011)
TOTAL ¥1,586.1 BILLION


Insurance Amount—Domestic Life Insurance (Unaudited)

(a) Amount of Policies in Force

As of March 31	(Yen in millions; Dollars in millions)										
	2007		2008		2009		2010		2011		
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount
Individual Insurance	¥7,846,571	3.2	¥8,297,141	5.7	¥8,715,563	5.0	¥9,129,287	4.7	¥15,809,149	73.2	\$190,472
Individual Annuities	317,690	1.1	319,339	0.5	315,285	(1.3)	315,415	0.0	623,789	97.8	7,516
Group Insurance	2,561,215	(16.0)	2,488,971	(2.8)	2,591,340	4.1	2,699,819	4.2	4,872,946	80.5	58,710
Group Annuities	—	—	—	—	—	—	—	—	459	—	6

Note: Amount of policies in force of individual annuities represents the total sum of individual annuity resources amount at the start of annuity payments in the case of policies prior to the start of annuity payments and policy reserve total amount in the case of policies after the start of annuity payments.

(b) Amount of New Policies

	(Yen in millions; Dollars in millions)									
	2007		2008		2009		2010		2011	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
Individual Insurance	¥1,149,836	¥1,461,604	¥1,620,416	¥1,553,143	¥2,757,564	\$33,224				
Individual Annuities	44,172	44,101	33,489	34,097	85,587	1,031				
Group Insurance	25,795	45,344	32,441	26,198	42,437	511				
Group Annuities	—	—	—	—	—	—				

Note: Amount of new policies of individual annuities represents individual annuity resources amount at the start of annuity payments.

Return on Investments (Unaudited)

(a) Income basis

Category	2010			2011				
	(Yen in millions, %)			(Yen in millions, %)			(Dollars in millions)	
	Income	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Income	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Income	Average amount of managed investments (Acquisition cost basis)
Deposits and savings	¥ 4,411	¥ 301,517	1.46%	¥ 4,325	¥ 518,645	0.83%	\$ 52	\$ 6,249
Call loans	30	28,730	0.11	27	27,900	0.10	0	336
Receivables under resale agreements	23	19,630	0.12	40	36,702	0.11	0	442
Receivables under securities borrowing transactions	—	—	—	18	16,670	0.11	0	201
Monetary claims bought	1,832	135,229	1.36	1,768	162,837	1.09	21	1,962
Money trusts	178	14,804	1.21	64	12,339	0.52	1	149
Investments in securities	113,909	4,677,553	2.44	165,846	7,150,851	2.32	1,998	86,155
Loans	15,150	762,622	1.99	20,021	1,091,953	1.83	241	13,156
Land and buildings	7,500	239,401	3.13	11,544	467,311	2.47	139	5,630
Subtotal	¥143,038	¥6,179,490	2.31%	¥203,657	¥9,485,213	2.15%	\$2,454	\$114,280
Others	1,036	—	—	1,212	—	—	15	—
Total	¥144,075	—	—	¥204,870	—	—	\$2,468	—

(b) Realized basis

Category	2010			2011				
	(Yen in millions, %)			(Yen in millions, %)			(Dollars in millions)	
	Profit/loss on investments (Realized basis)	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Profit/loss on investments (Realized basis)	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Profit/loss on investments (Realized basis)	Average amount of managed investments (Acquisition cost basis)
Deposits and savings	¥ 2,967	¥ 301,517	0.98%	¥ 1,198	¥ 518,645	0.23%	\$ 14	\$ 6,249
Call loans	30	28,730	0.11	27	27,900	0.10	0	336
Receivables under resale agreements	23	19,630	0.12	40	36,702	0.11	0	442
Receivables under securities borrowing transactions	—	—	—	18	16,670	0.11	0	201
Monetary claims bought	1,616	135,229	1.20	1,768	162,837	1.09	21	1,962
Money trusts	653	14,804	4.42	(81)	12,339	(0.66)	(1)	149
Investments in securities	92,607	4,677,553	1.98	182,032	7,150,851	2.55	2,193	86,155
Loans	15,052	762,622	1.97	19,950	1,091,953	1.83	240	13,156
Land and buildings	7,500	239,401	3.13	11,544	467,311	2.47	139	5,630
Derivatives	24,777	—	—	8,291	—	—	100	—
Others	1,725	—	—	(295)	—	—	(4)	—
Total	¥146,955	¥6,179,490	2.38%	¥224,495	¥9,485,213	2.37%	\$2,705	\$114,280

Consolidated Balance Sheets

MS&AD Insurance Group Holdings, Inc. and Subsidiaries
As of March 31, 2010 and 2011

Assets	Yen in millions		Dollars in millions
	2010	2011	2011
Cash, deposits and savings	¥ 313,389	¥ 623,606	\$ 7,513
Call loans	33,700	52,554	633
Receivables under resale agreements	15,998	23,094	278
Receivables under securities borrowing transactions	—	26,535	320
Monetary claims bought	108,158	117,169	1,412
Money trusts	10,592	11,580	140
Investments in securities	5,497,537	7,818,573	94,200
Loans	749,524	1,056,523	12,729
Tangible fixed assets:			
Land	100,852	259,295	3,124
Buildings	129,358	195,414	2,354
Lease assets	—	604	7
Construction in progress	4,427	12,985	156
Other tangible fixed assets	20,400	30,627	369
Total tangible fixed assets	255,039	498,926	6,011
Intangible fixed assets:			
Software	11,927	18,426	222
Goodwill	63,004	100,678	1,213
Lease assets	—	12	0
Other intangible fixed assets	4,035	5,435	65
Total intangible fixed assets	78,967	124,553	1,501
Other assets	459,454	804,828	9,697
Deferred tax assets	6,411	294,397	3,547
Customers' liabilities under acceptances and guarantees	—	2,500	30
Bad debt reserve	(9,149)	(9,839)	(119)
Total assets	¥7,519,625	¥11,445,003	\$137,892

Liabilities and Net Assets	Yen in millions		Dollars in millions
	2010	2011	2011
Underwriting funds:			
Outstanding claims	¥ 753,784	¥ 1,287,132	\$ 15,508
Underwriting reserve	5,027,448	7,827,184	94,303
Total underwriting funds	5,781,233	9,114,317	109,811
Bonds issued	94,969	164,963	1,988
Other liabilities	198,587	386,298	4,654
Reserve for pension and retirement benefits	82,424	103,817	1,251
Reserve for retirement benefits for officers	2,092	1,801	22
Accrued bonuses for employees	12,713	20,075	242
Reserves under the special laws:			
Reserve for price fluctuation	4,302	13,952	168
Total reserve under the special laws	4,302	13,952	168
Deferred tax liabilities	32,221	3,896	47
Acceptances and guarantees	—	2,500	30
Total liabilities	6,208,542	9,811,622	118,212
Common stock	100,000	100,000	1,205
Capital surplus	132,690	682,754	8,226
Retained earnings	541,520	506,696	6,105
Treasury stock	(14,687)	(24,785)	(299)
Total stockholders' equity	759,522	1,264,664	15,237
Net unrealized gains on investments	582,980	409,337	4,932
Net deferred gains on hedge accounting for derivatives	2,138	6,234	75
Foreign currency translation adjustments	(40,309)	(65,007)	(783)
Total accumulated other comprehensive income	544,809	350,564	4,224
Minority interests	6,750	18,152	219
Total net assets	1,311,082	1,633,381	19,679
Total liabilities and net assets	¥7,519,625	¥11,445,003	\$137,892

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

MS&AD Insurance Group Holdings, Inc. and Subsidiaries
For the years ended March 31, 2010 and 2011

	Yen in millions		Dollars in millions
	2010	2011	2011
Ordinary income and expenses			
Ordinary income:			
Underwriting income:			
Net premiums written	¥1,394,164	¥2,543,786	\$30,648
Deposit premiums from policyholders	145,026	196,070	2,362
Investment income on deposit premiums from policyholders	54,075	66,386	800
Life insurance premiums	135,165	244,533	2,946
Reversal of outstanding claims	49,876	—	—
Reversal of underwriting reserve	31,417	106,361	1,281
Other underwriting income	2,942	8,750	105
Total underwriting income	1,812,669	3,165,888	38,143
Investment income:			
Interest and dividends received	143,896	205,508	2,476
Investment gains on money trusts	675	54	1
Gains on sale of securities	19,695	66,295	799
Gains on redemption of securities	1,727	2,078	25
Gains on derivative transactions	24,777	8,409	101
Other investment income	3,206	3,148	38
Transfer of investment income on deposit premiums from policyholders	(54,075)	(66,386)	(800)
Total investment income	139,902	219,106	2,640
Other ordinary income			
Gains from equity method investments	4,878	9,628	116
Other ordinary income	5,239	10,318	124
Total other ordinary income	10,118	19,947	240
Total ordinary income	1,962,689	3,404,942	41,023
Ordinary expenses:			
Underwriting expenses:			
Net claims paid	914,691	1,586,128	19,110
Loss adjustment expenses	80,547	137,944	1,662
Commissions and collection expenses	243,136	465,069	5,603
Maturity refunds to policyholders	278,423	447,288	5,389
Dividends to policyholders	1,062	1,506	18
Life insurance claims	41,716	60,722	732
Provision for outstanding claims	—	98,510	1,187
Other underwriting expenses	1,538	9,699	117
Total underwriting expenses	1,561,117	2,806,869	33,818
Investment expenses:			
Investment losses on money trusts	21	136	2
Losses on trading securities	—	4	0
Losses on sale of securities	17,419	23,960	289
Losses on devaluation of securities	6,065	20,322	245
Losses on redemption of securities	4,435	3,182	38
Other investment expenses	19,079	13,389	161
Total investment expenses	47,021	60,996	735
Operating expenses and general and administrative expenses	294,960	508,641	6,128
Other ordinary expenses:			
Interest expenses	2,254	1,813	22
Provision for bad debt reserve	2,044	2,245	27
Loss on bad debts	131	104	1
Other ordinary expenses	2,463	3,265	39
Total other ordinary expenses	6,894	7,429	90
Total ordinary expenses	1,909,994	3,383,936	40,770
Ordinary profit	52,695	21,005	253
Extraordinary income and losses			
Extraordinary income:			
Gains on sale of fixed assets	3,592	10,390	125
Gains on negative goodwill	—	13,543	163
Other extraordinary income	—	1,639	20
Total extraordinary income	3,592	25,573	308
Extraordinary losses:			
Losses on sale of fixed assets	2,555	2,813	34
Impairment losses on fixed assets	3,431	4,911	59
Provision for reserves under the special laws:			
Reserve for price fluctuation	61	5,303	64
Total provision for reserves under the special laws	61	5,303	64
Losses on reduction of real estate	—	44	1
Other extraordinary losses	—	44,162	532
Total extraordinary losses	6,048	57,235	690
Income (loss) before income taxes	50,238	(10,656)	(128)
Income taxes—current	18,778	9,640	116
Reversal of prior period's income taxes	(13,950)	—	—
Income taxes—deferred	7,330	(26,510)	(319)
Total income taxes	12,158	(16,869)	(203)
Income before minority interests	—	6,212	75
Minority interests	439	792	10
Net income	¥ 37,640	¥ 5,420	\$ 65

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MS&AD Insurance Group Holdings, Inc. and Subsidiaries
For the year ended March 31, 2011

	Yen in millions	Dollars in millions
	2011	2011
Income before minority interests	¥ 6,212	\$ 75
Other comprehensive income (loss):		
Net unrealized losses on investments	(173,623)	(2,092)
Net deferred gains on hedge accounting for derivatives	4,096	49
Foreign currency translation adjustments	(26,022)	(314)
Share of other comprehensive loss of affiliates accounted for by equity method	(36)	(0)
Total other comprehensive loss	(195,586)	(2,356)
Total comprehensive loss	¥(189,373)	\$(2,282)
Comprehensive loss attributable to shareholders of the parent	¥(188,825)	\$(2,275)
Comprehensive loss attributable to minority interests	(548)	(7)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

MS&AD Insurance Group Holdings, Inc. and Subsidiaries
For the year ended March 31, 2010

	Yen in millions		Yen in millions
Stockholders' equity:		Accumulated other comprehensive income:	
Common stock:		Net unrealized gains/losses on investments:	
Ending balance as of March 31, 2009	¥ 100,000	Ending balance as of March 31, 2009	¥ 295,558
Ending balance as of March 31, 2010	100,000	Changes for the year:	
Capital surplus:		Net changes of items other than stockholders' equity	287,422
Ending balance as of March 31, 2009	132,689	Total changes for the year	287,422
Changes for the year:		Ending balance as of March 31, 2010	582,980
Reissuance of treasury stock	0	Net deferred gains/losses on hedge accounting for derivatives:	
Total changes for the year	0	Ending balance as of March 31, 2009	9,671
Ending balance as of March 31, 2010	132,690	Changes for the year:	
Retained earnings:		Net changes of items other than stockholders' equity	(7,532)
Ending balance as of March 31, 2009	527,578	Total changes for the year	(7,532)
Changes for the year:		Ending balance as of March 31, 2010	2,138
Dividend paid	(22,641)	Foreign currency translation adjustments:	
Changes in the scope of consolidation	(1,055)	Ending balance as of March 31, 2009	(49,625)
Net income	37,640	Changes for the year:	
Total changes for the year	13,942	Net changes of items other than stockholders' equity	9,316
Ending balance as of March 31, 2010	541,520	Total changes for the year	9,316
Treasury stock:		Ending balance as of March 31, 2010	(40,309)
Ending balance as of March 31, 2009	(4,644)	Total accumulated other comprehensive income:	
Changes for the year:		Ending balance as of March 31, 2009	255,603
Repurchase of treasury stock	(10,048)	Changes for the year:	
Reissuance of treasury stock	4	Net changes of items other than stockholders' equity	289,206
Total changes for the year	(10,043)	Total changes for the year	289,206
Ending balance as of March 31, 2010	(14,687)	Ending balance as of March 31, 2010	544,809
Total stockholders' equity:		Minority interests	
Ending balance as of March 31, 2009	755,623	Ending balance as of March 31, 2009	11,794
Changes for the year:		Changes for the year:	
Dividend paid	(22,641)	Net changes of items other than stockholders' equity	(5,044)
Changes in the scope of consolidation	(1,055)	Total changes for the year	(5,044)
Net income	37,640	Ending balance as of March 31, 2010	6,750
Repurchase of treasury stock	(10,048)	Total net assets:	
Reissuance of treasury stock	5	Ending balance as of March 31, 2009	1,023,021
Total changes for the year	3,899	Changes for the year:	
Ending balance as of March 31, 2010	¥ 759,522	Dividend paid	(22,641)
		Changes in the scope of consolidation	(1,055)
		Net income	37,640
		Repurchase of treasury stock	(10,048)
		Reissuance of treasury stock	5
		Net changes of items other than stockholders' equity	284,161
		Total changes for the year	288,060
		Ending balance as of March 31, 2010	¥ 1,311,082

MS&AD Insurance Group Holdings, Inc. and Subsidiaries
For the year ended March 31, 2011

