



# ANNUAL REPORT 2010

FOR THE YEAR ENDED MARCH 31, 2010

**MS&AD** MS&AD Insurance Group Holdings, Inc.

PROFILE



On April 1, 2010 Mitsui Sumitomo Insurance Group Holdings, Inc., Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd., joined together as one group.

They have formed Japan's No. 1\* insurance group, under the holding company, MS&AD Insurance Group Holdings, Inc.

The combined power of the three companies is impacting on Japan and the world at large.

\* For calculation basis, please refer to page 4, "DOMESTIC (JAPAN) POSITION."

## AIMING TO BE THE WORLD-LEADING GROUP OF INSURANCE AND FINANCE



### LOGO CONCEPT

The deep, calm, blue-tinted green of the MS&AD logo represents our promise to provide sincere responses and high quality services to the people of the world, while the fresh, clean-cut font type represents a commitment to professionalism. The logo shows the resolute nature of the MS&AD Insurance Group's approach to the global insurance and finance markets.

# CONTENTS

002	CONTENTS
003	FINANCIAL HIGHLIGHTS
004	GLOBAL POSITION/DOMESTIC (JAPAN) POSITION
006	<b>TO OUR SHAREHOLDERS</b>
008	<b>INTERVIEW WITH THE PRESIDENT</b>
018	BUSINESS OVERVIEW MS&AD AT A GLANCE
□	DOMESTIC NON-LIFE INSURANCE BUSINESS
020	Mitsui Sumitomo Insurance Co., Ltd.
022	Aioi Nissay Dowa Insurance Co., Ltd.
026	Mitsui Direct General Insurance Co., Ltd.
□	DOMESTIC LIFE INSURANCE BUSINESS
027	Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
029	Aioi Life Insurance Co., Ltd.
030	Mitsui Sumitomo MetLife Insurance Co., Ltd.
□	OVERSEAS BUSINESS
032	Mitsui Sumitomo Insurance/ Aioi Nissay Dowa Insurance
□ □	FINANCIAL SERVICES AND RISK-RELATED BUSINESS
034	Financial Services and Risk-Related Business
035	MANAGEMENT INFORMATION
036	Group Structure
037	Aspirations for the New Integrated Group
038	MS&AD New Frontier 2013
040	Corporate Governance
042	Basic Policy Regarding Internal Control System
044	Directors, Executive Officers and Auditors
046	Internal and External Audits
047	Disclosure Policy
048	Risk Management
050	Compliance
051	Privacy Protection Policy
053	CSR
054	Environmental Initiatives
056	Social Contribution Activities
057	FINANCIAL SECTION
103	CORPORATE INFORMATION

In the presentation, the following abbreviations appear for company names.

MS&AD, The Group	MS&AD Insurance Group
MS&AD Holdings, The holding company, or the Company	MS&AD Insurance Group Holdings, Inc.
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.
Mitsui Direct	Mitsui Direct General Insurance Co., Ltd.
MSI Kirameki Life	Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
Aioi Life	Aioi Life Insurance Co., Ltd.
MSI MetLife	Mitsui Sumitomo MetLife Insurance Co., Ltd.

The new company which will be formed on Oct 1, 2010 with the merger of Aioi Insurance Co., Ltd., and Nissay Dowa General Insurance Co., Ltd., is abbreviated as "Aioi Nissay Dowa Insurance" in the presentation.

## 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.

# FINANCIAL HIGHLIGHTS

Mitsui Sumitomo Insurance Company, Limited and Subsidiaries for the Years Ended March 31, 2006, 2007, 2008, and Mitsui Sumitomo Insurance Group Holdings, Inc. and Subsidiaries for the Year Ended March 31, 2009, 2010

	Yen in millions					Dollars in millions
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
<b>Ordinary income:</b>	¥2,106,874	¥2,117,072	¥2,137,603	¥2,040,013	¥1,962,689	\$21,104
Net premiums written	1,464,107	1,492,808	1,541,032	1,445,651	1,394,164	14,991
<b>Ordinary profit (loss)</b>	127,710	91,684	60,866	(13,044)	52,695	567
<b>Net income</b>	71,660	60,796	40,027	8,192	37,640	405
<b>Net assets</b>	2,027,469	2,182,877	1,671,517	1,023,021	1,311,082	14,098
<b>Total assets</b>	8,592,873	9,011,652	8,397,718	7,440,709	7,519,625	80,856
	Yen					Dollars
<b>Net income per share</b>						
Basic	¥ 50.27	¥ 42.82	¥ 28.37	¥ 19.45	¥ 89.84	\$ 0.97
<b>Net assets per share</b>	1,427.17	1,536.71	1,178.48	2,411.70	3,143.32	33.80
<b>Equity ratio</b>	23.60%	24.06%	19.71%	13.59%	17.35%	—
<b>Return on equity</b>	4.11%	2.90%	2.09%	0.61%	3.25%	—
<b>Price earnings ratio</b>	31.85	34.54	35.50	116.97	28.88	—
	Yen in millions					Dollars in millions
<b>Cash flows</b>						
Cash flows from operating activities	¥ 313,007	¥ 227,417	¥ 189,688	¥ 38,612	¥ (33,930)	\$ (365)
Cash flows from investing activities	(264,352)	(220,522)	(185,621)	94,495	52,741	567
Cash flows from financing activities	(33,580)	(37,358)	(329)	4,184	(104,320)	(1,122)
Cash and cash equivalents at the end of year	386,179	365,350	364,081	455,430	377,158	4,055
<b>Number of employees</b>	18,154	18,882	20,237	21,336	21,908	—

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

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

	Yen in millions		Dollars in millions
	FY2008	FY2009	FY2009
Net premiums written	¥ 2,591,099	¥ 2,519,022	\$ 27,086
Ordinary profit (loss)	(52,914)	99,131	1,066
Net income (loss)	(9,489)	57,340	617
Total assets	11,345,045	11,481,312	123,455

Notes: 1. U.S. dollar amounts in this table have been translated from yen, for convenience only, at the rate of ¥93=US\$1. For details, see Note 1 of the Notes to Consolidated Financial Statements.

2. Effective from the year ended March 31, 2007, MSIG adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8, issued on December 9, 2005).

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

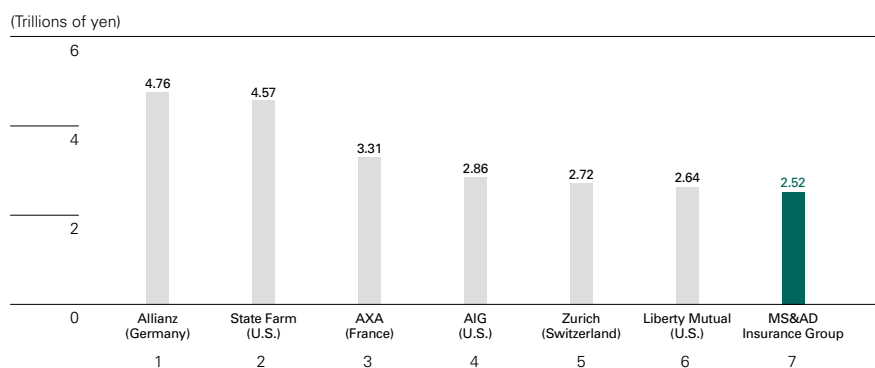
## GLOBAL POSITION/DOMESTIC (JAPAN) POSITION

With this business integration, MS&AD Insurance Group ranks in the global top 10 and is number one in the domestic market by non-life insurance premiums written.

Capitalizing on our large sales force and customer base as a Group strength in the non-life insurance business we intend to grow our earnings and enhance our corporate value.

### □ GLOBAL POSITION

#### NON-LIFE INSURANCE COMPANY RANKINGS BY PREMIUM INCOME



MS&AD would rank 7th in the world in terms of consolidated net premiums written when most recent earnings results of each non-life insurance company were converted at the foreign exchange rate for March 31, 2010 (MS&AD research).

\* Consolidated net premiums written for the most recent fiscal year, converted according to exchange rates as of March 31, 2010.

Source: Respective company financial statements

### □ DOMESTIC (JAPAN) POSITION

#### NON-LIFE INSURANCE COMPANY RANKINGS BY NET PREMIUMS WRITTEN (FY2009)

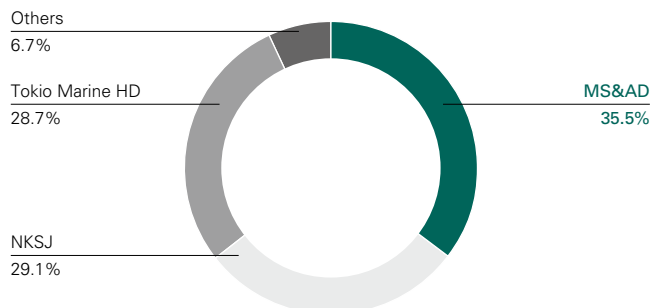
\* Consolidated basis. Nissay Dowa figure is non-consolidated.