	Yen in millions	Dollars in millions		Yen in millions	Dollars in millions
Stockholders' equity:			Accumulated other comprehensive income:		
Common stock:			Net unrealized gains/losses on investments:		
Ending balance as of March 31, 2010	¥ 100,000	\$ 1,205	Ending balance as of March 31, 2010	¥ 582,980	\$ 7,024
Ending balance as of March 31, 2011	100,000	1,205	Changes for the year:		
Capital surplus:			Net changes of items other than stockholders' equity		
Ending balance as of March 31, 2010	132,690	1,599	Total changes for the year	(173,643)	(2,092)
Changes for the year:			Ending balance as of March 31, 2011	409,337	4,932
Increase due to share-for-share exchange	550,064	6,627	Net deferred gains/losses on hedge accounting for derivatives:		
Reissuance of treasury stock	(0)	(0)	Ending balance as of March 31, 2010	2,138	26
Total changes for the year	550,064	6,627	Changes for the year:		
Ending balance as of March 31, 2011	682,754	8,226	Net changes of items other than stockholders' equity		
Retained earnings:			Total changes for the year		
Ending balance as of March 31, 2010	541,520	6,524	Ending balance as of March 31, 2011	4,096	49
Changes for the year:			Foreign currency translation adjustments:		
Dividend paid	(38,373)	(462)	Ending balance as of March 31, 2010	(40,309)	(486)
Changes in the scope of consolidation	(1,871)	(23)	Changes for the year:		
Net income	5,420	65	Net changes of items other than stockholders' equity		
Total changes for the year	(34,824)	(420)	Total changes for the year	(24,697)	(298)
Ending balance as of March 31, 2011	506,696	6,105	Ending balance as of March 31, 2011	(24,697)	(298)
Treasury stock:			Total accumulated other comprehensive income:		
Ending balance as of March 31, 2010	(14,687)	(177)	Ending balance as of March 31, 2010	544,809	6,564
Changes for the year:			Changes for the year:		
Repurchase of treasury stock	(10,112)	(122)	Net changes of items other than stockholders' equity		
Reissuance of treasury stock	14	0	Total changes for the year	(194,245)	(2,340)
Total changes for the year	(10,098)	(122)	Ending balance as of March 31, 2011	(194,245)	(2,340)
Ending balance as of March 31, 2011	(24,785)	(299)	Ending balance as of March 31, 2011	(65,007)	(783)
Total stockholders' equity:			Total net assets:		
Ending balance as of March 31, 2010	759,522	9,151	Ending balance as of March 31, 2010	1,311,082	15,796
Changes for the year:			Changes for the year:		
Increase due to share-for-share exchange	550,064	6,627	Increase due to share-for-share exchange		
Dividend paid	(38,373)	(462)	Ending balance as of March 31, 2011	550,064	6,627
Changes in the scope of consolidation	(1,871)	(23)	Dividend paid	(38,373)	(462)
Net income	5,420	65	Changes in the scope of consolidation	(1,871)	(23)
Repurchase of treasury stock	(10,112)	(122)	Net income	5,420	65
Reissuance of treasury stock	13	0	Repurchase of treasury stock	(10,112)	(122)
Total changes for the year	505,141	6,086	Reissuance of treasury stock	13	0
Ending balance as of March 31, 2011	¥ 1,264,664	\$15,237	Net changes of items other than stockholders' equity	(182,843)	(2,203)
			Total changes for the year	322,298	3,883
			Ending balance as of March 31, 2011	¥ 1,633,381	\$19,679

Consolidated Statements of Cash Flows

MS&AD Insurance Group Holdings, Inc. and Subsidiaries
For the years ended March 31, 2010 and 2011

	Yen in millions		Dollars in millions
	2010	2011	2011
I. Cash flows from operating activities:			
Income (loss) before income taxes	¥ 50,238	¥ (10,656)	\$ (128)
Depreciation	22,897	36,399	439
Impairment loss on fixed assets	3,431	4,911	59
Amortization of goodwill	4,265	5,743	69
Amortization of negative goodwill	(20)	—	—
Gains on negative goodwill	—	(13,543)	(163)
Increase (decrease) in outstanding claims	(53,150)	89,328	1,076
Decrease in underwriting reserves	(33,813)	(110,447)	(1,331)
Increase in bad debt reserve	2,318	771	9
Increase (decrease) in reserve for pension and retirement benefits	1,417	(1,918)	(23)
Decrease in reserve for retirement benefits for officers	(317)	(402)	(5)
Increase in accrued bonuses for employees	317	2,171	26
Increase in reserve for price fluctuation	61	5,303	64
Interest and dividends income	(143,896)	(205,508)	(2,476)
Investment related losses (gains)	6,497	(20,902)	(252)
Derivative transactions related gains	(24,777)	(8,409)	(101)
Interest expenses	2,254	1,813	22
Foreign exchange losses	364	3,949	48
Gains on disposal of tangible fixed assets	(1,036)	(7,531)	(91)
Equity in earning of affiliates	(4,878)	(9,628)	(116)
Increase in other assets	(16,062)	(32,855)	(396)
Increase (decrease) in other liabilities	(4,914)	11,023	133
Others, net	14,259	12,252	148
Subtotal	(174,543)	(248,134)	(2,990)
Interest and dividends received	145,400	214,476	2,584
Interest paid	(2,331)	(1,823)	(22)
Income tax paid	(24,518)	(31,332)	(377)
Income tax refunded	22,062	7,475	90
Net cash used in operating activities (a)	(33,930)	(59,339)	(715)
II. Cash flows from investing activities:			
Net decrease (increase) in deposits and savings	22,411	(22,263)	(268)
Proceeds from sales and redemption of monetary claims bought	4,934	16,755	202
Purchase of money trusts	(13)	(5,700)	(69)
Proceeds from sales of money trusts	5,400	8,266	100
Purchase of securities	(694,015)	(1,553,406)	(18,716)
Proceeds from sales and redemption of securities	777,651	1,570,686	18,924
Investment in loans	(196,526)	(230,175)	(2,773)
Collection of loans	214,682	292,173	3,520
Net change in payables (receivables) under securities borrowing and lending transactions	(60,508)	26,816	323
Proceeds from acquisition of business	—	3,995	48
Others, net	(391)	9,486	114
Subtotal (b)	73,625	116,633	1,405
(a + b)	39,695	57,294	690
Acquisitions of tangible fixed assets	(17,387)	(31,892)	(384)
Proceeds from sales of tangible fixed assets	5,373	13,903	168
Acquisitions of intangible fixed assets	(8,300)	(7,440)	(90)
Others, net	(569)	(1,421)	(17)
Net cash provided by investing activities	52,741	89,783	1,082
III. Cash flows from financing activities:			
Issuance of bonds	—	69,986	843
Redemption of bonds	(70,000)	—	—
Repurchase of treasury stock	(10,048)	(10,112)	(122)
Dividends paid to shareholders	(22,610)	(38,329)	(462)
Dividends paid to minority shareholders	(910)	(334)	(4)
Others, net	(751)	(1,316)	(16)
Net cash provided by (used in) financing activities	(104,320)	19,893	240
IV. Effect of exchange rate changes on cash and cash equivalents	8,553	(15,511)	(187)
V. Net change in cash and cash equivalents	(76,955)	34,826	420
VI. Cash and cash equivalents at beginning of year	455,430	377,158	4,544
VII. Increase in cash and cash equivalents relating to business combination, etc.	—	277,093	3,338
VIII. Effect of change in scope of consolidation	(1,316)	(1,811)	(22)
IX. Cash and cash equivalents at end of year	¥ 377,158	¥ 687,267	\$ 8,280

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MS&AD Insurance Group Holdings, Inc. and Subsidiaries
As of and for the years ended March 31, 2010 and 2011

March 31, 2010

Basis of presentation

1. Basis of presentation

MS&AD Insurance Group Holdings, Inc. ("the Company") was established on April 1, 2008, as Mitsui Sumitomo Insurance Group Holdings, Inc. ("MSIGH"), as a result of the share transfer conducted solely by Mitsui Sumitomo Insurance Company, Limited ("MSI"). On April 1, 2010, MSIGH conducted business integration with Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd. through share-for-share exchange, and at the same time changed its corporate name to the current corporate name.

The accompanying consolidated financial statements have been translated from the consolidated financial statements of the Company prepared in accordance with the provisions set forth in the Corporate Accounting Regulations, the Enforcement Regulations of the Japanese Insurance Business Law and related rules, and regulations applicable to the non-life insurance industry in general, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Principles of consolidation

(1) Number of consolidated subsidiaries: 36 companies

Major consolidated subsidiaries are as follows:

- Mitsui Sumitomo Insurance Company, Limited ("MSI")
- Mitsui Sumitomo Kirameki Life Insurance Company, Limited ("MSKL")
- MSIG Holdings (Americas), Inc.
- Mitsui Sumitomo Insurance (London Management) Ltd.
- MSIG Mingtai Insurance Co., Ltd

MSIG Insurance (Lao) Co., Ltd, a newly established subsidiary, has been included in consolidation effective from the year ended March 31, 2010.

Mitsui Sumitomo Insurance Company (Hong Kong), Limited has been excluded from the scope of consolidation during the fiscal year due to immateriality as a result of business restructuring. Thousand Fortune Islands Corporation, which was

March 31, 2011

Basis of presentation

1. Basis of presentation

MS&AD Insurance Group Holdings, Inc. ("the Company") was established on April 1, 2008, as Mitsui Sumitomo Insurance Group Holdings, Inc. ("MSIGH"), as a result of the share transfer conducted solely by Mitsui Sumitomo Insurance Company, Limited ("MSI"). On April 1, 2010, MSIGH conducted business integration with Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd. through share-for-share exchange, and at the same time changed its corporate name to the current corporate name.

The accompanying consolidated financial statements have been translated from the consolidated financial statements of the Company prepared in accordance with the provisions set forth in the Corporate Accounting Regulations, the Enforcement Regulations of the Japanese Insurance Business Law and related rules, and regulations applicable to the non-life insurance industry in general, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying consolidated financial statements are expressed in yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2011 have been translated into U.S. dollars at the rate of ¥83=US\$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2011. This translation should not be construed as a presentation that all the amounts shown could be converted into U.S. dollars.

2. Principles of consolidation

(1) Number of consolidated subsidiaries: 49 companies

Major consolidated subsidiaries are as follows:

- Mitsui Sumitomo Insurance Company, Limited ("MSI")
- Aioi Nissay Dowa Insurance Company, Limited ("ADI")
- Mitsui Sumitomo Kirameki Life Insurance Company, Limited ("MSKL")
- MSIG Holdings (Americas), Inc.
- Mitsui Sumitomo Insurance (London Management) Ltd
- MSIG Mingtai Insurance Co., Ltd.

The following companies are included in the scope of consolidation for the fiscal year ended March 31, 2011, because Aioi Insurance Company, Limited ("AIOI") and Nissay Dowa General Insurance Company, Limited ("NDGI") became wholly owned subsidiaries of the Company through a share-for-share exchange effective on April 1, 2010.

March 31, 2010

consolidated due to the financial relationship that the company had held its debenture, has also been excluded due to the debenture redemption.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited
MITSUI SUMITOMO INSURANCE Staffing Service Company, Limited

These subsidiaries are not included in consolidation due to their immaterial effects that would not affect reasonable judgment on the consolidated financial position and results of operations, in view of the size of their total assets, ordinary income, as well as net income and retained earnings attributable to the Company.

(3) Mitsui Sumitomo MetLife Insurance Co., Ltd. is a 51%-owned affiliate and is not consolidated because its control is jointly owned with another company pursuant to the joint venture agreement.

March 31, 2011

Aioi Insurance Company, Limited (current company name: Aioi Nissay Dowa Insurance Company, Limited)
Nissay Dowa General Insurance Company, Limited
Aioi Life Insurance Company, Limited
Aioi Insurance Company of America (current company name: Aioi Nissay Dowa Insurance Company of America)
DTRIC Insurance Company, Limited
DTRIC Insurance Underwriters, Limited
AIOI Motor and General Insurance Company of Europe Limited (current company name: Aioi Nissay Dowa Insurance Company of Europe Limited)
Aioi Life Insurance of Europe AG (current company name: Aioi Nissay Dowa Life Insurance of Europe AG)
Dowa Insurance Company (Europe) Limited
Aioi Insurance Company (China) Limited (current company name: Aioi Nissay Dowa Insurance (China) Company Limited)
5 other companies

Among the companies stated above, Nissay Dowa General Insurance Company, Limited was merged with and into Aioi Insurance Company, Limited on October 1, 2010.

Mitsui Sumitomo Insurance (Singapore) Pte Ltd (current company name: MSIS Pte. Ltd.) has been excluded from the scope of consolidation during the fiscal year due to immateriality as a result of business restructuring.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited
MS&AD Staffing Service Company, Limited

These subsidiaries are not included in consolidation due to their immaterial effects that would not affect reasonable judgment on the consolidated financial position and results of operations, in view of the size of their total assets, ordinary income, as well as net income and retained earnings attributable to the Company.

(3) Mitsui Sumitomo MetLife Insurance Co., Ltd. is a 51%-owned affiliate and is not consolidated because its control is jointly owned with another company pursuant to the joint venture agreement.

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

March 31, 2010

3. Equity method

(1) Number of affiliate companies accounted for under the equity method: 4 companies

Major companies accounted for under the equity method are as follows:

Mitsui Sumitomo MetLife Insurance Co., Ltd.
Sumitomo Mitsui Asset Management Company, Limited

(2) Other affiliate companies, including unconsolidated subsidiaries (e.g. Mitsui Sumitomo Insurance Staffing Service Company, Limited, BPI/MS Insurance Corporation), are not accounted for under the equity method because their effects on consolidated net income and retained earnings are immaterial individually and in aggregate.

4. Fiscal year of consolidated subsidiaries

The fiscal year end of consolidated subsidiaries, representing MSIG Holdings (Americas), Inc. and 31 other companies, is December 31, which is different from that of the Company. The Company uses their financial statements as of their most current fiscal year-end for consolidation purposes because the time lag does not exceed a three-month period.

The Company makes necessary adjustments to incorporate significant transactions occurred during the intervening period that materially affect the consolidated financial statements.

5. Accounting policies

(1) Valuation policies and methods of securities are as follows:

- (i) Securities held to maturity are valued at amortized cost.
- (ii) Stocks of unconsolidated subsidiaries and affiliates that are not accounted for under the equity method are valued at cost determined by the moving average method.
- (iii) Securities earmarked for policy reserve are valued at amortized cost determined by the moving average method pursuant to Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Securities Earmarked for Policy Reserve in Insurance Industry" (issued by The Japanese Institute of Certified Public Accountants on November 16, 2000).

March 31, 2011

3. Equity method

(1) Number of affiliate companies accounted for under the equity method: 5 companies

Major companies accounted for under the equity method are as follows:

Mitsui Sumitomo MetLife Insurance Co., Limited.
Sumitomo Mitsui Asset Management Company, Limited
Hong Leong Assurance Berhad

Hong Leong Assurance Berhad became an affiliate accounted for using the equity method during the fiscal year due to the acquisition of its stock by MSI.

(2) Other affiliate companies, including unconsolidated subsidiaries (e.g. MS&AD Staffing Service Company, Limited, BPI/MS Insurance Corporation), are not accounted for under the equity method because their effects on consolidated net income and retained earnings are immaterial individually and in aggregate.

(3) The Company holds 29.9% of voting rights of Japan Earthquake Reinsurance Co., Ltd. ("Japan Earthquake Re") through MSI and ADI. However, Japan Earthquake Re has not been included in affiliates, because the Company cannot have a significant influence over Japan Earthquake Re's decisions on its business strategies and matters in view of the public nature of its business.

4. Fiscal year of consolidated subsidiaries

The fiscal year end of consolidated subsidiaries, representing MSIG Holdings (Americas), Inc. and 41 other companies, is December 31, which is different from that of the Company. The Company uses their financial statements as of their most current fiscal year-end for consolidation purposes because the time lag does not exceed a three-month period.

The Company makes necessary adjustments to incorporate significant transactions occurred during the intervening period that materially affect the consolidated financial statements.

5. Accounting policies

(1) Valuation policies and methods of securities are as follows:

- (i) Securities held to maturity are valued at amortized cost.
- (ii) Stocks of unconsolidated subsidiaries and affiliates that are not accounted for under the equity method are valued at cost determined by the moving average method.
- (iii) Securities earmarked for policy reserve are valued at amortized cost determined by the moving average method pursuant to Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Securities Earmarked for Policy Reserve in Insurance Industry" (issued by The Japanese Institute of Certified Public Accountants on November 16, 2000).

March 31, 2010

The outline of the risk management policy for securities earmarked for policy reserve is as follows:

In order to control risks of interest rate variability arising in assets and liabilities, the consolidated life insurance subsidiary segregates "single premium endowment insurance" block as a sub-segment and applies the investment policy which enables the subsidiary to maintain the durations of the securities earmarked for policy reserve and the policy reserve for the segregated block within a certain definite range.

- (iv) Available for sale securities for which fair value is available are valued at fair value as of March 31, 2010. Net unrealized gains or losses are reported as a separate component of net assets, and cost of sale is calculated using the moving average method.
- (v) Available for sale securities for which fair value is deemed to be extremely difficult to determine are valued at cost determined by the moving average method.
- (vi) Securities managed as a major component of trust assets in the money trust are valued at fair value.

(Changes in accounting principles or accounting procedures)
Adoption of "Accounting Standard for Financial Instruments"

March 31, 2011

The outline of the risk management policy for securities earmarked for policy reserve is as follows:

In order to control risks of interest rate variability arising in assets and liabilities, MSKL segregates "single premium endowment insurance" block as a sub-segment, and Aioi Life Insurance Company, Limited ("ALI") segregates "non participating individual insurance" block, "participating individual insurance" block, "individual annuities" block, "single premium endowment insurance" block and "individual annuities denominated in foreign currency" block as sub-segments. MSKL and ALI apply the investment policies which enable them to maintain the durations of the securities earmarked for policy reserve and the policy reserve for each segregated block within a certain definite range.

As for "nonparticipating individual insurance" block, "participating individual insurance" block and "individual annuities" block, ALI projects future cash inflows and outflows derived from insurance policies within next twenty years and maintains the durations of the securities earmarked for policy reserve and the policy reserve for each block based on the method stated in the appendix of Industry Audit Committee Report No. 21 mentioned above (the method that takes durations based on future cash inflows and outflows derived from insurance policies within a certain period into consideration), in order to control the risks of interest rate variability. As a result, the average duration of these blocks is 7.8 years for insurance expenditures such as claims payments and administrative expenses, and 5.4 years for insurance revenues such as premiums, while the average duration of securities earmarked for policy reserve is 11.2 years.

- (iv) Available for sale securities for which fair value is available are valued at fair value as of March 31, 2011. Net unrealized gains or losses are reported as a separate component of net assets, and cost of sale is calculated using the moving average method.
- (v) Available for sale securities for which fair value is deemed to be extremely difficult to determine are valued at cost determined by the moving average method.
- (vi) Securities managed as a major component of trust assets in the money trust are valued at fair value.

Securities managed as trust assets in the money trusts which are not classified as trading securities or held to maturity bonds are valued based on the same method as that for available for sale securities.

March 31, 2010

The Company has adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) from the fiscal year ended March 31, 2010.

As a result, the scope of securities measured at fair value has been changed. The effect of this adoption on the consolidated financial statements was immaterial.

(2) Derivative financial instruments are valued at fair value. Foreign exchange contracts and interest rate swaps that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates or the interest rates under those contracts were originally applied to the underlying financial instruments.

(3) Depreciation methods of significant assets are as follows:

- (i) Depreciation of tangible fixed assets held by the domestic consolidated subsidiaries is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line method is applied. Depreciation of tangible fixed assets held by foreign consolidated subsidiaries is mainly computed using the straight-line method.
- (ii) Capitalized software for internal use is amortized by using the straight-line method based on estimated useful lives.

(4) Accounting policies for significant reserves

- (i) Bad debt reserve

As for the domestic consolidated insurance subsidiaries, the bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision. A reserve for bad debts for loans to debtors who are legally deemed to be experiencing financial difficulties such as bankruptcy, special liquidation or whose notes are under suspension at clearing houses, and loans for debtors who are substantially deemed to be experiencing financial difficulties are provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible through guarantees. A bad debt reserve for loans to debtors who likely experience financial difficulties in the future is provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible from guarantees considering the debtor's ability to repay the entire outstanding debt.

For loans other than those described above, a bad debt reserve is calculated at an amount of the outstanding balances multiplied by actual historical bad debt ratios.

March 31, 2011

(2) Derivative financial instruments are valued at fair value. Foreign exchange contracts and interest rate swaps that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates or the interest rates under those contracts were originally applied to the underlying financial instruments.

(3) Depreciation methods of significant assets are as follows:

- (i) Depreciation of tangible fixed assets held by the domestic consolidated subsidiaries is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line method is applied. Depreciation of tangible fixed assets held by foreign consolidated subsidiaries is mainly computed using the straight-line method.
- (ii) Capitalized software for internal use is amortized by using the straight-line method based on estimated useful lives.

(4) Accounting policies for significant reserves

- (i) Bad debt reserve

As for the domestic consolidated insurance subsidiaries, the bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision. A reserve for bad debts for loans to debtors who are legally deemed to be experiencing financial difficulties such as bankruptcy, special liquidation or whose notes are under suspension at clearing houses, and loans for debtors who are substantially deemed to be experiencing financial difficulties are provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible through guarantees. A bad debt reserve for loans to debtors who likely experience financial difficulties in the future is provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible from guarantees considering the debtor's ability to repay the entire outstanding debt.

For loans other than those described above, a bad debt reserve is calculated at an amount of the outstanding balances multiplied by actual historical bad debt ratios.

March 31, 2010

All loans and receivables are provided for based on the assessment under the internal standard for self-assessment of assets. The assessment was performed by the departments which are responsible for respective assets. The independent internal audit departments reviewed those results.

As for other domestic consolidated subsidiaries, the bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision similar to the domestic consolidated insurance subsidiaries.

As for foreign consolidated subsidiaries, the bad debt reserve is established based on the assessment of collectability of individual receivables.

- (ii) Reserve for pension and retirement benefits
Reserve for pension and retirement benefits is established to provide for future retirement benefits based on the estimated retirement benefit obligation and plan assets as of March 31, 2010.

Unrecognized prior service costs are amortized using the straight-line method over certain periods within the estimated average remaining service years of employees.

Unrecognized actuarial gains and losses are amortized from the year following the year in which those gains and losses arise using the straight-line method over certain periods within the estimated average remaining service years of employees.

In estimating retirement benefit obligation of some consolidated subsidiaries, the simplified method is applied.

(Changes in accounting principles or accounting procedures)
Adoption of "Partial Amendments to Accounting Standard for Retirement Benefits"

The Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (ASBJ Statement No.19, July 31, 2008)" in the fiscal year ended March 31, 2010. The adoption had no effect on the consolidated financial statements, because it resulted in the use of the same discounted rates as before.

- (iii) Reserves for retirement benefits for officers
Reserve for retirement benefits that covers the cost for services rendered through the year ended March 31, 2005, when the retirement benefits for officers were terminated, is established to provide for future retirement benefits (including pension) for officers and operating officers, for MSI and MSKL.

March 31, 2011

All loans and receivables are provided for based on the assessment under the internal standard for self-assessment of assets. The assessment was performed by the departments which are responsible for respective assets. The independent internal audit departments reviewed those results.

As for other domestic consolidated subsidiaries, the bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision similar to the domestic consolidated insurance subsidiaries.

As for foreign consolidated subsidiaries, the bad debt reserve is established based on the assessment of collectability of individual receivables.

- (ii) Reserve for pension and retirement benefits
Reserve for pension and retirement benefits is established to provide for future retirement benefits based on the estimated retirement benefit obligation and plan assets as of March 31, 2011.

Unrecognized prior service costs are amortized using the straight-line method over certain periods within the estimated average remaining service years of employees.

Unrecognized actuarial gains and losses are amortized from the year following the year in which those gains and losses arise using the straight-line method over certain periods within the estimated average remaining service years of employees.

In estimating retirement benefit obligation of some consolidated subsidiaries, the simplified method is applied.

- (iii) Reserves for retirement benefits for officers
In order to provide for future retirement benefits (including pension) for officers and operating officers, the estimated amounts to be paid at the end of the fiscal year are recorded as reserves for retirement benefits for officers. For MSI and MSKL, reserve for retirement benefits that covers the cost for services rendered through the year ended March 31, 2005, when the retirement benefits for officers were terminated, is established.

March 31, 2010

(iv) Accrued bonuses

Accrued bonuses for employees are based on estimated amounts to be paid at the end of the fiscal year.

(v) Reserve for price fluctuation

As for the domestic consolidated insurance subsidiaries, reserve for price fluctuation is recognized under Article 115 of the Insurance Business Law to provide for possible losses arising from price fluctuation of investment securities.

(5) Translation of foreign currency assets and liabilities

Foreign currency assets and liabilities are translated into Japanese yen using the spot exchange rate prevailing at the year-end, and gains and losses resulting from the translation are recognized currently in earnings. Foreign currency assets and liabilities of foreign subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year-ends, and income and expenses are translated into Japanese yen using the average exchange rate during the year and translation differences are included in "Foreign currency translation adjustments" and "Minority interests."

(6) Accounting for consumption taxes

Consumption taxes are accounted for under the "Zei Nuki" (tax exclusive) method except for those relating to loss adjustment expenses, operating expenses and general and administrative expenses, which are accounted for under the "Zei Komi" (tax inclusive) method. Non-deductible consumption taxes relating to assets are included in suspense payments and amortized in equal installments over a period of five years.

(7) Accounting for lease transactions

Finance lease transactions that do not transfer ownership with the commencement date prior to April 1, 2008 are accounted for as operating leases similar to the rental of property.

(8) Hedge accounting

As for MSI, gains and losses on equity forward contracts used for hedging risks of variability in fair value of stocks are accounted for under the deferred hedged accounting method. Gains and losses on currency swap contracts used for hedging risks of variability in foreign currency of foreign currency bonds are accounted for under the deferred hedge accounting method. Also, certain of the forward exchange contracts used for the hedging are accounted for under the fair value hedge accounting method or the allocation method. Interest rate swap contracts for hedging risks of variability in cash flows of loans or bonds arising from fluctuations in interest rates are accounted for using the deferred hedge accounting method or the exceptional method when they meet certain criteria, as mentioned in (2) above.

March 31, 2011

(iv) Accrued bonuses

Accrued bonuses for employees are based on estimated amounts to be paid at the end of the fiscal year.

(v) Reserve for price fluctuation

As for the domestic consolidated insurance subsidiaries, reserve for price fluctuation is recognized under Article 115 of the Insurance Business Law to provide for possible losses arising from price fluctuation of investment securities.

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Foreign currency assets and liabilities are translated into Japanese yen using the spot exchange rate prevailing at the year-end, and gains and losses resulting from the translation are recognized currently in earnings. Foreign currency assets and liabilities of foreign subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year-ends, and income and expenses are translated into Japanese yen using the average exchange rate during the year and translation differences are included in "Foreign currency translation adjustments" and "Minority interests."

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Consumption taxes are accounted for under the "Zei Nuki" (tax exclusive) method except for those relating to loss adjustment expenses, operating expenses and general and administrative expenses, which are accounted for under the "Zei Komi" (tax inclusive) method. Non-deductible consumption taxes relating to assets are included in suspense payments and amortized in equal installments over a period of five years.

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Finance lease transactions that do not transfer ownership with the commencement date prior to April 1, 2008 are accounted for as operating leases similar to the rental of property.

(8) Hedge accounting

As for the domestic consolidated insurance subsidiaries, gains and losses on equity forward contracts used for hedging risks of variability in fair value of stocks are accounted for under the deferred hedged accounting method. Gains and losses on currency swap contracts used for hedging risks of variability in foreign currency of foreign currency bonds are accounted for under the deferred hedge accounting method. Also, certain of the forward exchange contracts used for the hedging are accounted for under the fair value hedge accounting method or the allocation method. Interest rate swap contracts for hedging risks of variability in cash flows of loans or bonds arising from fluctuations in interest rates are accounted for using the deferred hedge accounting method or the exceptional method when they meet certain criteria, as mentioned in (2) above.

March 31, 2010

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations of the fair value or cash flows of the hedged items and the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. When hedged items and hedging instruments are highly and clearly interrelated or when interest rate swap transactions meet the criteria for applying the exceptional method, assessment of hedge effectiveness is not performed.

Interest rate swap contracts used in the ALM (Asset and Liability Management) for the purpose of adequate control of risks of interest rate variability are accounted for as deferred hedge and their hedge effectiveness is tested in accordance with Industry Audit Committee Report No. 26 "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments in Insurance Industry" (issued by The Japanese Institute of Certified Public Accountants on September 3, 2002). The hedge effectiveness testing is performed by assessing interest rate fluctuations that may affect pricing of the theoretical values of both the hedged items and the hedging instruments.

6. Valuation of assets and liabilities of the consolidated subsidiaries
Assets and liabilities of the consolidated subsidiaries are valued using the full scope fair value method.

7. Goodwill

Goodwill is amortized using the straight-line method over 20 years. Insignificant amount of goodwill is charged to expense as incurred in the entire amount.

March 31, 2011

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations of the fair value or cash flows of the hedged items and the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. When hedged items and hedging instruments are highly and clearly interrelated or when interest rate swap transactions meet the criteria for applying the exceptional method, assessment of hedge effectiveness is not performed.

Interest rate swap contracts used in the ALM (Asset and Liability Management) for the purpose of adequate control of risks of interest rate variability are accounted for as deferred hedge and their hedge effectiveness is tested in accordance with Industry Audit Committee Report No. 26 "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments in Insurance Industry" (issued by The Japanese Institute of Certified Public Accountants on September 3, 2002). The hedge effectiveness testing is performed by assessing interest rate fluctuations that may affect pricing of the theoretical values of both the hedged items and the hedging instruments.

6. Goodwill

Goodwill is amortized using the straight-line method over 20 years. Insignificant amount of goodwill is charged to expense as incurred in the entire amount.

7. Changes in accounting principles or accounting procedures
(1) Adoption of "Accounting Standard for Asset Retirement Obligations"

The Company adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) in the fiscal year ended March 31, 2011. As a result of adoption of the standard and guidance, "Ordinary profit" decreased by ¥294 million, and "Loss before income taxes" increased by ¥2,333 million, respectively. The adoption of the standard and guidance resulted in a ¥5,992 million change in asset retirement obligations.

March 31, 2010

8. Cash and cash equivalents

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with original maturities not exceeding three months constitute cash and cash equivalents.

March 31, 2011

(2) Adoption of "Accounting Standard for Business Combinations" and related matters

The Company adopted "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008) in the fiscal year ended March 31, 2011.

8. Changes in presentation

Consolidated statements of income

As a result of the adoption of the format in the exhibit of the "Enforcement Regulations of the Japanese Insurance Business Law" (Ordinance of the Ministry of Finance No. 5 in 1996) revised by "Cabinet Office Ordinance for Partial Amendment to the Enforcement Ordinance of the Banking Law, etc." (Cabinet Office Ordinance No. 41, September 21, 2010), "Income before minority interests" started to be presented.

9. Adoption of "Accounting Standard for Presentation of Comprehensive Income"

The Company adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standard Board of Japan ("ASBJ") Statement No. 25 on June 30, 2010) in the fiscal year ended March 31, 2011. The amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" for the year ended March 31, 2010 represent amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments," respectively.

10. Cash and cash equivalents

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with original maturities not exceeding three months constitute cash and cash equivalents.

March 31, 2010

Notes to Consolidated Balance Sheets

1. Accumulated depreciation of tangible fixed assets amounted to ¥286,738 million. The acquisition costs of certain properties were reduced by ¥18,713 million representing deferred profit on sales of other properties.

2. Costs of equity investments in unconsolidated subsidiaries and affiliates are as follows:

	Yen in millions
Investments in securities (Stocks)	¥28,577
Investments in securities (Foreign securities)	7,972
Investments in securities (Other securities)	6,164

3. The amounts of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans are as follows:

(1) Loans to financially impaired parties and overdue loans amounted to ¥1,441 million and ¥2,426 million, respectively.

Loans to financially impaired parties represent those loans, excluding the portion of the loans that were written off, on which accrued interest receivable is not recognized because repayments of principal or interest were overdue for considerable periods and they are regarded uncollectible and which meet the conditions prescribed in Article 96, Section 1-3 and 1-4 of the Corporation Tax Law Enforcement Ordinance (1965 Cabinet Order No. 97). Hereafter, this last category is referred to as "Loans not accruing interest."

Overdue loans represent loans not accruing interest excluding (a) loans to financially impaired parties and (b) loans that have been granted grace for interest payments for the purpose of restructuring of, or support to debtors in financial difficulty.

(2) Loans overdue for 3 months or more amounted to ¥855 million.

Loans overdue for 3 months or more represent loans for which principal or interest was past due for 3 months or more after the contractual due date for repayment of principal or interest and excludes loans to financially impaired parties and overdue loans.

(3) Restructured loans amounted to ¥2,043 million.

Restructured loans are those loans which have granted favorable terms for the benefit of debtors such as interest exemption or reduction, grace on interest payments, grace on principal repayments, or forgiveness of debts for the purpose of restructuring of or support to the debtors in financial difficulty. Loans to financially impaired parties, overdue loans and loans overdue for 3 months or more are excluded from this category.

March 31, 2011

Notes to Consolidated Balance Sheets

1. Accumulated depreciation of tangible fixed assets amounted to ¥301,117 million. The acquisition costs of certain properties were reduced by ¥16,605 million representing deferred profit on sales of other properties. The deferred profits on sales of other properties newly recorded in the fiscal year ended March 31, 2011, which were deducted from the acquisition costs of the properties by receiving the government subsidies and others, were ¥44 million.

2. Costs of equity investments in unconsolidated subsidiaries and affiliates are as follows:

	Yen in millions
Investments in securities (Stocks)	¥49,803
Investments in securities (Foreign securities)	33,031
Investments in securities (Other securities)	6,713

3. The amounts of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans are as follows:

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

Loans to financially impaired parties represent those loans, excluding the portion of the loans that were written off, on which accrued interest receivable is not recognized because repayments of principal or interest were overdue for considerable periods and they are regarded uncollectible and which meet the conditions prescribed in Article 96, Section 1-3 and 1-4 of the Corporation Tax Law Enforcement Ordinance (1965 Cabinet Order No.97). Hereafter, this last category is referred to as "Loans not accruing interest."