1. Tokio Marine Holdings	2,292.9 billion yen	→	1. MS&AD	2,519.0 billion yen
2. MSI	1,394.9 billion yen	→	2. Tokio Marine Holdings	2,292.9 billion yen
3. Sompo Japan	1,290.9 billion yen	→	3. NKSJ	1,935.9 billion yen
4. Aioi	811.4 billion yen			
5. Nipponkoa	645.0 billion yen			
6. Nissay Dowa	312.6 billion yen			

MS&AD ranks top in the domestic non-life insurance industry in terms of consolidated net premiums written for the fiscal year ended March 2010.

MARKET SHARE (MARKET SHARE AMONG TOP 9 NON-LIFE INSURANCE COMPANIES IN JAPAN)

BASED ON NET PREMIUMS WRITTEN IN FY2009

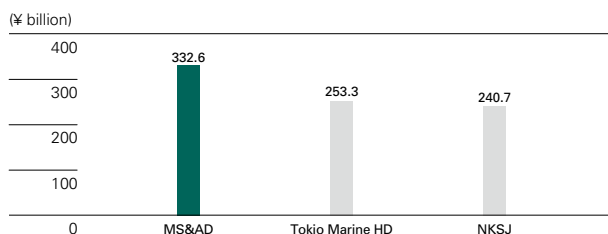


MS&AD would hold the largest market share among the nine largest insurance companies in Japan in terms of net premiums written for fiscal 2009.

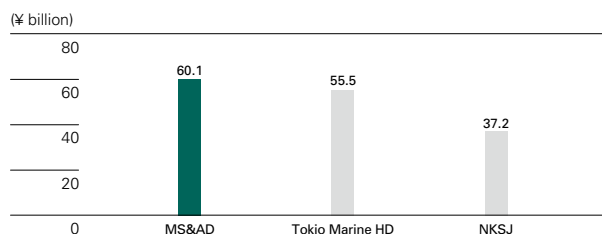
RANKINGS ON A LINE-BY-LINE BASIS OF INSURANCE

BASED ON NET PREMIUMS WRITTEN IN FY2009

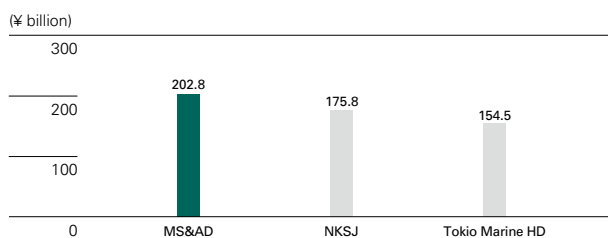
FIRE AND ALLIED



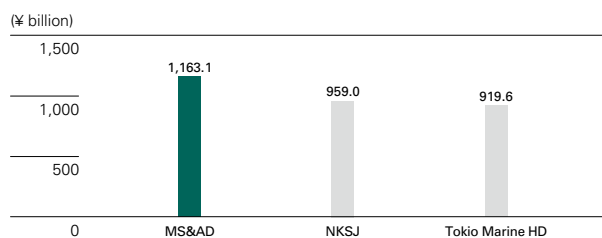
MARINE



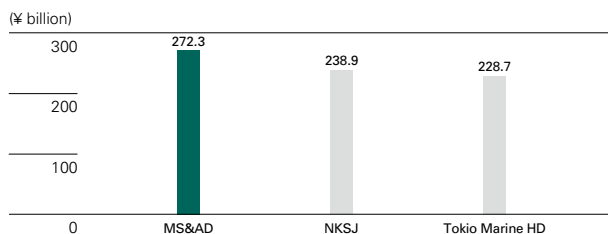
PERSONAL ACCIDENT



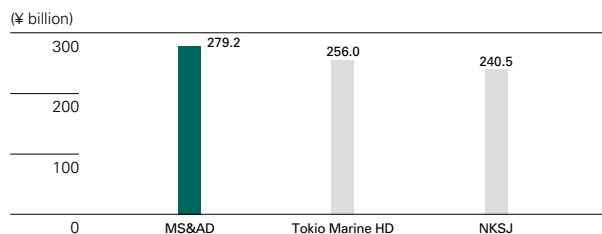
VOLUNTARY AUTOMOBILE



CALI \*



OTHERS



\*CALI: Compulsory Automobile Liability Insurance

Source: Prepared by MS&AD Holdings based on results materials of the companies

MS&AD: Simple sum of Mitsui Sumitomo Insurance, Aioi Insurance and Nissay Dowa General Insurance (Non-consolidated)

Tokio Marine HD: Simple sum of Tokio Marine & Nichido and Nisshin Fire (Non-consolidated)

NKSJ: Simple sum of Sompo Japan and Nipponkoa Insurance (Non-consolidated)

## TO OUR SHAREHOLDERS



**WE WILL LEVERAGE OUR TOP RANKING POSITION TO  
INCREASE EARNINGS AND RAISE CORPORATE VALUE**



## □ BUSINESS ENVIRONMENT

The Japanese economy has been weak overall, but some sectors showed modest signs of improvement from the second half of the period, with an increase in exports and a pickup in capital expenditure and consumer spending. The insurance industry overall continued to face a difficult business environment. In the non-life market, we saw lower written premiums amid a slump in automobile insurance and marine insurance, while the life market saw new policies continue to decrease amid ongoing decline in the birthrate and aging of the population in Japan. Despite these difficult conditions, a return to an upward trend can be seen in new vehicle sales in the first half of 2010 which broke a 5-year downward trend, rising 21.5% year on year, sparking a turnaround in revenues driven by automobile insurance.

As a newly integrated group, we seek to achieve sustainable growth and to enhance corporate value through the creation of a world-leading insurance and financial services group.

## □ STRUCTURE OF THE MS&AD INSURANCE GROUP

In October 2010, Aioi Insurance and Nissay Dowa General Insurance will merge to form Aioi Nissay Dowa Insurance. In October 2011, Mitsui Sumitomo Kirameki Life Insurance and Aioi Life Insurance are also scheduled to merge.

We plan to consider further integration of Mitsui Sumitomo Insurance (MSI) and Aioi Nissay Dowa Insurance, which form the nucleus of our non-life insurance operations. We will look at all feasible options, including another merger or reorganization by function or business line.

## □ POSITION IN THE JAPANESE MARKET

Our newly formed Group ranks in the global top 10 and is number one in the Japanese market by non-life insurance premiums written. In the non-life insurance business, scale is extremely important in terms of sales force and customer base. Capitalizing on our large sales force and customer base as a group strength, we intend to grow our earnings and enhance our corporate value.

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

MS&AD Insurance Group Holdings, Inc.



TOSHIAKI EGASHIRA  
Representative Director, President & CEO

## INTERVIEW WITH THE PRESIDENT

President & CEO Toshiaki Egashira explains the strategies of the new Medium-Term Management Plan, "MS&AD New Frontier 2013."

### OVERVIEW OF EARNINGS RESULTS FOR FISCAL 2009

#### □ QUESTION 1

Please describe the consolidated business results for fiscal 2009.



#### □ ANSWER 1

Consolidated net premiums written decreased 2.8%, while net income was up by ¥66.8 billion year on year.

Consolidated net premiums written decreased 2.8%, or ¥72 billion, to ¥2,519 billion in fiscal 2009. MSI and Aioi Insurance both saw their non-consolidated net premiums written decline, while Nissay Dowa General Insurance's non-consolidated net premiums written grew 0.6%. Factors that detracted from all non-life insurance companies' net premiums written included a reduction in automobile liability insurance premium rates in April 2008 and a slump in the marine insurance market.

On the bottom line, fiscal 2009 net income totaled ¥57.3 billion, an increase of ¥66.8 billion year on year. The increase was mainly attributable to a major improvement in net investment income relative to fiscal 2008, when investment performance was hard-hit by the financial crisis.

MSI's non-consolidated net income was down ¥21.1 billion year on year. This decrease was due to non-recurrence of a ¥25.9 billion reversal of price fluctuation reserves in fiscal 2008. MSI achieved growth in ordinary income. Net income from MSI's overseas subsidiaries increased ¥43.2 billion year on year, largely by virtue of recovery in profitability at European subsidiaries, which were adversely affected by the financial crisis in fiscal 2008. Aioi Insurance and Nissay Dowa General Insurance both regained profitability, with their combined net income increasing ¥37.5 billion year on year. Additionally, Mitsui Sumitomo MetLife Insurance achieved profitability for the first time ever. Its contribution to MSI's net income increased ¥8.9 billion year on year.

\*1 These figures are a simple sum of the figures for MSI Group Holdings (consolidated), Aioi Insurance (consolidated), and Nissay Dowa General Insurance (non-consolidated).

\*2 Figures are presented excluding "Good result return" premiums of the automobile insurance "Modo-Rich," which contains a special clause for premium adjustment and refund at maturity.

## RESULTS FOR FY2009 (SIMPLE SUM OF MS&amp;AD INSURANCE GROUP)

## KEY FINANCIAL DATA

(¥ billion)

	FY2008	FY2009		
			Change	Growth
Net premiums written	2,591.0	2,519.0	-72.0	-2.8%
Ordinary profit/loss	-52.9	99.1	152.0	-
Net income	-9.4	57.3	66.8	-

\* Simple sum of Mitsui Sumitomo Insurance Group Holdings (consolidated), Aioi (consolidated) and NDI (non-consolidated).