Overdue loans represent loans not accruing interest excluding (a) loans to financially impaired parties and (b) loans that have been granted grace for interest payments for the purpose of restructuring of, or support to debtors in financial difficulty.

(2) Loans overdue for 3 months or more amounted to ¥1,603 million.

Loans overdue for 3 months or more represent loans for which principal or interest was past due for 3 months or more after the contractual due date for repayment of principal or interest and excludes loans to financially impaired parties and overdue loans.

(3) Restructured loans amounted to ¥4,203 million.

Restructured loans are those loans which have granted favorable terms for the benefit of debtors such as interest exemption or reduction, grace on interest payments, grace on principal repayments, or forgiveness of debts for the purpose of restructuring of or support to the debtors in financial difficulty. Loans to financially impaired parties, overdue loans and loans overdue for 3 months or more are excluded from this category.

March 31, 2010

(4) The total of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans amounted to ¥6,766 million.

4. Securities in the amount of ¥76,040 million, cash, deposits and savings in the amount of ¥3,335 million and tangible fixed assets in the amount of ¥244 million are pledged as collateral for overseas operations and Real Time Gross Settlement system of current account at the Bank of Japan.

5. Investments in securities include those that were loaned under securities lending agreements in the amount of ¥39,791 million.

6. Matters regarding retirement benefits are as follows:

(1) Details of retirement benefit obligation:

	Yen in millions
Projected retirement benefit obligation	¥ 269,473
Plan assets	(153,654)
Unfunded obligation	115,818
Unrecognized actuarial losses	(33,394)
Reserve for pension and retirement benefits	¥ 82,424

(2) Actuarial assumptions for calculation of retirement benefit obligation, etc.

Attribution method of retirement benefits over service period	The benefit/years of service method
Discount rate	Mainly 2.00 %
Expected rate of return on plan assets	Mainly 3.00 %
Amortization period for unrecognized actuarial gains and losses:	
Tax qualified defined benefit pension plan	4 years
Other than tax qualified defined benefit pension plan	Mainly 10 years

7. MSI provides guarantees to the transactions of a limited partnership entity. Aggregate net present value of those transactions was ¥177,933 million, in a negative liability position. This amount was not included in "Customers' liabilities under acceptances and guarantees" and "Liabilities under acceptances and guarantees" since there is no substantial exposure.

March 31, 2011

(4) The total of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans amounted to ¥9,439 million.

4. Securities in the amount of ¥129,941 million, money trusts in the amount of ¥1,703 million, cash, deposits and savings in the amount of ¥1,697 million and tangible fixed assets in the amount of ¥234 million are pledged as collateral for loan payables in the amount of ¥37 million recorded in other liabilities, for overseas operations, and for Real Time Gross Settlement system of current account at the Bank of Japan.

5. Investments in securities include those that were loaned under securities lending agreements in the amount of ¥83,429 million.

6. Of the assets received under resale agreements and securities borrowing with cash collateral, the Company has the right to sell or pledge commercial papers in the amount of ¥11,095 million and securities in the amount of ¥15,121 million. All commercial papers and securities stated above are held by the Company.

7. Matters regarding retirement benefits are as follows:

(1) Details of retirement benefit obligation

	Yen in millions
Projected retirement benefit obligation	¥ 457,263
Plan assets	(338,469)
Unfunded obligation	118,793
Unrecognized actuarial losses	(45,496)
Unrecognized prior service costs	102
Net carrying amount in the balance sheet	73,398
Prepaid pension cost	(30,418)
Reserve for pension and retirement benefits	¥ 103,817

(2) Actuarial assumptions for calculation of retirement benefit obligation, etc.

Attribution method of retirement benefits over service period	The benefit/years of service method
Discount rate	Mainly 2.00 %
Expected rate of return on plan assets:	
Employee's retirement benefits trust	0.00%
Others	Mainly 1.50% to 3.00%
Amortization period for unrecognized prior service costs	4 years
Amortization period for unrecognized actuarial gains and losses	Mainly 10 to 12 years

8. MSI provides guarantees to the transactions of a limited partnership entity. Aggregate net present value of those transactions was ¥73,106 million, in a negative liability position. This amount was not included in "Customers' liabilities under acceptances and guarantees" and "Liabilities under acceptances and guarantees" since there is no substantial exposure.

March 31, 2010

8. The Company and MSI execute a net worth maintenance agreement on behalf of Mitsui Sumitomo MetLife Insurance Co., Ltd. ("MSML") which is an affiliated company of the Company. Under this agreement, the Company's funding and other obligations are triggered if MSML falls under a situation that its net worth falls short of a predetermined level or it does not maintain adequate liquidity for payment for its obligations. The aggregated amount of liabilities and assets of MSML as of March 31, 2010 were ¥3,081,115 million (including "Underwriting funds" in the amount of ¥3,068,340 million) and ¥3,116,508 million, respectively. This agreement does not provide any guarantees for payment for its obligations. MSML was not in a triggering situation mentioned above as of March 31, 2010.

9. The unutilized portion of commitment lines given to third parties amounted to ¥1,856 million.

10. Matters regarding financial instruments are as follows:

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

The Company and its subsidiaries (hereinafter referred to as the "Group") make investments in financial instruments, while maintaining liquidity, in order to maximize net asset value by accumulation of net investment return after deduction of associated costs with consideration for cost efficiency of any costs such as funding cost, incidental cost and cost to bear risks.

MSI strives to enhance soundness of assets and investment returns by continued enhancement of risk management techniques such as sophistication of Asset Liability Management (ALM) reflecting profile of insurance liabilities, to provide for payment of the insurance liabilities such as claims, maturity refunds and surrenders.

MSKL strives to comply with the basic policy which places top priority to enhance soundness of assets with a focus on ALM and aim to secure long-term stable profitability.

The Group's cash inflows which mainly arise from insurance operations and investment activities are affected by changes in external environments such as occurrence of natural disasters and changes in financial market conditions. In order to enhance financing efficiency under changing environments, MSI raises funds through issuance of long-term or short-term corporate bonds or other financing methods as needs arise.

March 31, 2011

9. The Company and MSI execute a net worth maintenance agreement on behalf of Mitsui Sumitomo MetLife Insurance Co., Ltd. ("MSML") which is an affiliated company of the Company. Under this agreement, the Company's funding and other obligations are triggered if MSML falls under a situation that its net worth falls short of a predetermined level or it does not maintain adequate liquidity for payment for its obligations. The aggregated amount of liabilities and assets of MSML as of March 31, 2011 were ¥3,015,418 million (including "Underwriting funds" in the amount of ¥3,003,150 million) and ¥3,069,708 million, respectively. This agreement does not provide any guarantees for payment for its obligations. MSML was not in a triggering situation mentioned above as of March 31, 2011.

10. The unutilized portion of commitment lines given to third parties amounted to ¥14,437 million.

11. Matters regarding financial instruments are as follows:

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

The Company and its subsidiaries (hereinafter referred to as the "Group") ensure soundness and liquidity of assets and stability of investment returns, and maximize net asset value sustainably with appropriate risk management. In order for that, the Group manages risks appropriately by Asset Liability Management (ALM), etc. In addition, the Group takes investment risks such as market risks and credit risks, and manages those risks according to risk management policies of the Group and each company under judgment of management.

The Group's cash inflows which mainly arise from insurance operations and investment activities are affected by changes in external environments such as occurrence of natural disasters and changes in financial market conditions. In order to enhance financing efficiency under changing environments, MSI raises funds through issuance of long-term or short-term corporate bonds or other financing methods as needs arise.

March 31, 2010

- (ii) Details of financial instruments and associated risks
The Group's financial assets mainly consist of securities including bonds, stocks and foreign securities, as well as loans and other instruments.

Most of the securities are classified as "available-for-sale securities" and the others are classified as "held-to maturity securities."

MSKL holds securities earmarked for policy reserve.

Risks pertaining to investments include market risks, credit risks and market liquidity risks. Market risks arise from fluctuation in interest rates, stock prices, exchange rates and other market indicators.

Credit risks arise from deterioration in the financial condition of the issuer and counterparty of loans. Market liquidity risks refer to such situation as being forced to execute transactions at extremely unfavorable prices under turmoil of market.

Without applying hedge accounting, MSI utilizes derivative transactions represented by interest rate swaps for the purpose of controlling interest rate risks and forward exchange contracts and currency options for the purpose of hedging currency risks. Also, in order to generate investment income with consideration given to associated risks, MSI utilizes derivative instruments referring to interest rate, foreign currency, equity price and bond price, credit derivatives and weather derivatives. MSKL utilizes forward exchange contracts to hedge the currency exposures pertaining to foreign currency bonds and receiving associated interest.

For derivative transactions to which hedge accounting is applied, please refer to "Basis of consolidated financial statements—5. Accounting policies—(8) Hedge accounting".

In general, derivative transactions involve risks of fluctuations in fair value of derivative instruments ("market risk") and risks of changes in events that underlie the derivative transactions. Derivative transactions also are exposed to risks of nonperformance as a result of insolvency of the counterparty ("credit risk").

Derivative transactions which the Group enters into are also exposed to market risks to which the derivative transactions refer. However, derivative transactions for hedging risks effectively reduce market risks because the fair value of hedged items and hedging instruments fluctuate oppositely. In order to avoid credit risks by nonperformance, derivative instruments are entered into with selected counterparties with high credit quality and transactions are diversified across them.

March 31, 2011

- (ii) Details of financial instruments and associated risks
The Group's financial assets mainly consist of securities including bonds, stocks and foreign securities, as well as loans and other instruments.

Risks pertaining to investments include market risks, credit risks and market liquidity risks. Market risks arise from fluctuation of interest rates, stock prices, foreign exchange rates and other market indicators.

Credit risks arise from deterioration in the financial condition of the issuer and counterparty of loans.

Market liquidity risks refer to such situation as being forced to execute transactions at extremely unfavorable prices under turmoil of market.

The Group utilizes derivative transactions represented by interest rate swaps, equity index options, forward exchange contracts and currency options for the purpose of hedging market risks such as fluctuations of interest rates, stock prices and foreign exchange rates. In addition to the derivative transactions mentioned above, the Group utilizes credit derivatives and weather derivatives in order to generate investment income with consideration given to associated risks.

For derivative transactions to which hedge accounting is applied, please refer to "Basis of consolidated financial statements—5. Accounting policies—(8) Hedge accounting."

In general, derivative transactions involve risks of fluctuations in fair value of derivative instruments ("market risk") and risks of changes in events that underlie the derivative transactions. Derivative transactions also are exposed to risks of nonperformance as a result of insolvency of the counterparty ("credit risk").

Derivative transactions which the Group enters into are also exposed to market risks to which the derivative transactions refer. However, derivative transactions for hedging risks effectively reduce market risks because the fair value of hedged items and hedging instruments fluctuate oppositely. In order to avoid credit risks by nonperformance, derivative instruments are entered into with selected counterparties with high credit quality and transactions are diversified across them.

March 31, 2010

(iii) Risk management structure relating to financial instruments

Financial instruments are traded and managed based on rules for general transaction authorization and risk management that the Group has established.

MSI and MSKL maintain checks and balances through a routine management system in which back offices and risk management offices operate independently from the trading department, to monitor that operations, types of instruments in use, position limit, risk amount and loss cut are compliant with the rules.

In addition, the risk management department assesses and analyzes risks pertaining to financial instruments, and regularly reports on the result to the Board of Directors.

a. Market risk management

The Group strives to enhance risk management system and manages the risks based on the characteristic of each financial instrument in accordance with rules addressing market risk management. The trading department and the risk management department at MSI and MSKL establish rules that clarify operation procedures in each investment segment, and control the risks by setting position limit and loss cut threshold as necessary. The risk management department also monitors sensitivities of holding assets to the changes in interest rate, foreign exchange rate and stock prices and quantifies market risk using the VaR (Value-at-Risk) method in order to measure and manage the risks in an integrated manner.

b. Credit risk management

The Group establishes the credit risk management system that implements rules for credit risk management.

For securities and derivatives at each of MSI and MSKL, the trading department and the risk management department manage credit risk of security issuers and derivative counterparties by regular monitoring of credit information and fair values.

For loans at MSI, the trading department and the risk management department maintain the credit risk management structure by credit screening, credit limit, credit information management, internal credit rating, requiring collateral and guarantees, and dealing with bad loans.

March 31, 2011

(iii) Risk management structure relating to financial instruments

Financial instruments are traded and managed based on rules for general transaction authorization and risk management that the Group has established.

The main domestic consolidated insurance subsidiaries maintain checks and balances through a routine management system in which back offices and risk management offices operate independently from the trading department, to monitor that operations, types of instruments in use, position limit, risk amount and loss cut are compliant with the rules.

In addition, the risk management department assesses and analyzes risks pertaining to financial instruments, and regularly reports on the result to the Board of Directors.

a. Market risk management

The Group strives to enhance risk management system and manages the risks based on the characteristic of each financial instrument in accordance with rules addressing market risk management. The trading department and the risk management department at the main domestic consolidated insurance subsidiaries establish rules that clarify operation procedures in each investment segment, and control the risks by setting position limit and loss cut threshold according to the risk characteristics. The risk management department also monitors sensitivities of holding assets to the changes in interest rate, foreign exchange rate and stock prices and quantifies market risk using the VaR (Value-at-Risk) method in order to measure and manage the risks in an integrated manner.

b. Credit risk management

The Group establishes the credit risk management system that implements rules for credit risk management.

For securities and derivatives of the main domestic consolidated insurance subsidiaries, the trading department and the risk management department manage credit risk of security issuers and derivative counterparties by regular monitoring of credit information and fair values.

For loans at MSI and ADI, the trading department and the risk management department maintain the credit risk management structure by credit screening, credit limit, credit information management, internal credit rating, requiring collateral and guarantees, and dealing with bad loans.

March 31, 2010

c. Liquidity risk management

The Group conducts treasury management of cash position, depending on whether it is under ordinary or emergent condition, with consideration given to liquidity. The Group endeavors to diversify financing sources in order to ensure adequate liquidity under changing environments. The Group holds a substantial amount of cash, savings and deposits and highly liquid securities such as government bonds in case of unexpected events like catastrophe and deterioration of market liquidity arising from inactive market conditions.

(iv) Supplementary explanation of matters relating to fair value of financial instruments and other information

The fair value of financial instruments is determined based on market price and by reasonable estimate when market price is not available. In determining fair value, certain assumptions are used, and the fair value may be determined differently when other assumptions are used.

(2) Fair value of financial instruments

The following table summarizes the carrying amount in the consolidated balance sheet and the fair value of financial instruments as of March 31, 2010 together with their differences. Note that the following table does not include certain securities for which determination of fair value is impracticable (see Note 2).

	Yen in millions		
	Consolidated balance sheet amount	Fair value	Difference
(i) Cash, deposits & savings	¥ 313,389	¥ 313,389	¥ —
(ii) Call loans	33,700	33,700	—
(iii) Receivables under resale agreement	15,998	15,998	—
(iv) Monetary claims bought	108,158	108,158	—
(v) Money trusts	10,592	10,592	—
(vi) Investments in securities			
Securities held to maturities	506,307	518,930	12,622
Bonds earmarked for policy reserves	4,196	4,405	208
Available-for-sale securities	4,809,785	4,809,785	—
(vii) Loans	749,524		
Bad debt reserve ^(*)	(4,014)		
	745,509	753,655	8,145
Total assets	¥6,547,639	¥6,568,616	¥20,976
Bonds issued	¥ 94,969	¥ 98,150	¥ 3,180
Total liabilities	¥ 94,969	¥ 98,150	¥ 3,180
Derivative transactions ^(*)			
Hedge accounting not applied	¥ (6,118)	¥ (6,118)	¥ —
Hedge accounting applied	3,895	3,895	—
	¥ (2,222)	¥ (2,222)	¥ —

(*1) Reserve for bad debts earmarked for loans are deducted from the carrying amount.

March 31, 2011

c. Liquidity risk management

The Group conducts treasury management of cash position, depending on whether it is under ordinary or emergent condition, with consideration given to liquidity. The Group endeavors to diversify financing sources in order to ensure adequate liquidity under changing environments. The Group holds a substantial amount of cash, savings and deposits and highly liquid securities such as government bonds in case of unexpected events like catastrophe and deterioration of market liquidity arising from inactive market conditions.

(iv) Supplementary explanation of matters relating to fair value of financial instruments and other information

The fair value of financial instruments is determined based on market price and by reasonable estimate when market price is not available. In determining fair value, certain assumptions are used, and the fair value may be determined differently when other assumptions are used.

(2) Fair value of financial instruments

The following table summarizes the carrying amount in the consolidated balance sheet and the fair value of financial instruments as of March 31, 2011 together with their differences. Note that the following table does not include certain securities for which determination of fair value is impracticable (see Note 2).

	Yen in millions		
	Consolidated balance sheet amount	Fair value	Difference
(i) Cash, deposits & savings	¥ 623,606	¥ 623,606	¥ —
(ii) Call loans	52,554	52,554	—
(iii) Receivables under resale agreement	23,094	23,094	—
(iv) Receivables under security borrowing transactions	26,535	26,535	—
(v) Monetary claims bought	116,620	116,620	—
(vi) Money trusts	11,580	11,580	—
(vii) Investments in securities			
Securities held to maturities	542,566	560,445	17,879
Bonds earmarked for policy reserves	357,282	363,103	5,820
Available-for-sale securities	6,601,530	6,601,530	—
(viii) Loans	1,056,523		
Bad debt reserve ^(*)	(2,552)		
	1,053,971	1,068,072	14,100
Total assets	¥9,409,342	¥9,447,142	¥37,800
Bonds issued	¥ 164,963	¥ 167,301	¥ 2,337
Total liabilities	¥ 164,963	¥ 167,301	¥ 2,337
Derivative transactions ^(*)			
Hedge accounting not applied	¥ (2,719)	¥ (2,719)	¥ —
Hedge accounting applied	2,878	2,878	—
	¥ 158	¥ 158	¥ —

(*1) Reserve for bad debts earmarked for loans are deducted from the carrying amount.

March 31, 2010

(*2) Derivative assets and liabilities are presented in net basis. Debits and credits arising from derivative transactions are netted and net credit position is shown with ().

(Note 1) Determination of fair value of financial instruments

Assets

(i) Cash, deposits and savings

With regard to cash, deposits and savings, the book value is deemed as the fair value since the book value approximates the fair value.

(ii) Call loans

With regard to call loans, the book value is deemed as the fair value since the book value approximates the fair value.

(iii) Receivables under resale agreement

With regard to receivables under resale agreement, the book value is deemed as the fair value since the book value approximates the fair value.

(iv) Monetary claims bought

With regard to commercial papers (CP), the book value is deemed as the fair value since the book value approximates the fair value. With regard to monetary claims bought other than CP, the price quoted by the counterparty financial institutions is deemed as the fair value.

(v) Money trusts

With regard to money trusts, the price quoted by the trustee is deemed as the fair value.

(vi) Securities

The fair value of equity securities is determined based on the quoted market price and the fair value of bonds is determined based on the price quoted by the exchange, the information vendor or the counterparty financial institutions.

(vii) Loans

With regard to floating rate loans, the book value is deemed as the fair value so long as no significant changes in credit risk, because interest rate changes will be timely reflected in the future cash flows and the book value approximates the fair value. With respect to

March 31, 2011

(*2) Derivative assets and liabilities are presented in net basis. Debits and credits arising from derivative transactions are netted and net credit position is shown with ().

(Note 1) Determination of fair value of financial instruments

Assets

(i) Cash, deposits and savings

With regard to deposits and savings, fair value is measured as the present value of future estimated cash flows for each category of deposits and savings based on duration, discounted at interest rates applicable to same type of new deposits and savings. With regard to deposits and savings without maturity and short-term deposits and savings, the book value is deemed as the fair value since the book value approximates the fair value.

(ii) Call loans

With regard to call loans, the book value is deemed as the fair value since the book value approximates the fair value.

(iii) Receivables under resale agreement

With regard to receivables under resale agreement, the book value is deemed as the fair value since the book value approximates the fair value.

(iv) Receivables under security borrowing transactions

With regard to receivables under security borrowing transactions, the book value is deemed as the fair value since the book value approximates the fair value.

(v) Monetary claims bought

With regard to commercial papers (CP), the book value is deemed as the fair value since the book value approximates the fair value. With regard to monetary claims bought other than CP, the price quoted by the counterparty financial institutions is deemed as the fair value.

(vi) Money trusts

With regard to money trusts, the price quoted by the trustee is deemed as the fair value.

(vii) Securities

The fair value of equity securities is determined based on the quoted market price and the fair value of bonds is determined based on the price quoted by the exchange, the information vendor or the counterparty financial institutions.

(viii) Loans

With regard to floating rate loans, the book value is deemed as the fair value so long as no significant changes in credit risk, because interest rate changes will be timely reflected in the future cash flows and the book value approximates the fair value. With respect to

March 31, 2010

fixed rate loans, for each category of loans based on types of loans, duration and credit ratings, the fair value is measured as the present value of estimated future cash flows, discounted at interest rates based on appropriate risk-free rates such as yield of government bonds with credit spread added on. The fair value of a part of personal loans is measured as the net present value of estimated future cash flows for each category of loans, discounted at interest rate applicable to the same type of new loans. With regard to policy loans, the book value is deemed as the fair value since the book value approximates the fair value, considering that the loan amount is limited within surrender value with no contractual maturity and given their estimated repayment period and interest rate terms.

For loans to debtors in legal or de facto bankruptcy and doubtful debtors, the carrying amount less bad debt reserve is deemed as the fair value, because bad debt reserve is determined individually by discounting the estimated future cash flows or based on appraisal value of underlying collateral where appropriate.

Liabilities

(i) Bonds issued

With regard to bonds issued, reference prices for over-the-counter bond transactions published by Japan Securities Dealers Association are deemed as the fair value.

(ii) Derivative transaction

With regard to derivative transactions, the fair value is based on the futures' market price, the closing price at major exchange, the price indicated by the financial institutions or option pricing model.

(Note 2)

Financial instruments held as of March 31, 2010 not included in "(vi) Securities" above, because determination of their fair values is impracticable, are summarized as follows:

Unlisted stocks (Carrying amount on the consolidated balance sheet: ¥93,839 million), partnership investment comprised of unlisted stocks (Carrying amount on the consolidated balance sheet: ¥39,076 million) and bonds for which reasonable estimate of fair value is not available due to difficulty in determining assumptions (e.g. issuer in bankruptcy, difficulty in estimating future cash flows, etc.) (Carrying amount on the consolidated balance sheet: ¥1,616 million) are not included in the scope of fair value disclosure.

March 31, 2011

fixed rate loans, for each category of loans based on types of loans, duration and credit ratings, the fair value is measured as the present value of estimated future cash flows, discounted at interest rates based on appropriate risk-free rates such as yield of government bonds with credit spread added on. The fair value of a part of personal loans is measured as the net present value of estimated future cash flows for each category of loans, discounted at interest rate applicable to the same type of new loans. With regard to policy loans, the book value is deemed as the fair value since the book value approximates the fair value, considering that the loan amount is limited within surrender value with no contractual maturity and given their estimated repayment period and interest rate terms.

For loans to debtors in legal or de facto bankruptcy and doubtful debtors, the carrying amount less bad debt reserve is deemed as the fair value, because bad debt reserve is determined individually by discounting the estimated future cash flows or based on appraisal value of underlying collateral where appropriate.

Liabilities

(i) Bonds issued

With regard to bonds issued, reference prices for over-the-counter bond transactions published by Japan Securities Dealers Association are deemed as the fair value.

(ii) Derivative transaction

With regard to derivative transactions, the fair value is based on the futures' market price, the closing price at major exchange, the price indicated by the financial institutions or option pricing model.

(Note 2)

Financial instruments held as of March 31, 2011 not included in "(vii) Securities" above, because determination of their fair values is impracticable, are summarized as follows:

Unlisted stocks of unconsolidated subsidiaries and affiliates (Carrying amount on the consolidated balance sheet: ¥89,548 million), the other unlisted stocks (Carrying amount on the consolidated balance sheet: ¥164,105 million), partnership investment comprised of unlisted stocks (Carrying amount on the consolidated balance sheet: ¥61,923 million) and bonds for which reasonable estimate of fair value is not available due to difficulty in determining assumptions (e.g. issuer in bankruptcy, difficulty in estimating future cash flows, etc.) (Carrying amount on the consolidated balance sheet: ¥2,165 million) are not included in the scope of fair value disclosure.

March 31, 2010

11. Matters related to investment and leasing property are as follows:

(1) Qualitative information on investment and leasing property: MSI and certain consolidated subsidiaries own office buildings for lease, etc. in Tokyo and other areas.

(2) Fair value of investment and leasing property:

Yen in millions	
Carrying amount as of March 31, 2010	Fair value as of March 31, 2010
¥43,600	¥106,255

Notes

1. Carrying amount represents the cost of acquisition less accumulated depreciation.
2. Fair value as of March 31, 2010 is primarily based on appraisals by qualified external values.

March 31, 2011

12. Matters related to investment and leasing property are as follows:

(1) Qualitative information on investment and leasing property: Certain consolidated subsidiaries own office buildings for lease, etc. in Tokyo and other areas.

(2) Fair value of investment and leasing property

Yen in millions	
Carrying amount as of March 31, 2011	Fair value as of March 31, 2011
¥94,809	¥151,493

Notes

1. Carrying amount represents the cost of acquisition less accumulated depreciation.
2. Fair value as of March 31, 2011 is primarily based on appraisals by qualified external values. With respect to the investment and leasing properties with no substantial changes in their appraisal values or indices in which market prices are reflected appropriately since the most recent appraisals, fair value is determined based on these appraisal values or the values adjusted by these indices.

13. Matters related to business combinations are as follows:
(Business combination through acquisitions)

Business combination

On September 30, 2009, the Company entered into share-for-share exchange agreement (the "Share Exchange Agreement") with and between AIOI and NDGI, through which the Company would become the parent owning the entire shares of AIOI and NDGI. Following the approval of the Share Exchange Agreement at each extraordinary shareholders' meeting held on December 22, 2009, the three parties completed the respective share exchange transactions (collectively, the "Share Exchange") on April 1, 2010. Concurrently, the Company changed its corporate name to MS&AD Insurance Group Holdings, Inc. on the same day.

(1) Outline of business combination

- (i) Name of the acquired companies and their businesses

Company name:

Aioi Insurance Company, Limited and Nissay Dowa General Insurance Company, Limited

Description of business:

Non-life insurance

- (ii) Purpose of the business combination

The Parties seek to achieve sustainable growth and enhance enterprise value by rapidly and dramatically enhancing and expanding the quality and quantity of their respective operational bases and management resources to create a globally operating and world-leading insurance and financial group.

- (iii) Date of the business combination

April 1, 2010

- (iv) Legal form of the business combination

Share exchange through which the Company would become the parent company owning the entire shares of the acquired companies

March 31, 2010

March 31, 2011

- (v) Name of the combined company
MS&AD Insurance Group Holdings, Inc.
- (vi) Voting rights in the acquired companies
100%
- (vii) Basis for determination of the acquiring company
Taking into consideration that the Company delivers its shares to AIOI and NDGI shareholders through the Share Exchange as well as the existing shareholders of the Company take the largest share in the combined company's voting rights as a result of the Share Exchange, the Company is determined as the acquiring company in accordance with Accounting Standard for Business Combination.

- (2) Period of the acquired company's financial results included in the consolidated statements of income
From April 1, 2010 to March 31, 2011

- (3) Acquisition cost of the acquired companies and its breakdown

	Yen in millions	
	AIOI	NDGI
Consideration for acquisition	¥361,948	¥188,116
Costs directly related to acquisition	171	88
Acquisition cost	¥362,119	¥188,205

- (4) Share exchange ratio by class of shares, calculation method, number of shares delivered

- (i) Share exchange ratio by class of shares
In the Share Exchange, the Company allocated and delivered 0.190 shares of common stock of the Company for one share of common stock of AIOI, and 0.191 shares of common stock of the Company for one share of common stock of NDGI.
- (ii) Basis for calculation of Share exchange ratio
In order to ensure the fairness and validity of the exchange ratio of common stock, Nikko Citigroup Limited (currently Citi Global Markets Japan Inc.), for and on behalf of the Company, Nomura Securities Co., Ltd. and Morgan Stanley Securities Co., Ltd. (Current company name: Morgan Stanley MUFG Securities Co., Ltd.), for and on behalf of AIOI, and Goldman Sachs Japan Co., Ltd., for and on behalf of NDGI, respectively calculated the exchange ratio. Based on the results, the parties conducted negotiations taking into account such factors as each financial condition, asset quality and future prospect, and agreed to decide the above exchange ratios of common stock as being appropriate.
- (iii) Number of shares delivered

	Shares	
	AIOI	NDGI
Number of shares delivered	139,479,256	72,491,759

March 31, 2010

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(5) Goodwill, reason for recognizing goodwill, amortization method and amortization period

- (i) AIOI
 - (a) Amount of goodwill
¥32,776 million
 - (b) Reason for recognizing goodwill
Acquisition costs determined based on enterprise value in calculating the share exchange ratio exceeded the fair value of the acquired company's net asset (difference between assets acquired and liabilities assumed on the date of the business combination).
 - (c) Amortization method and amortization period
Straight-line method over 20 years
- (ii) NDGI
 - (a) Amount of gains on negative goodwill
¥13,543 million
 - (b) Reason for recognizing negative goodwill
The fair value of the acquired company's net asset (difference between assets acquired and liabilities assumed on the date of the business combination) exceeded acquisition cost determined based on enterprise value in calculating the share exchange ratio

(6) Amounts of assets acquired and liabilities assumed on the day of the business combination (Yen in millions)

(i) AIOI	
Total assets	¥2,922,533
(Investments in securities)	1,788,478)
Total liabilities	¥2,592,226
(Underwriting funds)	2,447,572)
(ii) NDGI	
Total assets	¥1,138,325
(Investments in securities)	849,127)
Total liabilities	¥ 936,565
(Underwriting funds)	902,926)

(Business combination through acquisition)

Acquisition of non-life insurance business in Malaysia
MSI, a consolidated subsidiary of the Company, reached a basic agreement to form a strategic alliance involving the non-life and life insurance businesses with Hong Leong Financial Group (hereafter "Hong Leong Group"), a well-established local conglomerate, on June 18, 2010. Under this agreement, the non-life insurance business of Hong Leong Assurance Berhad, a subsidiary of Hong Leong Group, was merged with and into that of MSIG Insurance (Malaysia) Bhd., MSI's consolidated subsidiary, on October 1, 2010.

March 31, 2010

March 31, 2011

(1) Name of the counterparty, the description of the acquired business, main purpose of the business combination, date of business combination and legal form of the business combination

(i) Name of the counterparty and the description of the acquired business

Company name:

Hong Leong Assurance Berhad

Description of business:

Non-life insurance

(ii) Purpose of the business combination

The acquisition of the non-life insurance business of Hong Leong Assurance Berhad and investment in life insurance business of Hong Leong Assurance Berhad after the business combination will allow the Company to simultaneously achieve expansion of its current non-life insurance business and entering the life insurance market in the Asian market which is strategically important and considered as one of the growth areas for its overseas business. The Company intends to establish a stable business base in the Asian insurance market.

(iii) Date of the business combination

October 1, 2010

(iv) Legal form of the business combination

Transfer of the common shares of MSIG Insurance (Malaysia) Bhd. as a consideration for business transfer

(2) Period of the acquired company's financial results included in the consolidated statement of income

From October 1, 2010 to December 31, 2010

(3) Acquisition cost and its breakdown of the acquired business, and number of shares transferred and its valuation

(i) Acquisition cost and its breakdown of the acquired business

Consideration transferred:

Common shares of MSIG Insurance (Malaysia) Bhd

Acquisition cost:

¥16,808 million

(ii) Number of shares transferred and its valuation

The number of shares transferred by MSIG Insurance (Malaysia) Bhd was 99,942,858 and its value was ¥16,808 million.

(4) Goodwill, reason for recognizing goodwill, amortization method and amortization period

(i) Amount of goodwill

¥16,808 million

(ii) Reason for recognizing goodwill

Due to the potential excess earnings power expected in the business development in the future

March 31, 2010

March 31, 2011

- (iii) Amortization method and amortization period
Straight-line method over 20 years

(5) Amounts of assets acquired and liabilities assumed on the day of the business combination (Yen in millions)

Total assets	¥8,906
(Cash, deposits and savings)	4,464
(Investments in securities)	3,075
 Total liabilities	 ¥8,906
(Underwriting funds)	7,565

(Transactions under common control)

Merger of Aioi Insurance Company, Limited and Nissay Dowa General Insurance Company, Limited

Aioi Insurance Company, Limited and Nissay Dowa General Insurance Company, Limited were merged on October 1, 2010 based on the agreement approved at both companies' extraordinary shareholders' meetings held on December 22, 2009, and the surviving company's name was changed to Aioi Nissay Dowa Insurance Company, Limited.