Figures here and below are presented exclusive of the GRR premiums of the automobile insurance "Modo-Rich," which contains a special clause for premium adjustment and refund at maturity.

## BREAKDOWN OF NET PREMIUMS WRITTEN

(¥ billion)

	FY2008	FY2009		
			Change	Growth
MSI (non-consolidated)	1,239.3	1,203.7	-35.6	-2.9%
Overseas subsidiaries	181.9	158.7	-23.2	-12.8%
Aioi (non-consolidated)	816.6	794.0	-22.6	-2.8%
Overseas subsidiaries	13.4	17.4	3.9	29.2%
NDI (non-consolidated)	310.9	312.6	1.7	0.6%
Mitsui Direct*	29.6	32.4	2.7	9.3%

\* Before consolidation adjustment

## BREAKDOWN OF NET INCOME

(¥ billion)

	FY2008	FY2009	
			Change
MSI (non-consolidated)	46.5	25.4	-21.1
Overseas subsidiaries	-22.9	20.2	43.2
Aioi (non-consolidated)	-9.5	18.1	27.7
Overseas subsidiaries	-3.1	-2.9	0.2
NDI (non-consolidated)	-6.7	3.0	9.7
Mitsui Direct*	-1.5	-0.6	0.8
MSI Kirameki Life	0.0	0.0	-0.0
Aioi Life*	0.8	1.3	0.5
MSI MetLife	-4.4	4.4	8.9
Other	-0.9	0.6	1.6
Consolidation adjustment, etc.	-7.4	-12.3	-4.8

\* Net income of subsidiaries is represented based on equity stake.

## EARNINGS FORECAST FOR FISCAL 2010

## □ QUESTION 2

What is your forecast for earnings in fiscal 2010?

## □ ANSWER 2

We are projecting a 2.4% rise in consolidated net premiums written. We also expect net income to decline ¥6.3 billion year on year to ¥51.0 billion. For fiscal 2010, we are projecting consolidated net premiums written of ¥2,580 billion, an increase of ¥61 billion or 2.4% year on year.

By company, MSI is forecasting net premiums written of ¥1,228 billion, a ¥24.3 billion increase year on year. For Aioi Nissay Dowa Insurance, which will be formed by a merger during fiscal 2010, we are projecting net premiums written of ¥1,123 billion, a ¥16.3 billion increase year on year. We project that MSI's and Aioi Nissay Dowa Insurance's overseas subsidiaries will collectively write net premiums of ¥194.5 billion, an ¥18.4 billion increase year on year. Mitsui Direct General Insurance projects net premiums written of ¥34.5 billion, an increase of ¥2.1 billion or 6.5% year on year.

We are forecasting fiscal 2010 net income of ¥51 billion, a ¥6.3 billion decrease year on year. In fiscal 2010, we expect the Group to incur integration-related expenses of ¥35 billion, some of which will be booked as ordinary expenses.

MSI is forecasting a ¥500 million increase in net income. For Aioi Nissay Dowa Insurance, we are forecasting a ¥19.2 billion decrease in net income due to projected merger-related expenses.

We project that overseas subsidiaries of MSI and Aioi Nissay Dowa Insurance will collectively earn net income of ¥15 billion, a ¥2.3 billion decrease year on year. Mitsui Direct General Insurance projects that it will achieve profitability in fiscal 2010, a ¥700 million improvement year on year.

\*1 2009 results: simple sum of MSI, Aioi and NDI.

\*2 2010 forecast of Aioi Nissay Dowa Insurance: first half simple sum, second half non-consolidated.

\*3 Figures are presented excluding the GRR premiums of the automobile insurance "ModoRich," which contains a special clause for premium adjustment and refund at maturity.

## FULL-YEAR FORECAST FOR FY2010 (MS&AD HOLDINGS, CONSOLIDATED)

### KEY FINANCIAL DATA

(¥ billion)

	FY2009	FY2010	
		Change	Growth
Net premiums written	2,519.0	2,580.0	61.0 2.4%
Ordinary profit/loss	99.1	86.0	-13.1 -13.2%
Net income	57.3	51.0	-6.3 -11.1%

\* Simple sum of Mitsui Sumitomo Insurance Group Holdings (consolidated), Aioi (consolidated) and NDI (non-consolidated).

Figures here and below are presented excluding the GRR premiums of the automobile insurance "ModoRich," which contains a special clause for premium adjustment and refund at maturity.

### BREAKDOWN OF NET PREMIUMS WRITTEN

(¥ billion)

	FY2009	FY2010	
		Change	Growth
MSI (non-consolidated)	1,203.7	1,228.0	24.3 2.0%
Overseas subsidiaries	158.7	170.0	11.2 7.1%
Aioi Nissay Dowa Insurance (non-consolidated)	1,106.7	1,123.0	16.3 1.5%
Overseas subsidiaries	17.4	24.6	7.2 41.2%
Mitsui Direct*	32.4	34.5	2.1 6.5%

\* Aioi and NDI are scheduled to merge on October 1, 2010. Forecast figures (non-consolidated) for Aioi Nissay Dowa Insurance are simple sums of first-half results forecasts (non-consolidated) for NDI and full-year results forecasts (non-consolidated) for Aioi Nissay Dowa Insurance.

### BREAKDOWN OF NET INCOME

(¥ billion)

	FY2009	FY2010	
		Change	
MSI (non-consolidated)	25.4	26.0	0.5
Overseas subsidiaries	20.2	16.4	-3.8
Aioi Nissay Dowa Insurance (non-consolidated)	21.2	2.0	-19.2
Overseas subsidiaries	-2.9	-1.4	1.5
Mitsui Direct*	-0.6	0.0	0.7
MSI Kirameki Life	0.0	-2.8	-2.8
Aioi Life*	1.3	0.5	-0.8
MSI MetLife	4.4	3.5	-0.9
Other	0.6	0.3	-0.3
Consolidation adjustment, etc.	-12.3	6.4	18.8

\* Net income of subsidiaries is represented based on equity stake.

## INITIATIVES FOR ACHIEVING THE MEDIUM-TERM TARGETS

## □ QUESTION 3

Please explain about your initiatives for achieving numerical management targets.

## □ ANSWER 3

By gaining more leverage with our integration synergies, we aim to achieve Group Core Profit of ¥150 billion in fiscal 2013.

We have formulated a Group medium-term management plan called "MS&AD New Frontier 2013." Under the plan, we aim to achieve Group Core Profit of ¥150 billion in fiscal 2013. As interim targets on the path to achieving this target, we have formulated fiscal 2010 forecasts and 2011 targets. In fiscal 2010, we anticipate a continued adverse operating environment, partly due to integration costs, which we plan to recognize on a front-loaded basis. From fiscal 2011, however, we plan to grow earnings while increasingly reaping synergies.

## MEDIUM-TERM TARGETS (NUMERICAL TARGETS)

The figures in the FY2013 column are from "MS&AD New Frontier 2013."  
The figures in the 2009 column are the sum of MSIG, Aioi and NDI.

## TARGET BUSINESS PORTFOLIO

(¥ billion)

	FY2009 [Results]	FY2010 [Estimate]*2	FY2011 [Target]	FY2013	
				[Target]	[Share]
Profit Indicators for the group*1	33.8	53	80	150	–
Domestic non-life insurance	19.9	38	50	100	67%
Domestic life insurance	5.8	0*3	8	15	10%
Overseas business	13.1	14	17	30	20%
Financial services/ Risk-related service business	-5.1	1	2	5	3%

\*1: Group's 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: The figures in the FY2010 [Estimate] column are rounded down to the billion yen.

\*3: Mitsui Sumitomo Kirameki Life will book 4.2 billion yen as standard underwriting reserve in FY2010.

## NUMERICAL TARGETS

(¥ billion)

	FY2009 [Results]	FY2010 [Estimate]	FY2011 [Target]	FY2013 [Target]
Non-life consolidated net premiums written	2,519.0	2,580.0	2,600.0	2,700.0
Life annualized premiums in force*4	268.1	275.0	290.0	330.0
ROE based on Group Core Profit*5	2.0%	2.8%	4%	7%

\*4: Total of annualized premium in force of Mitsui Sumitomo Kirameki Life and that of Aioi Life (excluding group insurance)

\*5: ROE based on Group Core Profit = Group Core Profit ÷ Consolidated shareholders' equity (excluding minority interest; average of starting and ending amounts).



Turning to IT system integration, we continue to develop IT systems scheduled to be commissioned into service in 2013. We aim to further enhance quality and productivity by incorporating existing systems' innovations and advantages.

Once the new system is stably operational, it will help us deliver high quality products and services to customers. We believe that it can standardize and improve the efficiency and quality of business processes, both in-house and at insurance agencies. Additionally, the new system will enable us to reduce costs and strategically allocate personnel. It consequently has the potential to bolster both the top and bottom lines.