(1) Name and business of combined entities, date of the business combination, legal form of the business combination, name of the entity after business combination, and outline and purpose of the transaction

- (i) Name and business of combined entities
 - (a) Combining company
 - Company name:
Aioi Insurance Company, Limited
 - Description of business:
Non-life insurance
 - (b) Combined company
 - Company name:
Nissay Dowa General Insurance Company, Limited
 - Description of business:
Non-life insurance
- (ii) Date of business combination
October 1, 2010
- (iii) Legal form of the business combination
Merger by absorption of Nissay Dowa General Insurance Company, Limited by Aioi Insurance Company, Limited as surviving company
- (iv) Name of the company after business combination
Aioi Nissay Dowa Insurance Company, Limited

March 31, 2010

12. Net assets per share as of March 31, 2010 were ¥3,143.32. Minority interests in the amount of ¥6,750 million were deducted from net assets in its computation. Outstanding common shares as of March 31, 2010 were 414,953 thousand shares.

13. The event occurring subsequent to the balance sheet date which would have a material effect on the financial position, the results of operations of the Company and its consolidated subsidiaries for the future periods is as follows:

(Business combination)

On September 30, 2009, the Company entered into share-for-share exchange agreement (the "Share Exchange Agreement") with and between Aioi Insurance Company, Limited ("AIOI") and Nissay Dowa General Insurance Company, Limited ("NDGI"), through which the Company would become the parent owning the entire shares of AIOI and NDGI. Following the approval of the Share Exchange Agreement at each extraordinary shareholders' meeting held on December 22, 2009, the three parties completed the respective share exchange transactions (collectively, the "Share Exchange") on April 1, 2010. Concurrently, the Company changed its corporate name to MS&AD Insurance Group Holdings, Inc. on the same day.

(1) Outline of business combination

- (i) Name of the acquired companies and their businesses
Company name:
Aioi Insurance Company, Limited and Nissay Dowa General Insurance Company, Limited
Description of business:
Non-life insurance

March 31, 2011

- (v) Outline and purpose of the transaction
The surviving company seeks to enhance the group's enterprise value as a main non-life insurance company of MS&AD Insurance Group, through the merger of Aioi Insurance Company, Limited and Nissay Dowa General Insurance Company, Limited, which became wholly owned subsidiaries of the Company as a result of share exchange on April 1, 2010.

(2) Outline of the accounting treatment adopted

This merger was accounted for as a transaction under common control, in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

14. Net assets per share as of March 31, 2011 were ¥2,597.19. Minority interests in the amount of ¥18,152 million were deducted from net assets in its computation. Outstanding common shares as of March 31, 2011 were 621,911 thousand shares.

15. The event occurring subsequent to the balance sheet date which would have a material effect on the financial position, the results of operations of the Company and its consolidated subsidiaries for the future periods is as follows:

A) Conversion of Mitsui Sumitomo MetLife Insurance Co., Ltd. into a wholly owned subsidiary

The Company acquired all shares of Mitsui Sumitomo MetLife Insurance Co., Ltd. ("MSML") to convert MSML into a wholly owned subsidiary on April 1, 2011, based on the stock purchase agreement with MetLife Worldwide Holdings, Inc., a subsidiary of MetLife, Inc. In addition, MSML changed its corporate name to Mitsui Sumitomo Primary Life Insurance Company, Limited on the same day.

(1) Name of the acquired company and its business, purpose of the business combination, date of the business combination, legal form of the business combination, name of the company after the business combination, voting rights ratio and basis for determination of the acquiring company

- (i) Name of the acquired company and its business
Company name:
Mitsui Sumitomo MetLife Insurance Co., Ltd.
Description of business:
Life insurance

March 31, 2010

- (ii) Purpose of the business combination
The Parties seek to achieve sustainable growth and enhance enterprise value by rapidly and dramatically enhancing and expanding the quality and quantity of their respective operational bases and management resources to create a globally operating and world-leading insurance and financial group.
- (iii) Date of the business combination
April 1, 2010
- (iv) Legal form of the business combination
Share exchange through which the Company would become the parent company owning the entire shares of the acquired companies.
- (v) Name of the combined company
MS&AD Insurance Group Holdings, Inc.
- (vi) Voting rights in the acquired companies
100%
- (vii) Basis for determination of the acquiring company
Taking into consideration that the Company delivers its shares to AIOI and NDGI shareholders through the Share Exchange as well as the existing shareholders of the Company take the largest share in the combined company's voting rights as a result of the Share Exchange, the Company is determined as the acquiring company in accordance with Accounting Standard for Business Combination.

(2) Cost of acquisition

	Yen in millions	
	AIOI	NDGI
Consideration for acquisition	¥361,948	¥188,116
Costs directly related to the combination	171	88
Acquisition cost	¥362,119	¥188,205

(3) Share exchange ratio by class of shares, calculation method, number of shares delivered

- (i) Share exchange ratio by class of shares
In the share exchange, the Company allocated and delivered 0.190 shares of common stock of the Company for one share of common stock of AIOI, and 0.191 shares of common stock of the Company for one share of common stock of NDGI.
- (ii) Basis for calculation of the share exchange ratio
In order to ensure the fairness and validity of the exchange ratio of common stock, Nikko Citigroup Limited (currently Citi Global Markets Japan Inc.), for and on behalf of the Company, Nomura Securities Co., Ltd. and Morgan Stanley MUFG Securities Co., Ltd., for and on behalf of AIOI, and Goldman Sachs Japan Co. Ltd., for and on behalf of NDGI, respectively calculated the exchange ratio. Based on the results, the parties

March 31, 2011

- (ii) Purpose of the business combination
Through the conversion of MSML into a wholly owned subsidiary, the Company intends to enhance the solid coordination between MSML and the other Group companies, and strengthen the sales structure and improve the operational efficiency, in order to further enhance its position in the individual annuity insurance market.
- (iii) Date of the business combination
April 1, 2011
- (iv) Legal form of the business combination
Acquisition of stock
- (v) Name of the company after business combination
Mitsui Sumitomo Primary Life Insurance Company, Limited
- (vi) Voting rights ratio
- | | |
|---|------|
| Voting rights ratio held before the business combination | 51% |
| Voting rights ratio acquired additionally on the date of the business combination | 49% |
| Voting rights ratio after the acquisition | 100% |
- (vii) Basis for determination of the acquiring company
The Company became the acquiring company, because the Company came to hold all voting rights in MSML and obtain control of MSML.

(2) Cost of acquisition

	Yen in millions
Fair value of common stock of MSML held before the business combination	¥25,382
Fair value of common stock of MSML additionally acquired at the date of business combination	25,382
Costs directly required for the acquisition	195
Acquisition cost	¥50,960

(3) Difference between acquisition cost of the acquired company and the aggregation of acquisition costs of transactions leading to acquisition

	Yen in millions
Acquisition cost of the acquired company	¥50,960
Aggregation of the acquisition costs of individual transactions leading to acquisition	52,673
Difference (losses on step acquisitions)	¥(1,712)

(4) Amount of gains on negative goodwill, and reason for recognizing negative goodwill

- (i) Amount of gains on negative goodwill
¥3,329 million
- (ii) Reason for recognizing negative goodwill
The fair value of the acquired company's net asset (difference between assets acquired and liabilities assumed on the date of the business combination)

March 31, 2010

conducted negotiations taking into account such factors as each financial condition, asset quality and future prospect, and agreed to decide the above exchange ratios of common stock as being appropriate.

(iii) Number of shares delivered

	Shares	
	AIOI	NDGI
Number of shares delivered:	139,479,256	72,491,759

Goodwill and negative goodwill are expected to be recognized upon the share exchange, the amounts of which have not yet been determined.

March 31, 2011

exceeded the acquisition cost determined based on the stock purchase agreement.

(5) Amount of assets acquired and liabilities assumed on the date of the business combination, and its breakdown (Yen in millions)

Total assets	¥3,069,708
(Investments in securities)	2,399,455)
Total liabilities	¥3,015,418
(Underwriting funds)	3,003,150)

The amounts of (2), (3) and (4) stated above are estimated amounts based on the reliable information available.

B) Strategic alliance with leading life insurer in Indonesia
On May 2, 2011, MSI, a consolidated subsidiary of the Company, reached an agreement to form a strategic alliance with PT Asuransi Jiwa Sinarmas ("Sinarmas Life"), a leading Indonesian life insurer under one of the largest Indonesian business groups, Sinar Mas. The details are as follows:

(1) Purpose of the alliance

MSI intends to expand the business base and improve profitability in the Asian market, which is strategically important and considered as one of the growth areas for its overseas business, through the entry into the life insurance market in Indonesia.

(2) Overview of the alliance

MSI will solely subscribe new shares of Sinarmas Life (a private company) through a third-party allotment. The amount to be invested is 7 trillion Indonesian Rupiah (approximately ¥67.2 billion). Following the transaction, PT Sinar Mas Multiartha Tbk (a financial holding company of Sinar Mas Group) and MSI will each have a 50% stake. (Exchange rate: IDR1= ¥0.0096). After completion of the investment, MSI will send board members and staff and actively be involved in the management. Contributing a variety of expertise of life insurance business MSI has developed in Japan and overseas, MSI sets out to further strengthen Sinarmas Life's insurance distribution capabilities of protection products to tap the massive middle-class market and sales of saving products to the existing high net worth customers.

(3) Date of the alliance

MSI plans to launch the alliance in this summer, subject to approval of the Indonesian Ministry of Finance (Indonesian life insurance authorities).

March 31, 2010

14. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

Notes to Consolidated Statements of Income

1. Business expenses mainly consist of:

Commission expenses	¥252,437 million
Salary	¥141,502 million

Business expenses represent the aggregate amount of "Loss adjustment expenses," "Operating expenses and general and administrative expenses," and "Commissions and collection expenses" presented in the statement of income.

2. Impairment losses were recognized for the following assets:

Use	Asset category	Description of assets	Yen in millions	
			Impairment losses	
Rental properties	Land and buildings	2 properties, including buildings for rent in Aichi	Land	¥ 526
			Buildings	831
			Total	¥1,358
Idle real estate and real estate for sale	Land and buildings	3 properties, including company residences in Chiba	Land	¥1,882
			Buildings	190
			Total	¥2,073

Properties used for insurance operations are grouped as a single asset group for the entire insurance operations. Rental properties, idle real estate and real estate for sale constitute asset groups by their own.

Carrying amounts of the above mentioned assets were reduced to their realizable values in view of falling property values or being scheduled for sale, and the resulting decreases in the carrying amounts were recorded as impairment losses on fixed assets in the aggregate amount of ¥3,431 million in extraordinary losses.

The realizable values of the assets concerned are determined at the higher of the net sale values or the potential values in continued use. The net sale values are computed based on the appraisal values by independent appraisers. The potential values in continued use are computed by discounting the future cash flows at the discount rate of 5.5%.

March 31, 2011

16. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

Notes to Consolidated Statements of Income

1. Underwriting expenses include losses on derivatives to reduce currency risks of foreign currency reinsurance transactions in the amount of ¥4,105 million.

2. Business expenses mainly consist of:

Commission expenses	¥465,290 million
Salary	¥251,738 million

Business expenses represent the aggregate amount of "Loss adjustment expenses," "Operating expenses and general and administrative expenses," and "Commissions and collection expenses" presented in the statement of income.

3. Other extraordinary income includes gains on changes in equity which were derived from the acquisition of business as a consideration for shares of the Company's consolidated subsidiary.

4. Impairment losses were recognized for the following assets:

Use	Asset category	Description of assets	Yen in millions	
			Impairment losses	
Rental properties	Land and buildings	13 properties, including buildings for rent in Aichi	Land	¥ 345
			Buildings	2,993
			Total	¥3,338
Idle real estate and real estate for sale	Land and buildings	31 properties, including company residences in Hiroshima	Land	¥ 652
			Buildings	497
			Total	¥1,149
Others	Software and other assets	Software and other assets relating to the operational service provider	Total	¥ 423

Properties used for insurance operations are grouped as a single asset group by each consolidated subsidiary. Some domestic consolidated subsidiaries group their properties by each business. Rental properties, idle real estate and real estate for sale constitute asset groups by their own.

Carrying amounts of the above mentioned assets were reduced to their realizable values in view of falling property values or being scheduled for sale, and the resulting decreases in the carrying amounts were recorded as impairment losses on fixed assets in the aggregate amount of ¥4,911 million in extraordinary losses.

The realizable values of the assets concerned are determined at the net sale values. The net sale values are computed based on the appraisal values by independent appraisers.

March 31, 2010

3. Consolidated net income per share for the year ended March 31, 2010 was ¥89.84.

Consolidated net income per share is computed based on the following figures: Consolidated net income and Consolidated net income available to common stockholders, ¥37,640 million; and Average outstanding common shares during the year, 418,960 thousand shares. Earnings per share after adjustment for dilutive effect of shares is not presented as any dilutive securities exist.

4. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2011

5. Other extraordinary losses include business integration costs (¥39,710 million), losses on cumulative adjustment for the adoption of "Accounting Standard for Asset Retirement Obligations" (¥2,316 million) and contributions relating to the building construction (¥2,136 million).

6. Consolidated net income per share for the year ended March 31, 2011 was ¥8.68.

Consolidated net income per share is computed based on the following figures: Consolidated net income and Consolidated net income available to common stockholders, ¥5,420 million; and Average outstanding common shares during the year, 624,048 thousand shares. Earnings per share after adjustment for dilutive effect of shares is not presented as any dilutive securities exist.

7. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2010

March 31, 2011

Notes to Consolidated Statement of Comprehensive Income

1. Comprehensive income for the fiscal year ended March 31, 2010

	Yen in millions
Comprehensive income attributable to shareholders of the parent	¥ 326,846
Comprehensive income attributable to minority interests	571
Total	¥ 327,417

2. Other comprehensive income for the fiscal year ended March 31, 2010

	Yen in millions
Other comprehensive income	
Net unrealized gains/losses on investments	¥ 285,927
Net deferred gains/losses on hedge accounting for derivatives	(7,532)
Foreign currency translation adjustments	10,930
Share of other comprehensive income of affiliates accounted for by equity method	11
Total	¥ 289,337

March 31, 2010

Notes to Consolidated Statements of Changes in Net Assets

1. Type and number of shares issued and treasury stock

	Thousand of shares			March 31, 2010
	March 31, 2009	Increase	Decrease	
Issued:				
Common shares	421,320	—	—	421,320
Total	421,320	—	—	421,320
Treasury stock:				
Common shares	2,020	4,348	2	6,367
Total	2,020	4,348	2	6,367

Notes:

- The increase in the number of common treasury stocks during the year was 4,348 thousand shares in aggregate, as a result of the stock repurchase in the market (4,329 thousand shares) and repurchase of fractional stocks (19 thousand shares).
- The decrease in the number of common treasury stocks during the year was 2 thousand shares, as a result of sales of fractional stocks.

2. Dividends

(1) Dividends paid (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Aggregate amount of dividends	Dividend per share	Date of record	Effective date
General meeting of stockholders held on June 25, 2009	Common shares	¥11,321	¥27	March 31, 2009	June 26, 2009
Meeting of Board of directors held on November 19, 2009	Common shares	¥11,320	¥27	September 30, 2009	December 10, 2009

March 31, 2011

Notes to Consolidated Statements of Changes in Net Assets

1. Type and number of shares issued and treasury stock

	Thousand of shares			March 31, 2011
	March 31, 2010	Increase	Decrease	
Issued:				
Common shares	421,320	211,971	—	633,291
Total	421,320	211,971	—	633,291
Treasury stock:				
Common shares	6,367	5,018	6	11,379
Total	6,367	5,018	6	11,379

Notes:

- The increase in the number of issued common shares during the year was 211,971 thousand shares, as a result of the issuance of new shares through share exchange among the Company, AIOI and NDGI.
- The increase in the number of common treasury stocks during the year was 5,018 thousand shares in aggregate, as a result of the stock repurchase in the market (4,969 thousand shares) and repurchase of fractional stocks (41 thousand shares).
- The decrease in the number of common treasury stocks during the year was 6 thousand shares, as a result of sales of the fractional stocks.

2. Dividends

(1) Dividends paid (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Aggregate amount of dividends	Dividend per share	Date of record	Effective date
General meeting of stockholders held on June 29, 2010	Common shares	¥11,203	¥27	March 31, 2010	June 30, 2010
Meeting of Board of directors held on November 19, 2010	Common shares	¥16,792	¥27	September 30, 2010	December 10, 2010

Note:

Dividends in the amount of ¥38,373 million include the dividend in the aggregate amount of ¥7,341 million paid by AIOI and the dividend in the aggregate amount of ¥3,036 million paid by NDGI (Both dividends were paid based on a resolution at each general stockholders' meeting held on June 29, 2010. Date of record: March 31, 2010, effective date: June 30, 2010, source of dividend: retained earnings).

March 31, 2010

(2) Dividends to be made effective in the following year for which the date of record is in the current reporting period (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Aggregate amount of dividends	Source of dividend	Dividend per share	Date of record	Effective date
General meeting of stockholders to be held on June 29, 2010	Common shares	¥11,203	Retained earnings	¥27	March 31, 2010	June 30, 2010

3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

Notes to Consolidated Statements of Cash Flows

1. Reconciliation of balance sheet items to cash and cash equivalents outstanding

	Yen in millions
Cash, deposits and savings	¥ 313,389
Call loans	33,700
Receivables under resale agreements	15,998
Monetary claims bought	108,158
Money trust	10,592
Securities	5,497,537
Time deposit with an original maturity of more than three months	(58,376)
Monetary claims bought other than cash equivalents	(73,359)
Money trust other than cash equivalents	(9,092)
Securities other than cash equivalents	(5,461,390)
Cash and cash equivalents	¥ 377,158

March 31, 2011

(2) Dividends to be made effective in the following year for which the date of record is in the current reporting period (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Aggregate amount of dividends	Source of dividend	Dividend per share	Date of record	Effective date
General meeting of stockholders to be held on June 29, 2011	Common shares	¥16,791	Retained earnings	¥27	March 31, 2011	June 30, 2011

3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

Notes to Consolidated Statements of Cash Flows

1. Reconciliation of balance sheet items to cash and cash equivalents outstanding

	Yen in millions
Cash, deposits and savings	¥ 623,606
Call loans	52,554
Receivables under resale agreements	23,094
Monetary claims bought	117,169
Money trust	11,580
Securities	7,818,573
Time deposit with an original maturity of more than three months	(94,205)
Monetary claims bought other than cash equivalents	(72,258)
Money trust other than cash equivalents	(10,880)
Securities other than cash equivalents	(7,781,967)
Cash and cash equivalents	¥ 687,267

2. Breakdown of assets and liabilities of the companies newly included in the scope of consolidation as a result of the share exchange

The amounts of assets and liabilities of the companies as a result of the Share Exchange with and between AIOI and NDGI through which the Company became the parent owning the entire shares of AIOI and NDGI, are as follows: (Yen in millions)

Total assets	¥4,060,858
(Investments in securities)	2,637,606)
Goodwill	¥ 32,776
Total liabilities	¥3,528,791
(Underwriting funds)	3,350,499)

Total assets include cash and cash equivalents in the amount of ¥249,614 million, and they are recorded in "Increase in cash and cash equivalents relating to business combination, etc."

March 31, 2010

2. Significant non-cash transactions

Assets and liabilities recorded on new finance lease transactions in the current year amounted to ¥1,058 million.

3. Cash flows from investing activities include cash flows from investments made as part of the insurance business.

March 31, 2011

3. Breakdown of increases in assets and liabilities relating to comprehensive transfer of insurance contracts

The details of increases in assets and liabilities derived from the comprehensive transfer of insurance contracts from Sumi-Sei General Insurance Company Limited to MSI, a consolidated subsidiary of the Company, are as follows: (Yen in millions)

Total assets	¥ 1,402
Total liabilities	¥30,759
(Underwriting funds)	30,669)

The settlement amount of ¥27,479 million determined based on the difference (¥29,356 million) between the assets and liabilities after deducting the amount (¥1,876 million) corresponding to agency commissions relating to the transferred contracts is recorded in "Increase in cash and cash equivalents relating to business combination, etc."

4. Significant non-cash transactions

(1) The amounts of assets acquired and liabilities assumed as a result of acquisition of the non-life insurance business of Hong Leong Assurance Berhad by MSIG Insurance (Malaysia) Bhd., a consolidated subsidiary, are as follows: (Yen in millions)

Total assets	¥ 8,906
(Cash and deposits)	4,464)
(Investments in securities)	3,075)
Goodwill	¥16,808
Total liabilities	¥ 8,906
(Underwriting funds)	7,565)

Total assets above include cash and cash equivalents in the amount of ¥3,995 million and they are recorded in "Proceeds from acquisition of business."

(2) Asset retirement obligations newly recorded in the current year amounted to ¥5,692 million.

(3) Assets and liabilities recorded on new finance lease transactions in the current year amounted to ¥1,992 million.

5. Cash flows from investing activities include cash flows from investments made as part of the insurance business.



あずさ監査法人

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of MS&AD Insurance Group Holdings, Inc. and consolidated subsidiaries as of March 31, 2010 and 2011, the related consolidated statements of income, changes in net assets and cash flows for the years then ended and the related consolidated statement of comprehensive income for the year ended March 31, 2011, expressed in Japanese yen. These consolidated financial statements are 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 conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MS&AD Insurance Group Holdings, Inc. and consolidated subsidiaries as of March 31, 2010 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

KPMG AZSA LLC

Tokyo, Japan
May 17, 2011

KPMG A/SA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

Corporate Information

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Overview of Subsidiaries and Affiliates

As of March 31, 2011

1. DOMESTIC

Company	Capital (¥ million)	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiary (%)	Establishment	Business Line
Mitsui Sumitomo Insurance Company, Limited	139,595	100.0	—	1918	Non-life insurance
Aioi Nissay Dowa Insurance Company, Limited	100,005	100.0	—	1918	Non-life insurance
Mitsui Direct General Insurance Company, Limited	32,600	69.6	—	1999	Non-life insurance
Mitsui Sumitomo Kirameki Life Insurance Company, Limited	35,500	100.0	—	1996	Life insurance
Aioi Life Insurance Company, Limited	30,000	—	100.0	1996	Life insurance
Mitsui Sumitomo MetLife Insurance Company, Limited*	41,060	51.0	—	2001	Life insurance
Mitsui Sumitomo Insurance Venture Capital Company, Limited	1,000	—	100.0	1990	Financial services
Sumitomo Mitsui Asset Management Company, Limited	2,000	—	27.5	1985	Financial services

* Name changed to Mitsui Sumitomo Primary Life Insurance Company, Limited as of April 1, 2011.

2. OVERSEAS

Company	Capital (¥ million)	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiary (%)	Establishment	Business Line
MSIG Holdings (Americas), Inc.	US\$3.6 million	—	100.0	1988	Management control services of subsidiaries as a holding company
Mitsui Sumitomo Insurance USA Inc.	US\$5 million	—	100.0	1988	Insurance
Mitsui Sumitomo Insurance Company of America	US\$5 million	—	100.0	2001	Insurance
Aioi Nissay Dowa Insurance Company of America	US\$5 million	—	100.0	1994	Insurance
DTRIC Insurance Company, Limited	US\$2.5 million	—	74.8	1978	Insurance
DTRIC Insurance Underwriters, Limited	US\$2.5 million	—	100.0	2007	Insurance
Mitsui Sumitomo Seguros S/A.	R\$281,368 thousand	—	99.0	1965	Insurance
MSIG Holdings (Europe) Limited	£541.843 million	—	100.0	2000	Management control services of subsidiaries as a holding company
Mitsui Sumitomo Insurance (London Management) Ltd.	£35.96 million	—	100.0	2000	Business management services

Company	Capital (¥ million)	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiary (%)	Establishment	Business Line
Mitsui Sumitomo Insurance Company (Europe), Limited	£66.9 million	—	100.0	1972	Insurance
Mitsui Sumitomo Insurance (London) Limited	£529.107 million	—	100.0	1975	Insurance
MSI Corporate Capital Limited	£5.2 million	—	100.0	2000	Insurance
Aioi Nissay Dowa Insurance Company of Europe Limited	£183.756 million	—	100.0	2004	Insurance
Dowa Insurance Company (Europe) Limited	£10 million	—	100.0	1975	Insurance
Aioi Nissay Dowa Life Insurance of Europe AG	€5 million	—	100.0	2005	Insurance
MS Frontier Reinsurance Limited	US\$294.588 million	—	100.0	1997	Reinsurance
Mitsui Sumitomo Reinsurance Limited	€20 million	—	100.0	1999	Reinsurance
MSIG Holdings (Asia) Pte. Ltd.	S\$673,515 thousand	—	100.0	2004	Management control services of subsidiaries as a holding company
MSIG Insurance (Singapore) Pte. Ltd.	S\$333,442 thousand	—	100.0	2004	Insurance
MSIG Mingtai Insurance Co., Ltd.	NT\$2,535 million	—	100.0	1961	Insurance
Mitsui Sumitomo Insurance (China) Company Limited	RMB500,000 thousand	—	100.0	2007	Insurance
MSIG Insurance (Hong Kong) Limited	HK\$1,625,842 thousand	—	100.0	2004	Insurance
Aioi Nissay Dowa Insurance (China) Company Limited	RMB260,000 thousand	—	100.0	2009	Insurance
MSIG Insurance (Vietnam) Company Limited	VND300,000 million	—	100.0	2009	Insurance
PT. Asuransi MSIG Indonesia	Rp40,000 million	—	80.0	1975	Insurance
MSIG Insurance (Thailand) Co., Ltd.	THB142,666 thousand	—	80.3	1983	Insurance
MSIG Insurance (Malaysia) Bhd.	MYR333,142 thousand	—	65.4 [1.4]	1979	Insurance
Hong Leong Assurance Berhad	MYR200,000 thousand	—	30.0	1982	Insurance
MSIG Insurance (Lao) Co., Ltd.	US\$2 million	—	51.0	2009	Guarantees for obligations relating to reinsurance policies

Notes: 1. Figures in [] represent percentage of voting rights belonging to closely allied entities or entities who are in agreement with MS&AD on voting issues.

2. Companies marked with * are included as subsidiaries in reality MS&AD exercises control over them, but at the same time has a holding of less than 50%.

3. Mitsui Sumitomo MetLife Insurance Company, Limited was converted to a wholly owned subsidiary of MS&AD Holdings, Inc. and the name changed to Mitsui Sumitomo Primary Life Insurance Company, Limited on April 1, 2011.

Overseas Network

(As of July 31, 2011)

-
- ☆ Overseas Branches
 - ★ Overseas Offices
 - Overseas Subsidiaries and Affiliates
 - △ Branches or Offices of Overseas Subsidiaries and Affiliates
 - Underwriting Agents for Head Office
-

ASIA AND OCEANIA

SINGAPORE

<MS&AD HOLDINGS>

- Interisk Asia Pte. Ltd.

<MSI>

- MSIG Holdings (Asia) Pte. Ltd.
- MSIG Insurance (Singapore) Pte. Ltd.
- △ Mitsui Sumitomo Reinsurance Limited Singapore Branch
- MS Frontier Re Modeling Research Pte. Ltd.

<AIOI NISSAY DOWA>

- Aioi Nissay Dowa Insurance Agency Singapore Pte. Ltd.

THAILAND

<MSI>

- ☆ Thailand Branch
- MSIG Insurance (Thailand) Co., Ltd.
- MSI Holding (Thailand) Company Limited
- MSIG Service and Adjusting (Thailand) Company Limited
- Calm Sea Service Company Limited
- MBTS Broking Services Company Limited
- MBTS Life Insurance Broker Co., Ltd.
- Ueang Mai Co., Ltd.
- Yardhimar Company Limited

<AIOI NISSAY DOWA>

- ★ Bangkok Representative Office
- Aioi Bangkok Insurance Co., Ltd.
- Bangkok Chayorath Co., Ltd.
- Bangkok Chayolife Co., Ltd.
- Kawasaki-Dowa Agency Ltd.

MALAYSIA

<MSI>

- MSIG Insurance (Malaysia) Bhd.
- MSIG Berhad
- Hong Leong Assurance Berhad
- Hong Leong MSIG Takaful Berhad
- △ Mitsui Sumitomo Reinsurance Limited Labuan Branch
- Labuan Branch Kuala Lumpur Office

PHILIPPINES

<MSI>

- BPI/MS Insurance Corporation
- FLT Prime Insurance Corporation

INDONESIA

<MSI>

- PT. Asuransi MSIG Indonesia
- PT. Auto Management Services
- PT. Asuransi Jiwa Sinarmas MSIG

REPUBLIC OF KOREA

<MSI>

- ☆ Korea Branch

<AIOI NISSAY DOWA>

- ★ Lotte Insurance Co., Ltd.*
- *Liaison office

PEOPLE'S REPUBLIC OF CHINA

<MS&AD HOLDINGS>

- InterRisk Consulting (Shanghai) Co.,Ltd

<MSI>

- Mitsui Sumitomo Insurance (China) Company Limited
- △ Guangdong Branch Shenzhen Marketing Service Department
- △ Beijing Branch
- △ Jiangsu Branch Suzhou Marketing Service Department
- ★ China General Representative Office
- ★ Dalian Representative Office
- ★ Chengdu Representative Office
- ★ Hangzhou Representative Office
- ★ Qingdao Representative Office

<AIOI NISSAY DOWA>

- ★ Beijing Representative Office
- ★ Guangzhou Representative Office
- ★ Ping An Property & Casualty Insurance Company of China, Ltd.*
- *Liaison office
- Aioi Nissay Dowa Insurance (China) Company Limited
- △ Zhejiang Branch
- Guangzhou Guang Ai Insurance Brokers Co., Ltd.

HONG KONG

<MSI>

- MSIG Insurance (Hong Kong) Limited
- Oriental Management Services Limited
- M&H Insurance Agency Limited

<AIOI NISSAY DOWA>

- ★ Hong Kong Representative Office

TAIWAN

<MSI>

- MSIG Mingtai Insurance Co., Ltd.

<AIOI NISSAY DOWA>

- ★ Taipei Representative Office

VIETNAM

<MSI>

- MSIG Insurance (Vietnam) Company Limited
- ★ Hanoi Representative Office
- ★ Ho Chi Minh Representative Office

<AIOI NISSAY DOWA>

- ★ Hanoi Representative Office

INDIA

<MSI>

- Cholamandalam MS General Insurance Company Limited
- Cholamandalam MS Risk Services Limited
- ★ New Delhi Representative Office

MYANMAR

<MSI>

- ★ Yangon Representative Office

CAMBODIA

<MSI>

- Asia Insurance (Cambodia) Plc.

LAOS

<MSI>

- MSIG Insurance (Lao) Co.,Ltd.

AUSTRALIA

<MSI>

- ☆ Australia Branch
- ★ Sydney Representative Office
- ★ Melbourne Representative Office

<AIOI NISSAY DOWA>

- ☆ Australian Branch
- ★ Sydney Representative Office
- ★ Melbourne Representative Office
- Aioi Nissay Dowa Management Australia Pty. Ltd

NEW ZEALAND

<MSI>

- ☆ New Zealand Branch
- ★ New Zealand Representative Office

<AIOI NISSAY DOWA>

- Aioi Nissay Dowa Management New Zealand Limited

PAPUA NEW GUINEA

<MSI>

- ☆ Papua New Guinea Branch
- ★ Papua New Guinea Representative Office

THE AMERICAS

U.S.A.

<MSI>

- MSIG Holdings (Americas), Inc.
- Mitsui Sumitomo Insurance Company of America
- Mitsui Sumitomo Insurance USA Inc.
- Mitsui Sumitomo Marine Management (U.S.A.), Inc.
- △ New York Office
- △ Los Angeles Office
- △ Cincinnati Office
- △ Atlanta Office
- △ Chicago Office
- △ Detroit Office
- MSI Risk Management Services, Inc.
- Seven Hills Insurance Agency, LLC
- MSI Claims (USA), Inc.
- MSI GuaranteedWeather, LLC
- Vortex Insurance Agency, LLC

<AIOI NISSAY DOWA>

- ★ New York Representative Office
- ★ Chicago Representative Office
- ★ Kentucky Representative Office
- ★ Los Angeles Representative Office
- ★ Honolulu Representative Office
- Aioi Nissay Dowa Insurance Company of America
- △ New York Branch
- △ Kentucky Branch
- △ Los Angeles Branch
- △ Detroit Branch
- DTRIC Insurance Company, Limited
- DTRIC Insurance Underwriters, Limited

GUAM (U.S.A.)