In line with our integration schedule for the new system Aioi Insurance and Nissay Dowa General Insurance will integrate their respective IT systems and commission an integrated system into service in October 2010 in conjunction with their merger. Even after their integrated system is up and running, we will continue to develop a new system. In April 2013, we will commission into service a new system modeled after MSI's system. In April 2013, the new system will be operating in parallel with operating companies' own systems, but we plan to integrate their systems into the new system's platform by April 2014.

## STRATEGIES FOR THE DOMESTIC NON-LIFE INSURANCE BUSINESS

### □ QUESTION 4

Please explain the Group's strategies for the domestic non-life insurance business.

### □ ANSWER 4

**We will leverage our dominant strength—the largest business base in Japan—to create a sustained earnings growth model.**

In the domestic non-life insurance business, each company in the Group sets five common basic strategies listed on the Group medium-term management plan. In terms of fiscal 2009 net premiums written, MS&AD ranks number one domestically across all lines of non-life insurance in Japan. The formation of our Group has given us the best operating foundation in the domestic non-life insurance market. MS&AD has the largest sales force and customer base, and a sales network that confers a formidable advantage in both the retail and corporate market segments. We believe that we have an edge in various customer segments and across all sales channels, based on factors including a life insurance sales force that makes repeat sales of non-life insurance products to life insurance policyholders, which we believe to be a unique business model.

## BASIC STRATEGIES FOR DOMESTIC NON-LIFE INSURANCE

1. Products/services	To develop and provide attractive products and services suitable for the various operational bases and customer bases.
2. Sales capability	To enhance sales capabilities by developing business models that can satisfy customers' needs in each market, and by concentrating resources in growing areas.
3. Improvement in quality of business process	To improve quality of business processes and to create best practices by utilizing know-how and infrastructures of MSI, Aioi, and NDI.
4. Synergies	To reduce business expenses significantly and to improve efficiency by integrating operational processes and by consolidating offices for sales and claims handling.
5. Response to new markets	To ensure profitability while simultaneously expanding business in the high-growth direct sales market.

## STRENGTH OF MS&amp;AD INSURANCE GROUP

<p>Capable of pursuing economies of scale, benefiting from Japan's largest operating base and customer base</p> <p>Operational and customer bases of the MD&amp;AD Insurance Group</p>	<ul style="list-style-type: none"> <li>Wide-ranging domestic and overseas operations (life insurance, overseas, financial services, risk-related businesses, etc.), centering on the domestic non-life insurance business</li> </ul>
	<ul style="list-style-type: none"> <li>An overwhelming presence in the retail market and the ability to develop markets on a local basis</li> </ul>
	<ul style="list-style-type: none"> <li>Solid operational base in the large corporation market including the Mitsui Group, the Sumitomo Group and the Toyota Group</li> </ul>
	<ul style="list-style-type: none"> <li>Markets for corporate customers, financial institutions, government agencies through business of Nippon Life Insurance Group, and for individuals and small &amp; medium enterprises through life promoters of Nippon Life Insurance</li> </ul>
	<ul style="list-style-type: none"> <li>The non-life insurance selling system of life promoters of Sumitomo Life Insurance and Mitsui Life Insurance</li> </ul>
	<ul style="list-style-type: none"> <li>Automobile insurance market of all automaker-affiliated and imported car dealers</li> </ul>

We will profitably expand operations in the direct marketing channel, a market with substantial growth potential in which we mainly sell auto insurance. Mitsui Direct General Insurance, a pioneer of the online direct sales model, is still gaining share in the direct sales market for auto insurance. Its revenue growth rate still exceeds the market's growth rate despite intensification of price competition. At the same time, Mitsui Direct General Insurance is building a solidly profitable operation by cutting costs and rearranging its policy portfolio. It expects to achieve profitability in fiscal 2010.

## RANKING OF TOP 6 NON-LIFE INSURANCE COMPANIES IN DIRECT SALES IN JAPAN (¥ billion)

Ranking	Net direct premiums of automobile insurance
1 Sony	53.8
2 Mitsui Direct	29.4
3 AXA	29.3
4 Zurich	28.7
5 American Home	18.7
6 Sampo 24	8.6

(Based on net direct premiums of automobile insurance in FY2008)

## STRATEGIES FOR THE DOMESTIC LIFE INSURANCE BUSINESS

## □ QUESTION 5

Please describe the Group's strategies for the domestic life insurance business.

## □ ANSWER 5

We will utilize our non-life insurance agencies as cross-selling sales channels for Mitsui Sumitomo Kirameki Life Insurance and Aioi Life Insurance, and develop competitive products with Mitsui Sumitomo MetLife Insurance, which handles individual annuities.

We will actively allocate resources to our domestic life insurance operations, which we have designated as a growth business domain. Our fiscal 2013 target for the Group's domestic life insurance operations is to earn core profit of ¥15 billion on annualized premiums in force of ¥330 billion yen.

Mitsui Sumitomo Kirameki Life Insurance and Aioi Life Insurance are scheduled to merge in October 2011. The merged company will be ranked tenth out of 45 domestic life insurers in terms of amount of new policies. One of the major strengths of the life insurers affiliated with non-life insurers is access to a network of non-life insurance agencies. By utilizing these agencies as a sales channel, the new company will further expand its sales activities based mainly on this cross-selling. In terms of products, the two companies have been developing and selling innovative products targeted mainly at individuals. They intend to continue to develop and market products in response to market needs and changes in the environment.

As far as the business environment for Mitsui Sumitomo MetLife Insurance is concerned, we expect the market for individual annuities, MSI MetLife's core product, to grow over the medium to long term amid rising demand driven by anxiety about the future of social insurance programs in light of our progressively aging society. In fiscal 2009, MSI MetLife achieved profitability on an annual basis for the first time ever by virtue of growth in investment income and reduction in expenses.

MSI MetLife will solidify its position as a leading company in the individual annuity market by continuing to develop profitable and competitive products that can be stably supplied over the medium to long term in response to consumers' needs.

## OUTLINE OF THE NEW COMPANY (MSI Kirameki Life and Aioi Life)

Figures at the end of March 2010

	MSI Kirameki Life	Aioi Life	Simple sum
Number of new policies <sup>(*1)</sup>	0.21 million	0.09 million	0.31 million
Number of policies in force <sup>(*1)</sup>	1.19 million	0.57 million	1.77 million
Amount of new policies <sup>(*1)</sup>	1,587.2 billion yen	1,059.4 billion yen	2,646.6 billion yen
Amount of in-force policies <sup>(*1)</sup>	9,444.7 billion yen	5,843.3 billion yen	15,288.0 billion yen
Yearly insurance premiums of new policies <sup>(*1)</sup>	27.5 billion yen	9.7 billion yen	37.2 billion yen
Yearly insurance premiums in-force <sup>(*1)</sup>	194.5 billion yen	73.5 billion yen	268.1 billion yen
Net income	<sup>(*2)</sup> 0.0 billion yen	1.3 billion yen	1.3 billion yen
Embedded value	199.9 billion yen	103.1 billion yen	–
Total assets	1,148.3 billion yen	467.9 billion yen	1,616.3 billion yen
Solvency margin ratio	2,129.7%	1,994.3%	–

(\*1) Total amounts for personal insurance and personal pension insurance.

(\*2) Net income before the increased provision is 2.8 billion yen.



**POSITION** (amount of new policies in FY2008)

Ranking	Company name	Unit: billion yen
1	Nippon Life Insurance	7,347.0
2	Dai-ichi Life Insurance	7,170.0
3	Sumitomo Life Insurance	6,146.2
4	Japan Post Insurance	6,053.7
5	Sony Life Insurance	3,873.7
6	Daido Life Insurance	3,761.6
7	Alico Japan	3,066.6
8	Meiji Yasuda Life Insurance	3,055.3
9	Prudential Life Insurance	2,804.3
	MSI Kirameki Life + Aioi Life*	2,697.6
10	Tokio Marine & Nichido Anshin Life	2,450.0
	Himawari Life + Nipponkoa Life	2,172.1
~		
14	Mitsui Sumitomo Kirameki Life Insurance	1,653.9
15	Sompo Japan Himawari Life Insurance	1,570.4
~		
18	Aioi Life Insurance	1,043.7
~		
24	Nipponkoa Life Insurance	601.7
~		
45		

Source: Prepared by MS&AD Holdings based on results materials of the companies

\* Simple sum of the two companies

## GROUP STRATEGIES FOR OVERSEAS BUSINESS

### □ QUESTION 6

Please explain about the MS&AD Group's strategies for overseas business?

### □ ANSWER 6

MS&AD Insurance Group is making a Group-wide effort by using its business platform expanded through the management integration, in an effort to further promote a well-balanced expansion of Japanese-client and local-client business.

Overseas, we have a physical presence in 42 countries and regions and an aggregate workforce of some 7,500 personnel, including both Japanese representatives and locally hired staff. We classify our Group's overseas business activities to date into three growth models. The first growth model involves making an early entry into countries and regions where economic growth is expected, and growing with the market by providing technical expertise. The second growth model is to take opportunity of changes in the business environment to expand into markets by using a business model which creates added value. And the third growth model involves ongoing M&As to acquire companies/businesses with whom we expect to realize synergistic benefits. Capitalizing on our history and track record overseas and our expanded business platform created by the formation of our



Group, we will take a dynamic approach to our domestic and overseas sales activities while maintaining a well-balanced portfolio of our Japanese- and local-client business.