<AIOI NISSAY DOWA>

- Takagi & Associates, Inc.

NORTHERN MARIANAS (U.S.A.)

<AIOI NISSAY DOWA>

- Takagi & Associates, Inc. Saipan Branch

CANADA

<MSI>

- ★ Toronto Representative Office c/o Chubb Insurance Company of Canada
- Chubb Insurance Company of Canada

BERMUDA

<MS&AD HOLDINGS>

- Interisk Global Management (Bermuda) Limited

<MSI>

- MS Frontier Reinsurance Limited
- SPAC Insurance (Bermuda) Limited
- MSI GuaranteedWeather Trading Ltd.

MEXICO

<MSI>

- △ MSIG Holdings (Americas), Inc. Mexican Representative Office c/o Mapfre Tepeyac, S.A.

PANAMA

<MSI>

- ★ Panama Representative Office

BRAZIL

<MSI>

- Mitsui Sumitomo Seguros S/A.
- Mitsui Sumitomo Insurance Company Limited-Escritório de Representação no Brasil Ltda.
- ★ São Paulo Representative Office

COLOMBIA

<MSI>

- ★ Bogotá Representative Office

PERU

<MSI>

- ★ Lima Representative Office

ARGENTINA

<MSI>

- ★ Buenos Aires Representative Office

EUROPE AND THE MIDDLE EAST

UNITED KINGDOM

<MSI>

- MSIG Holdings (Europe) Limited
- Mitsui Sumitomo Insurance Company (Europe), Limited
- △ UK Branch
UK Branch Derby Office
- MSIG Corporate Services (Europe) Limited
- Mitsui Sumitomo Insurance (London Management) Ltd.
- MSI Corporate Capital Limited
- Mitsui Sumitomo Insurance (London) Limited
- Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited

<AIOI NISSAY DOWA>

- ★ London Representative Office
- Aioi Nissay Dowa Insurance Company of Europe Limited
- Aioi Nissay Dowa Insurance Management Limited
- Toyota Insurance Management Limited
- Dowa Insurance Company (Europe) Limited

IRELAND

<MSI>

- Mitsui Sumitomo Reinsurance Limited

GERMANY

<MSI>

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
German Branch
- MSIG German Services GmbH

<AIOI NISSAY DOWA>

- △ Aioi Nissay Dowa Insurance Company of Europe Limited
German Branch
- △ Toyota Insurance Management Limited
German Branch
- Aioi Nissay Dowa Life Insurance of Europe AG

THE NETHERLANDS

<MSI>

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
The Netherlands Branch

<AIOI NISSAY DOWA>

- Aioi Nissay Dowa Insurance Company of Europe Limited c/o W.A. Hienfeld B.V.

FRANCE

<MSI>

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
France Branch

<AIOI NISSAY DOWA>

- ★ Paris Representative Office
- △ Aioi Nissay Dowa Insurance Company of Europe Limited
French Branch
- △ Toyota Insurance Management Limited
French Branch

BELGIUM

<MSI>

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
Belgium Branch

<AIOI NISSAY DOWA>

- ★ Brussels Representative Office
- △ Aioi Nissay Dowa Insurance Company of Europe Limited
Belgian Branch
- △ Toyota Insurance Management Limited
Belgian Branch

SWITZERLAND

<MSI>

- MS Frontier Reinsurance Limited
Switzerland Branch

SPAIN

<MSI>

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
Spain Branch

<AIOI NISSAY DOWA>

- △ Aioi Nissay Dowa Insurance Company of Europe Limited
Spanish Branch
- △ Toyota Insurance Management Limited
Spanish Branch

ITALY

<MSI>

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
Italy Branch

<AIOI NISSAY DOWA>

- △ Aioi Nissay Dowa Insurance Company of Europe Limited
Italian Branch
- △ Toyota Insurance Management Limited
Italian Branch

CZECH REPUBLIC

<MSI>

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
Czech Branch

SLOVAKIA

<MSI>

- △ Mitsui Sumitomo Insurance Company
(Europe), Limited
Slovakia Branch

RUSSIA

<MSI>

- ★ Moscow Representative Office
- ★ St. Petersburg Representative Office

<AIOI NISSAY DOWA>

- ★ Moscow Representative Office

NORWAY

<MSI>

- SMA MSI AS

<AIOI NISSAY DOWA>

- Aioi Nissay Dowa Insurance Company of
Europe Limited c/o Tennant Forsikring
NUF

UNITED ARAB EMIRATES

<MSI>

- ★ Dubai Representative Office
- ★ Abu Dhabi Representative Office

QATAR

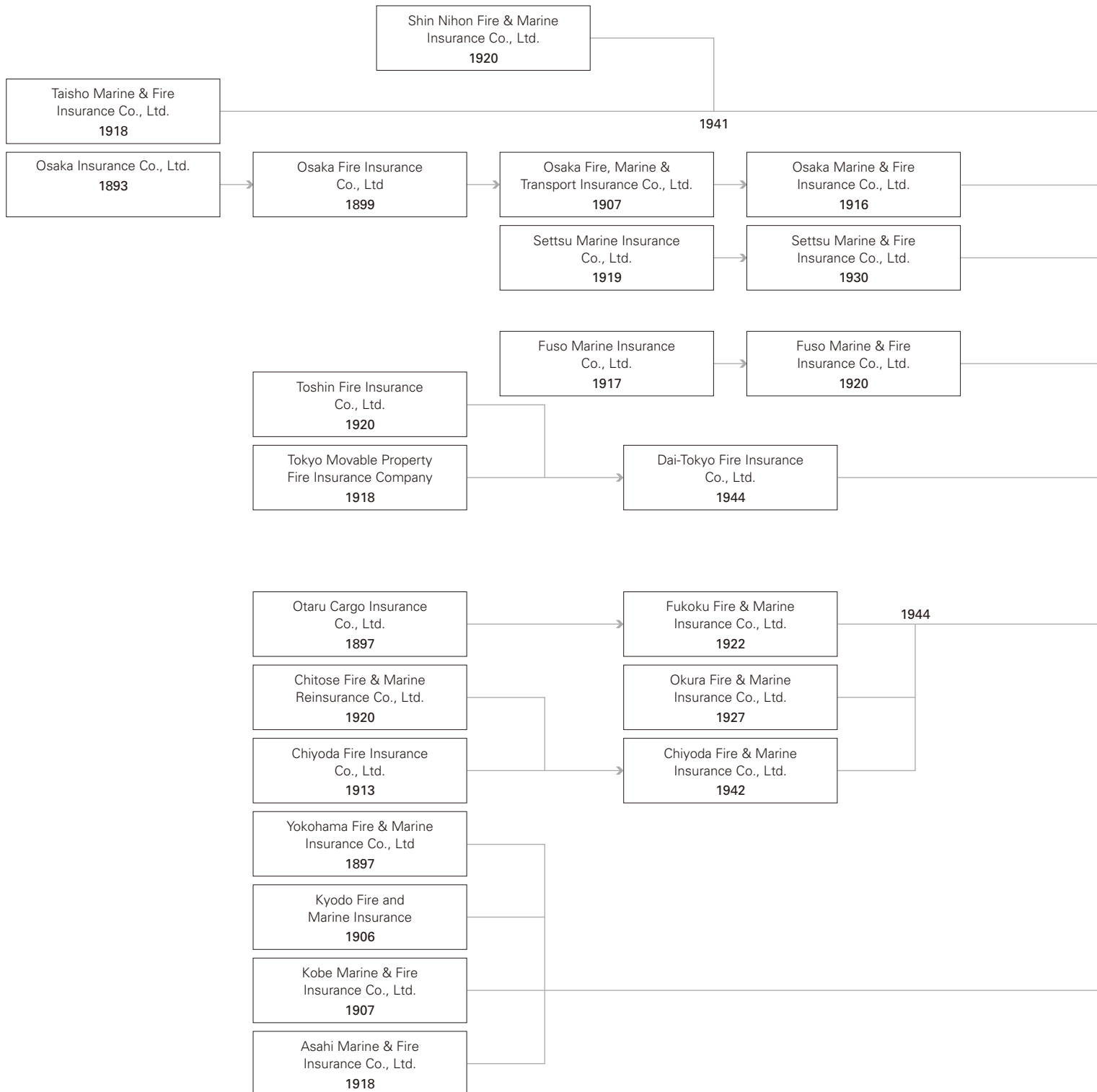
<MSI>

- △ Mitsui Sumitomo Insurance Company
(Europe), Limited
Qatar Branch

History

APRIL 2008

MSIG IPO on Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange, MSIG is incorporated.



SEPTEMBER 2009

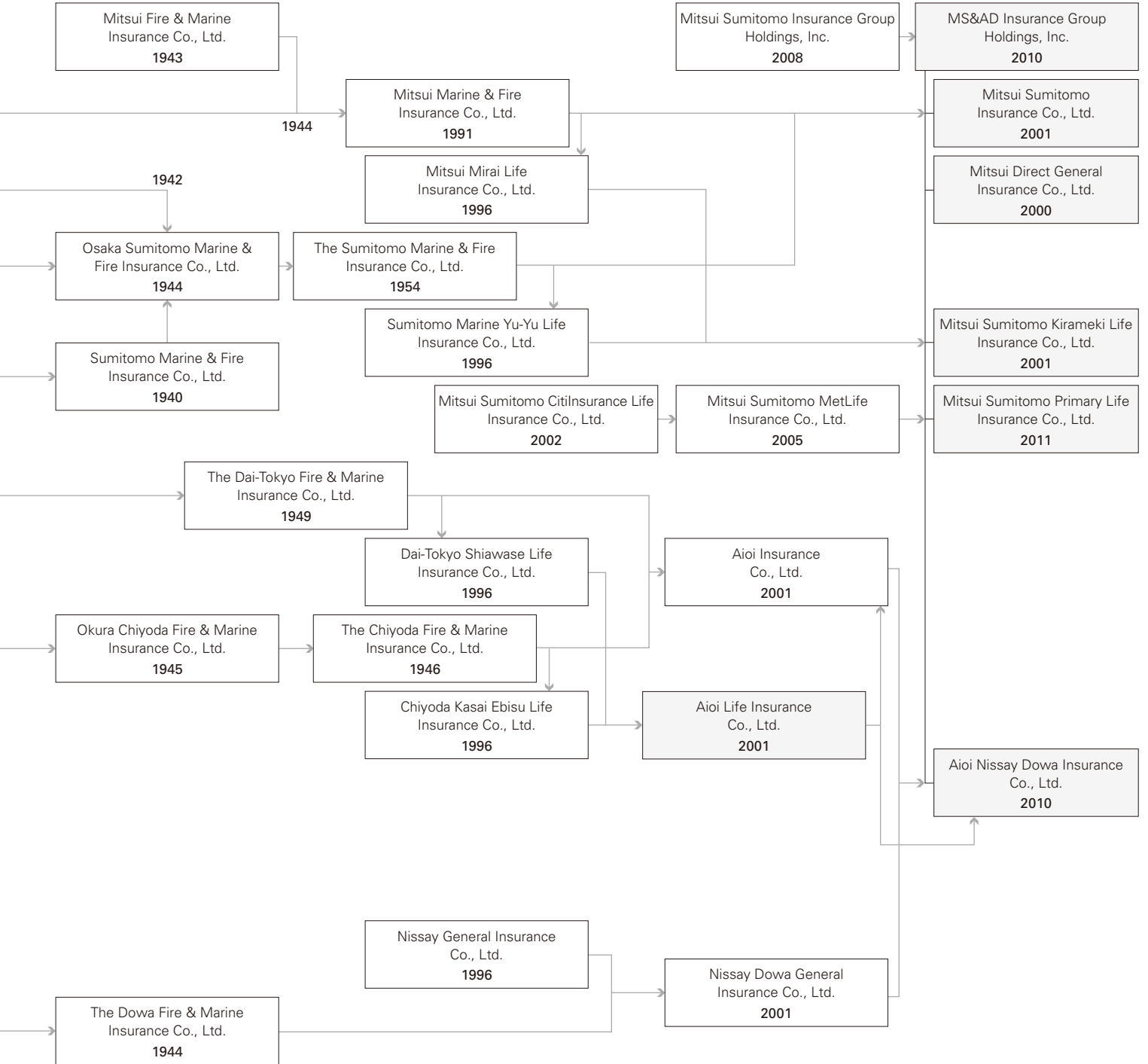
Aioi Insurance, Nissay Dowa General Insurance, and Mitsui Sumitomo Insurance Group reach basic agreement on business integration.

OCTOBER 2010

Aioi Nissay Dowa Insurance Co., Ltd. was created through merger of Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd.

APRIL 2010

Name change to MS&AD Insurance Group Holdings



Company Data

MS&AD Insurance Group Holdings, Inc. is the holding company of the new Group formed in April 2010 through the merger of Mitsui Sumitomo Insurance Group Holdings, Inc., Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd.

The purpose of the new Group is to achieve sustainable growth and to enhance enterprise value through the creation of a world-leading insurance and financial services group that operates globally, by rapidly and significantly improving quality and expanding its operating presence and corporate resources.

Company Data

CORPORATE NAME	MS&AD Insurance Group Holdings, Inc. Abbrev.: MS&AD Holdings
DATE ESTABLISHED	April 1, 2008 (Name changed on April 1, 2010)
HEADQUARTERS	Yaesu First Financial Building, Yaesu 1-3-7, Chuo-ku, Tokyo, 103-0028 Japan
REPRESENTATIVE	Representative Director, President & CEO Toshiaki Egashira
PAID-IN CAPITAL	100,000,000,000 yen
NUMBER OF EMPLOYEES	94 (As of March 31, 2011)
BUSINESS DESCRIPTION	Our activities as a holding insurance company are: 1. Management of non-life insurance companies, life insurance companies and companies qualified to become subsidiaries under Insurance Business Law. 2. Any business associated with the business listed above.
STOCK LISTING	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section) Nagoya Stock Exchange (First Section)

Stock and Shareholders

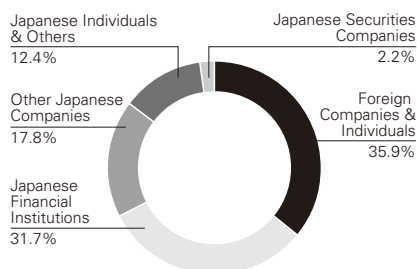
SUMMARY OF ISSUED SHARES (As of April 1, 2011)

CLASS OF STOCK	Common stock
AUTHORIZED SHARES	900,000,000 shares
ISSUED SHARES	633,291,754 shares

SHAREHOLDING PROFILE (As of March 31, 2011)

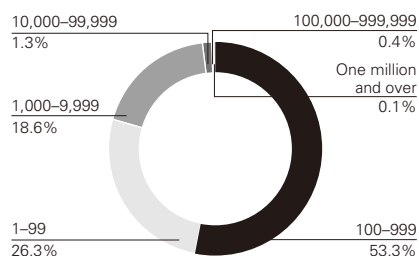
BREAKDOWN BY SECTOR

(Percentage of shares issued)



BREAKDOWN BY NUMBER OF SHARES HELD

(Percentage of all shareholders)



KEY INFORMATION

FISCAL YEAR	Apr. 1 to Mar. 31 of the following year
ANNUAL SHAREHOLDERS' MEETING	Within 3 months of the end of each fiscal year
DATE OF RECORD FOR DIVIDENDS	Sep. 30 for interim dividends Mar. 31 for year-end dividends
CONTACT	The Sumitomo Trust and Banking Co., Ltd., Stock Transfer Agency Dept. (Nikko-cho 1-10, Fuchu, Tokyo 183-8701 Japan)
ADMINISTRATOR OF SHAREHOLDERS' REGISTRY	The Sumitomo Trust and Banking Co., Ltd. (Kitahama 4-5-33 Chuo-ku, Osaka, Japan)
PLACE OF BUSINESS OF ADMINISTRATOR OF SHAREHOLDERS' REGISTRY	The Sumitomo Trust and Banking Co., Ltd., Stock Transfer Agency Dept. (Yaesu 2-3-1, Chuo-ku, Tokyo, Japan)

MS&AD MS&AD Insurance Group Holdings, Inc.

Corporate Communications and Investor Relations Dept.
Yaesu First Financial Building, Yaesu 1-3-7, Chuo-ku, Tokyo, 103-0028 Japan
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Facsimile: +81-3-6202-6882
E-mail: ms_ad_ir@ms-ad-hd.com
URL: <http://www.ms-ad-hd.com/en/ir/index.html>