Our Group ranks in the top five in major Asian countries. In the ASEAN bloc in aggregate, we are the top foreign insurance group, ahead of European and U.S. rivals. In Asia, our Group maintains a combined ratio within the 90 to 93% range. The Asian region has been highly profitable and has favorable prospects for economic growth well into the future. In light of such profitability and growth potential, we have designated Asia as our top-priority region. We plan to proactively seek investment opportunities in Asia and other areas.

**MS&AD INSURANCE GROUP'S OVERSEAS NETWORK EXPANDING TO 325 LOCATIONS IN 42 COUNTRIES AND REGIONS**

**[EUROPE]**

Promote underwriting local commercial business, such as UK Lloyd's business and German underwriting desk

**[AMERICAS]**

Focus on expanding multi-national business



Note) The map shows the main overseas locations of MS&AD Insurance Group as of May 2010

## CAPITAL MANAGEMENT

## □ QUESTION 7

Please describe the Group's approach to capital management.

## □ ANSWER 7

We will actively invest capital in high-growth business to achieve our fiscal 2013 target: Group Core Profit of ¥150 billion and Group ROE of 7%.

The basic philosophy behind our capital management approach is to return earnings to shareholders in proportion to Group Core Profit and to realize growth cycles by investing retained earnings in business domains with promising growth prospects.

We aim to maintain a trend of increasing dividends over the medium term based on a policy of maintaining stable dividends per share. We will continue to repurchase the Company's own shares, so that the total payout ratio together with dividends will be approximately 50%. Share repurchasing will also be conducted continuously and as opportunities arise, with due consideration of capital and earnings as well as market condition.

To achieve our fiscal 2013 targets of Group Core Profit of ¥150 billion and Group ROE of 7%, we must realize integration synergies and pursue growth strategies. We will continue to actively invest in opportunities in businesses with promising growth prospects while exploring investment opportunities.

## GROUP CORE PROFIT TRENDS AND PROFIT-RETURN TRACK RECORD

(reference: MSI, MSIG)

(¥ billion)

	FY2004	FY2005	FY2006	FY2007	FY2008
Group Core Profit (GCP)* <sup>1</sup>	28.6	73.9	64.9	66.0	3.1
Dividends	13.6	18.5	19.8	22.5	22.6
Dividends per share (annual)	9.5 yen	13 yen	14 yen	* <sup>2</sup> 16 yen	54.0 yen
Share buyback (conducted in FY following GCP recording)	12.0	11.5	7.0	4	10.0
Dividends + Share buyback (Profit Return)	25.6	30.0	26.8	26.5	32.6
Profit Return/Group Core Profit	90%	41%	41%	40%	1,057%

\*1: The following defined "Group Core Profit" for fiscal years through 2008:

- Group Core Profit
- = Consolidated net income
- Net capital gains/losses on stock portfolio
- Net evaluation gains/losses on credit derivatives
- Consolidated net income of life insurance subsidiaries
- + MSI Kirameki Life's net income before provision for standard underwriting reserves
- + MSI MetLife's equity in earnings based on US-GAAP
- + Other

\*2: Data through FY2007 were for Mitsui Sumitomo Insurance. FY2007 per-share dividend of FY2004 16 yen was equivalent to 53.3 yen per share when recalculated under FY2008 basis.

## SHARE BUYBACK TRACK RECORD (reference)

Periods	Shares purchased (thousands)	Amount purchased (million yen)
MSI		
FY2004 (August – October 2004)	23,073	21,485
FY2005 (September 2005)	10,000	11,992
FY2006 (February – March 2007)	7,846	11,499
FY2007 (February – March 2008)	6,402	6,998
MSIG		
FY2008 (February – March 2009)	1,851	3,999
FY2009 (February – March 2010)	4,329	9,999

### □ DOMESTIC NON-LIFE INSURANCE BUSINESS

#### SEGMENT ACTIVITIES

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By combining the know-how and infrastructure of MSI, Aioi and NDI, we aim to improve the quality of our business processes to create best practices 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.

### □ DOMESTIC LIFE INSURANCE BUSINESS

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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, life insurance agencies and through direct sales channels.

### □ OVERSEAS BUSINESS

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We have a strong sales network comprising over 300 bases in more than 40 countries and regions including reinsurance business. This will form the basis of a dynamic insurance business through which we will provide products and services tailored to a variety of risks around the world.

### □ FINANCIAL SERVICES BUSINESS

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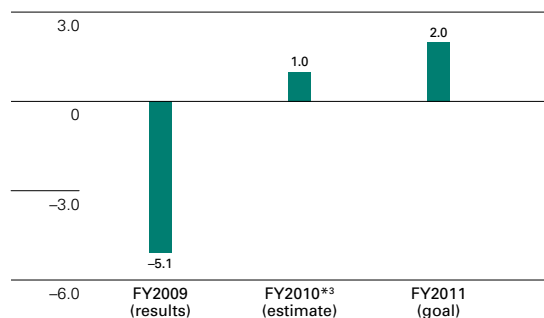
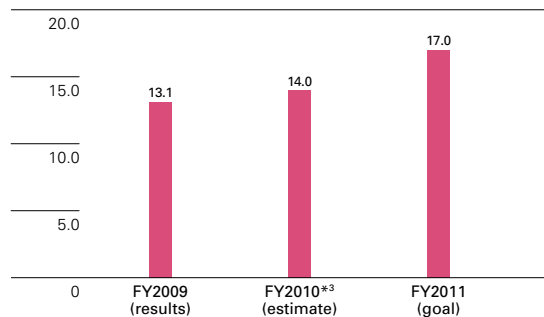
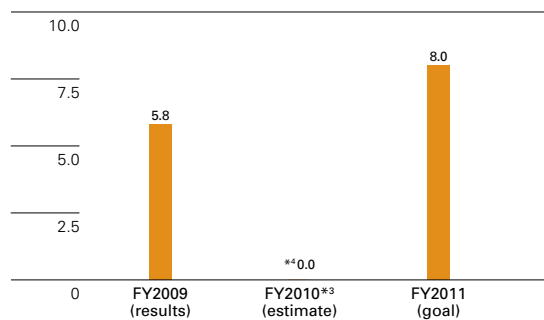
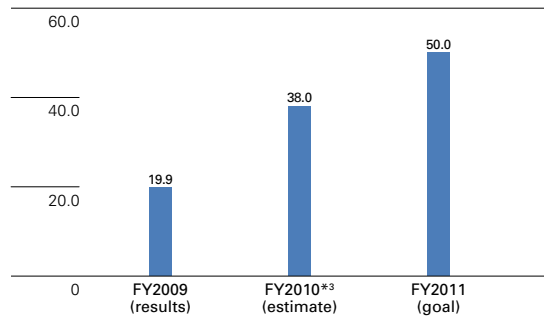
We will offer a broad range of solutions services in the field of finance, leveraging our capabilities in product development and marketing to expand our asset management business. We will also promote our 401K business as well as our ART business, personal finance related businesses and venture capital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

### □ RISK-RELATED BUSINESS

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

## CORE PROFIT\*1,2 (¥ billion)



## MAJOR OPERATING COMPANIES

- Mitsui Sumitomo Insurance Co., Ltd.
- Aioi Nissay Dowa Insurance Co., Ltd.\*5
- Mitsui Direct General Insurance Co., Ltd.

- Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
- Aioi Life Insurance Co., Ltd.
- Mitsui Sumitomo MetLife Insurance Co., Ltd.

- Overseas direct branches – MSI and Aioi
- Overseas subsidiaries and affiliated companies, including 3 regional holding companies – MSI, Aioi and NDI

- Financial Services Divisions – MSI, Aioi and NDI
- 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.

\*1: The numbers in the 2009 columns are the sum of the results of MSIG, Aioi Insurance and Nissay Dowa General Insurance.

\*2: 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

\*3: The numbers for FY2010 [estimate] are rounded down to the billion yen.

\*4: Mitsui Sumitomo Kirameki Life will book 4.2 billion yen as standard underwriting reserve in FY2010.

\*5: New company formed out of the merger.

## □ DOMESTIC NON-LIFE INSURANCE BUSINESS MITSUI SUMITOMO INSURANCE CO., LTD. (MSI)

In Japan, MSI leverages its 568 sales offices and network of approximately 40,000 agents to deliver the highest quality of products and services. In addition, the company's 281 claims payment centers and approximately 8,400 dedicated claims support staff deliver peace of mind and security to customers.

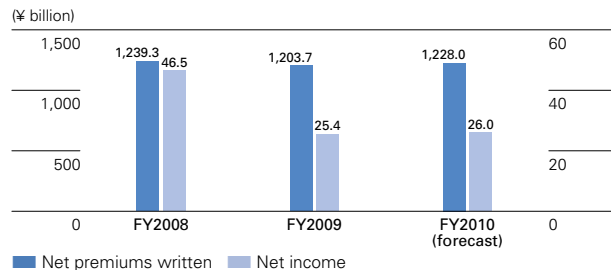
Note: Descriptions regarding MSI are based on non-consolidated figures. Non-consolidated figures include policies underwritten by overseas offices. As a result, there is some overlap with the "Overseas Business" operating results shown later in the report.

### □ FISCAL 2009 RESULTS

Net premiums written declined by 2.9% versus the previous fiscal year, to ¥1,203.7 billion. This decline was primarily the result of a drop in the number of new automobile insurance policies in conjunction with the slump in domestic automobile sales, the residual impact of the reduction of premium rates for compulsory automobile liability insurance (CALI) implemented in April 2008, as well as the impact on the marine insurance business caused by the decline in the distribution of goods due to the economic downturn along with the appreciation of the yen. Excluding CALI, net premiums written declined by 2.0%.

Despite the decline in claims paid and loss adjustment expenses, the net loss ratio increased 0.8 percentage points versus the previous fiscal year to 70.3%, partially due to the decline in premiums written, which is the denominator (the increase was 0.4 percentage points when CALI is excluded). The net loss ratio in voluntary automobile insurance increased 0.2 percentage points year on year, to 73.4%. Despite the ¥1.7 billion year-on-year decrease in claims paid, partly due to the effective use of improvement measures such as efforts to prevent accidents, there was also a decline in premiums written, which is the denominator. In personal accident insurance, the net loss ratio increased 2.5 percentage points year on year to 62.9%, despite efforts on the policy underwriting front (such as improving the profitability of policies with consistently high loss rates). Underwriting profit fell ¥48.4 billion year on year, resulting in an underwriting loss of ¥15.9 billion. Although incurred loss was roughly flat year on year, the main reasons for the downturn in underwriting profit included the decline in

### NET PREMIUMS WRITTEN/NET INCOME



net premiums as well as the ¥27.1 billion year-on-year increase in provision for catastrophe loss reserves, primarily due to the year-on-year decline in the reversal of catastrophe loss reserves in automobile insurance.

Net investment income totaled ¥57.7 billion. There was a ¥59.7 billion year-on-year improvement in the losses on devaluation of securities, which had increased considerably in the previous fiscal year in conjunction with the financial crisis.

As a result, ordinary profit grew ¥10.2 billion year on year, to ¥35.7 billion. On the other hand, extraordinary income declined ¥26.3 billion to a loss of ¥2.6 billion due to a large reversal in the previous fiscal year of the price fluctuation reserve. Net income declined ¥21.1 billion, to ¥25.4 billion.

Breaking down net premiums written by insurance type, net premiums written for fire insurance increased 1.8% year on year, partly due to the effect of a business alliance with Sumitomo Life Insurance Company, while net premiums written for marine insurance declined by 19.1% due to the drop in the distribution of goods and the appreciation of the yen. Likewise, net premiums written for voluntary automobile insurance fell 0.8% due to the slump in domestic automobile sales, especially in the first half of the fiscal year.

The net loss ratio for fire insurance increased 0.7 percentage points as a result of the increase in claims paid for natural disasters. In personal accident insurance, the net loss ratio rose 2.5 percentage points due to the increase in claims paid, particularly for standard personal accident insurance. In voluntary automobile insurance, a decline in claims paid was more than offset by the impact of the drop in premiums, resulting in a 0.2 percentage point increase in the net loss ratio. Meanwhile, a drop in

claims paid for large accidents resulted in a 4.1 percentage point improvement in the net loss ratio in other lines.

#### □ FISCAL 2010 FORECAST

In fiscal 2010, MSI forecasts net premiums written to increase ¥24.3 billion, or by 2.0% year on year, to ¥1,228.0 billion, as the mild economic recovery and the alliance with Sumitomo Life Insurance Company are expected to boost revenue. In addition, the Company is forecasting a 2.3 percentage point improvement year on year in the net loss ratio, to 68.0%, along with a 0.1 percentage point improvement year on year in the net expense ratio, to 34.4%. With the combined ratio forecast to decline 2.4 percentage points year on year, to 102.4%, the Company expects underwriting profit to improve ¥6.9 billion, to an underwriting loss of ¥9.0 billion.

The Company forecasts that net investment income will increase ¥2.2 billion year on year, to ¥59.9 billion. Despite the decline in general interest and dividends received and the drop in gains from derivative transactions, overall investment income is expected to increase due to an increase in gains on sale of securities.

Consequently, the Company is forecasting ordinary profit to increase by ¥11.2 billion year on year to ¥47.0 billion. However, one-time costs including business integration and real estate-related expenses are likely to result in an extraordinary loss of ¥13.4 billion. As a result, net income is forecast to increase ¥500 million year on year, to ¥26.0 billion.

#### KEY FINANCIAL DATA

(¥ billion)

	FY2008	FY2009		FY2010 (forecast)	
			Change		Change
Net premiums written	1,239.3	1,203.7	-35.6	1,228.0	24.3
Net premiums, growth rate	-5.2%	-2.9%	2.3pt	2.0%	4.9pt
Net loss ratio	69.5%	70.3%	0.8pt	68.0%	-2.3pt
Net expense ratio	34.0%	34.5%	0.5pt	34.4%	-0.1pt
Combined ratio	103.5%	104.8%	1.3pt	102.4%	-2.4pt
Incurred losses	754.3	752.6	-1.6	740.7	-12.0
Underwriting profit/loss	32.4	-15.9	-48.4	-9.0	6.9
Net investment income/loss	-1.9	57.7	59.7	59.9	2.2
Ordinary profit	25.5	35.7	10.2	47.0	11.2
Extraordinary income/loss	23.6	-2.6	-26.3	-13.4	-10.7
Net income	46.5	25.4	-21.1	26.0	0.5
(Excluding CALI)					
Net premiums, growth rate	-2.2%	-2.0%	0.2pt	2.1%	4.1pt
Net loss ratio	65.3%	65.7%	0.4pt	63.2%	-2.5pt
Net expense ratio	35.5%	35.8%	0.3pt	35.8%	0.0pt
Combined ratio	100.8%	101.5%	0.7pt	99.0%	-2.5pt

\* "Net loss ratio" is on a "written-to-paid" basis.

\* CALI: Compulsory Automobile Liability Insurance

#### NET PREMIUMS WRITTEN

(¥ billion)

	FY2008	FY2009		FY2010 (forecast)	
			Growth		Growth
Fire	176.1	179.4	1.8%	185.8	3.5%
Marine	64.1	51.9	-19.1%	52.3	0.8%
Personal accident	128.9	129.4	0.4%	132.4	2.3%
Voluntary auto	541.1	536.7	-0.8%	544.5	1.4%
CALI	148.2	134.6	-9.2%	136.0	1.0%
Others	180.6	171.5	-5.0%	177.0	3.2%
Total	1,239.3	1,203.7	-2.9%	1,228.0	2.0%
(Excluding CALI)	1,091.1	1,069.0	-2.0%	1,092.0	2.1%

#### NET LOSS RATIOS

(¥ billion)

	FY2008	FY2009		FY2010 (forecast)	
			Change		Change
Fire	42.6%	43.3%	0.7pt	46.1%	2.8pt
Marine	51.5%	61.7%	10.2pt	54.4%	-7.3pt
Personal accident	60.4%	62.9%	2.5pt	60.9%	-2.0pt
Voluntary auto	73.2%	73.4%	0.2pt	72.9%	-0.5pt
CALI	99.8%	107.3%	7.5pt	106.7%	-0.6pt
Others	72.3%	68.2%	-4.1pt	55.3%	-12.9pt
Total	69.5%	70.3%	0.8pt	68.0%	-2.3pt
(Excluding CALI)	65.3%	65.7%	0.4pt	63.2%	-2.5pt

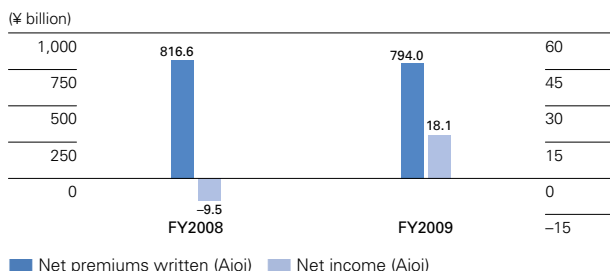
## □ DOMESTIC NON-LIFE INSURANCE BUSINESS

### AIOI NISSAY DOWA INSURANCE CO., LTD.

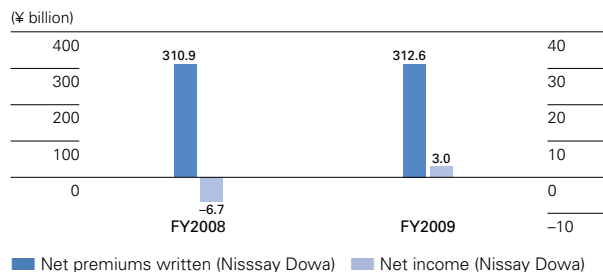
Aioi Nissay Dowa Insurance will be created through a merger in October 2010. The Company aims to provide customers with the highest quality products and services, and to grow based on the solid trust of each and every customer. In Japan, the new company formed by the merger will engage in locally-rooted insurance business activities through its 582 sales offices and 246 loss adjustment service bases.

Note: A merger is planned for October 2010 subject to regulatory approval. Operating results for the fiscal year ended March 2010 are presented for both Aioi Insurance and Nissay Dowa General Insurance.

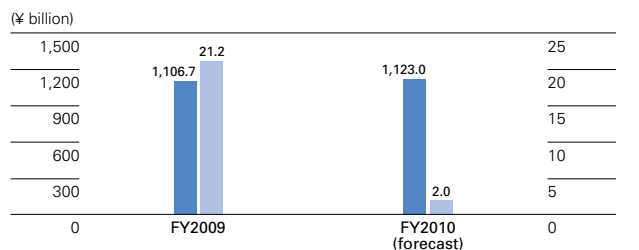
#### NET PREMIUMS WRITTEN/NET INCOME (AIOI)



#### NET PREMIUMS WRITTEN/NET INCOME (NISSAY DOWA)



#### NET PREMIUMS WRITTEN/NET INCOME (AIOI NISSAY DOWA)



\* Fiscal 2010 forecast assumptions: Results for fiscal 2009 are a simple aggregate of the results of Aioi Insurance and Nissay Dowa General Insurance.

Fiscal 2010 forecasts consist of a simple aggregate of Nissay Dowa General Insurance's first-half earnings forecast and the full-year non-consolidated earnings forecast for Aioi Nissay Dowa Insurance (merger scheduled for October 1, 2010).

## □ FISCAL 2009 RESULTS

### AIOI INSURANCE

In fiscal 2009, Aioi Insurance posted net premiums written of ¥794.0 billion, representing a 2.8% decline from the previous fiscal year. This decline was caused by the large drop in premiums written for CALI following the reduced premium rates, as well as a fall off in premiums in all categories due to the sluggish economy and a slump in domestic automobile sales.

Meanwhile, net claims paid declined by 0.6% year on year, to ¥490.5 billion, and the net loss ratio increased 2.3 percentage points, to 67.3%, due to the increase in loss adjustment expenses as well as the decline in premiums written. The net expense ratio increased 0.9 percentage points, to 35.5%, in conjunction with an increase in company expenses and the decline in premiums

written. Underwriting profit, which includes deposit premiums from policyholders, maturity refunds to policyholders, provision for outstanding claims and reversal of underwriting reserves, declined ¥22.6 billion, to an underwriting loss of ¥4.0 billion. The main factors were the increase in claims related to natural disasters and the rise in loss adjustment expenses.

In asset investment, total assets at the end of the fiscal year amounted to ¥2,423.2 billion, a year-on-year increase of ¥3.5 billion. Investment assets totaled ¥2,044.3 billion, an increase of ¥60.2 billion from the end of the previous fiscal year.

Interest and dividends received increased ¥5.7 billion year on year, to ¥48.7 billion. Investment income, which includes gains on sale of securities, transfer of investment income on deposit premiums from policy holders and other factors, declined ¥19.8



KEY FINANCIAL DATA (AIOI)

(¥ billion)

	FY2008	FY2009	
			Change
Net premiums written	816.6	794.0	-22.6
Net premiums, growth rate	-4.1%	-2.8%	1.3pt
Net loss ratio	65.0%	67.3%	2.3pt
Net expense ratio	34.6%	35.5%	0.9pt
Combined ratio	99.6%	102.8%	3.2pt
Incurred losses	482.5	499.9	17.4
Underwriting profit/loss	18.5	-4.0	-22.6
Net investment income/loss	-41.0	38.7	79.7
Ordinary profit	-20.3	37.3	57.7
Extraordinary income/loss	6.6	-10.3	-17.0
Net income	-9.5	18.1	27.7
(Excluding CALI)			
Net premiums, growth rate	-0.8%	-1.8%	-1.0pt
Net loss ratio	60.6%	62.5%	1.9pt
Net expense ratio	35.5%	36.3%	0.8pt
Combined ratio	96.1%	98.8%	2.7pt

\* "Net loss ratio" is on a "written-to-paid" basis.

NET PREMIUMS WRITTEN (AIOI)

(¥ billion)

	FY2008	FY2009	
			Growth
Fire	102.7	102.0	-0.6%
Marine	5.5	3.7	-33.2%
Personal accident	46.0	45.0	-2.2%
Voluntary auto	466.8	465.8	-0.2%
CALI	119.7	109.5	-8.5%
Others	75.7	67.7	-10.6%
Total	816.6	794.0	-2.8%
(Excluding CALI)	696.9	684.4	-1.8%

NET LOSS RATIOS (AIOI)

(¥ billion)

	FY2008	FY2009	
			Change
Fire	35.9%	38.7%	2.8pt
Marine	64.3%	73.3%	9.0pt
Personal accident	50.0%	52.8%	2.8pt
Voluntary auto	64.8%	67.0%	2.2pt
CALI	90.2%	97.3%	7.1pt
Others	74.7%	73.0%	-1.7pt
Total	65.0%	67.3%	2.3pt
(Excluding CALI)	60.6%	62.5%	1.9pt

billion year on year, to ¥59.3 billion. Meanwhile, investment expenses fell ¥99.0 billion year on year, to ¥14.0 billion.

As a result, ordinary profit amounted to ¥37.3 billion. Net income, which factors in extraordinary income and losses, residents' tax and corporate income tax, was ¥18.1 billion.

□ FISCAL 2009 RESULTS

NISSAY DOWA GENERAL INSURANCE

In fiscal 2009, Nissay Dowa General Insurance posted net premiums written of ¥312.6 billion, representing an increase of 0.6% from the previous fiscal year. This was due to an increase in premiums written from mainstay automobile insurance and fire insurance products, despite the overall downturn in premium revenue in the non-life insurance sector.

Meanwhile, net claims paid grew 2.7% year on year, to ¥196.9 billion, and the net loss ratio increased 1.4 percentage points, to 68.8%, due to the increase in the number of accident claims received for automobile insurance as well as the increase in claims paid in fire insurance for natural disasters resulting from typhoons and other events. Despite ongoing investment to reform operational quality, general and administrative expenses concerning underwriting declined 5.2% year on year to ¥51.5 billion, as a result of efforts to spend efficiently. The net expense ratio improved 0.8 percentage points, to 33.8%. Underwriting profit, which includes deposit premiums from policyholders, maturity refunds to policyholders, provision for outstanding claims and reversal of underwriting reserves, amounted to an underwriting loss of ¥10.2 billion. This was due to the increase in

claims paid for automobile insurance and a rise in provisions for standard underwriting reserves in fire insurance.

In asset investment, total assets at the end of the fiscal year amounted to ¥1,106.2 billion, a 0.6% year-on-year increase. Investment assets totaled ¥968.4 billion, a 1.0% increase from the end of the previous fiscal year, with both increases influenced by growth in the Japanese stock markets.

Interest and dividends received decreased ¥2.7 billion year on year, to ¥21.1 billion, due to the decline in interest received on overseas bonds and dividends received on

equities. Meanwhile, investment income increased ¥10.4 billion year on year, to ¥42.0 billion, due to the increase in gains on sale of securities and so on. Investment expenses fell ¥17.2 billion year on year, to ¥17.7 billion, partly due to the decline in losses on devaluation of securities.

As a result, ordinary profit increased ¥26.9 billion year on year, to ¥10.0 billion. Net income, which factors in extraordinary income and losses, residents' tax and corporate income tax, was ¥3.0 billion, a ¥9.7 billion turnaround from the previous fiscal year.

#### KEY FINANCIAL DATA (NISSAY DOWA)

(¥ billion)

	FY2008	FY2009	
			Change
Net premiums written	310.9	312.6	1.7
Net premiums, growth rate	-2.3%	0.6%	2.9pt
Net loss ratio	67.4%	68.8%	1.4pt
Net expense ratio	34.6%	33.8%	-0.8pt
Combined ratio	102.0%	102.6%	0.6pt
Incurred losses	193.6	198.7	5.0
Underwriting profit/loss	-8.7	-10.2	-1.5
Net investment income/loss	-5.1	22.8	27.9
Ordinary profit	-16.8	10.0	26.9
Extraordinary income/loss	6.1	-6.4	-12.5
Net income	-6.7	3.0	9.7
(Excluding CALI)			
Net premiums, growth rate	0.3%	1.5%	1.2pt
Net loss ratio	63.8%	65.1%	1.3pt
Net expense ratio	35.8%	34.5%	-1.3pt
Combined ratio	99.6%	99.6%	0.0pt

\* "Net loss ratio" is on a "written-to-paid" basis.

#### NET PREMIUMS WRITTEN (NISSAY DOWA)

(¥ billion)

	FY2008	FY2009	
			Growth
Fire	47.0	51.1	8.7%
Marine	5.4	4.5	-16.2%
Personal accident	29.1	28.3	-2.7%
Voluntary auto	158.8	160.6	1.1%
CALI	30.5	28.1	-7.8%
Others	39.9	39.8	-0.2%
Total	310.9	312.6	0.6%
(Excluding CALI)	280.4	284.5	1.5%

#### NET NET LOSS RATIOS (NISSAY DOWA)

(¥ billion)

	FY2008	FY2009	
			Change
Fire	39.0%	38.7%	-0.3pt
Marine	57.7%	72.9%	15.2pt
Personal accident	58.2%	61.9%	3.7pt
Voluntary auto	73.2%	75.1%	1.9pt
CALI	99.9%	105.9%	6.0pt
Others	60.6%	60.0%	-0.6pt
Total	67.4%	68.8%	1.4pt
(Excluding CALI)	63.8%	65.1%	1.3pt

□ FISCAL 2010 FORECAST

AIOI NISSAY DOWA INSURANCE

Aioi Nissay Dowa Insurance forecasts a 1.5% increase in net premiums written in fiscal 2010, most notably in the automobile and fire insurance lines, due to the effect of premium rate revisions implemented in fiscal 2009. As a result, the company is expecting net premiums written to increase ¥16.3 billion year on year, to ¥1,123.0 billion.

The company expects the net loss ratio to improve by 0.9 percentage points year on year, to 66.8%. Meanwhile, it forecasts a 1.2 percentage point increase in the net expense ratio, to 36.2%, and a 0.3 percentage point increase in the combined ratio, to 103.0%. Underwriting profit is expected to

decline ¥3.6 billion year on year, to an underwriting loss of ¥18.0 billion, due to an increase in the assumptions for natural disasters compared to the amount of the previous year and an increase in business expenses related to the merger.

The company forecasts that net investment income will decline ¥19.2 billion year on year, to ¥42.3 billion, due to the impact of the drop in interest and dividend income, as well as a decline in capital gains.

Consequently, the company is forecasting ordinary profit to decline by ¥21.4 billion year on year, to ¥26.0 billion. Assuming an extraordinary loss of ¥24.8 billion in conjunction with merger-related expenses, the company expects net income of ¥2.0 billion, a ¥19.2 billion decline from the previous fiscal year.

KEY FINANCIAL DATA (AIOI NISSAY DOWA)

(¥ billion)

	FY2009 (2 companies combined)	FY2010 (forecast)	
			Change
Net premiums written	1,106.7	1,123.0	16.3
Net premiums, growth rate	-1.9%	1.5%	3.4pt
Net loss ratio	67.7%	66.8%	-0.9pt
Net expense ratio	35.0%	36.2%	1.2pt
Combined ratio	102.7%	103.0%	0.3pt
Incurred losses	699.2	692.0	-7.2
Underwriting profit/loss	-14.3	-18.0	-3.6
Net investment income/loss	61.5	42.3	-19.2
Ordinary profit	47.4	26.0	-21.4
Extraordinary income/loss	-16.8	-24.8	-8.0
Net income	21.2	2.0	-19.2
(Excluding CALI)			
Net premiums, growth rate	-0.9%	1.7%	2.6pt
Net loss ratio	63.3%	62.5%	-0.8pt
Net expense ratio	35.8%	37.3%	1.5pt
Combined ratio	99.1%	99.8%	0.7pt

\* "Net loss ratio" is on a "written-to-paid" basis.

NET PREMIUMS WRITTEN (AIOI NISSAY DOWA)

(¥ billion)

	FY2009 (2 companies combined)	FY2010 (forecast)	
			Growth
Fire	153.2	160.6	4.8%
Marine	8.2	7.6	-8.0%
Personal accident	73.3	73.9	0.8%
Voluntary auto	626.4	639.1	2.0%
CALI	137.7	137.4	-0.2%
Others	107.6	104.4	-3.1%
Total	1,106.7	1,123.0	1.5%
(Excluding CALI)	969.0	985.6	1.7%

NET LOSS RATIOS (AIOI NISSAY DOWA)

(¥ billion)

	FY2009 (2 companies combined)	FY2010 (forecast)	
			Change
Fire	38.7%	39.4%	0.7pt
Marine	73.1%	65.2%	-7.9pt
Personal accident	56.3%	51.9%	-4.4pt
Voluntary auto	69.1%	67.1%	-2.0pt
CALI	99.1%	98.2%	-0.8pt
Others	68.2%	76.7%	8.5pt
Total	67.7%	66.8%	-0.9pt
(Excluding CALI)	63.3%	62.5%	-0.8pt

## □ DOMESTIC NON-LIFE INSURANCE BUSINESS MITSUI DIRECT GENERAL INSURANCE CO., LTD.

Mitsui Direct provides almost entirely web-based insurance products and services, primarily targeting consumers who are Internet users.

### □ FISCAL 2009 RESULTS

Mitsui Direct posted a 9.3% year-on-year increase in net premiums written to ¥32.4 billion. Competition in the direct automobile insurance sector continued to intensify with the entry of new players into the auto insurance market as well as declining car ownership in Japan. Against this backdrop, Mitsui Direct improved its portfolio of policyholders through the strategic use of online advertising. The firm sought to keep operating expenses in check and MS&AD Insurance Group Holdings also injected further capital into the firm. These efforts reinforced Mitsui Direct's operating platform for stable growth in financial performance. As a result, Mitsui Direct posted a net loss of around ¥1.0 billion in fiscal 2009, an improvement of ¥1.3 billion compared with the previous year.

### HIGH MARKET GROWTH AND GROWTH OUTPERFORMING THE MARKET

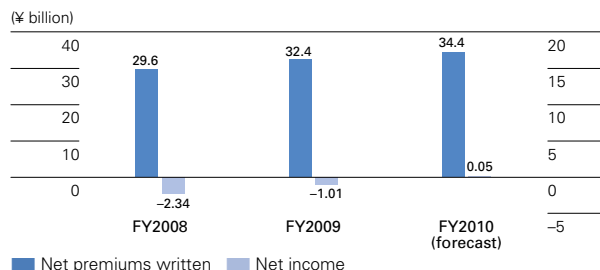
■ Net direct premiums and growth rate of eight direct sales companies

	¥ billion			
Total of eight direct sales companies	FY2005	FY2006	FY2007	FY2008
Net direct premiums	132.6	144.5	156.3	170.1
Growth rate	11.3%	8.9%	8.2%	8.8%

■ Growth rate and market share of Mitsui Direct

Growth rate	16.1%	21.9%	16.6%	12.2%
Market share among the above	13.9%	15.5%	16.8%	17.3%

### NET PREMIUMS WRITTEN/NET INCOME



### □ FISCAL 2010 FORECAST

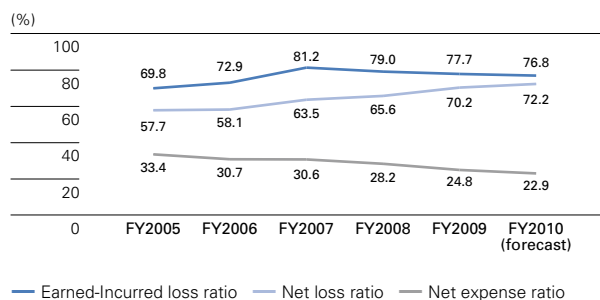
Net premiums written by Mitsui Direct are expected to grow 6.4% to ¥34.4 billion. The firm is expected to achieve profitability, with net income reaching ¥50 million.

Mitsui Direct will focus on implementing the following measures in fiscal 2010 with the aim of expanding earnings and achieving net profit for the year:

- Use strategic advertising and public relations to establish the Mitsui Direct brand within the Japanese non-life insurance sector
- Improve the quality of administrative operations such as accident-related services and call centers
- Actively gather customer feedback as a basis for administrative improvements
- Stabilize profit/loss through more detailed needs analysis and pricing
- Ensure maximum effectiveness of operational spending

### AIMING TO TURN A SINGLE YEAR PROFIT FOR FY2010

■ Loss ratio and Expense ratio



## □ DOMESTIC LIFE INSURANCE BUSINESS

### MITSUI SUMITOMO KIRAMEKI LIFE INSURANCE CO., LTD.

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

#### □ FISCAL 2009 RESULTS

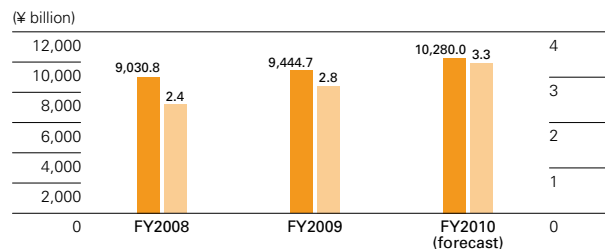
Kirameki Life posted a 4.0% year-on-year decline in the amount of new policies to ¥1,587.2 billion. However, the number of policies in force expanded 11.5% to 1.19 million, reflecting increased sales activities. The policy amount in force at the fiscal year-end was ¥9,444.7 billion, an increase of 4.6% compared with a year earlier (both figures are totals for individual life policies plus individual annuities).

Kirameki Life posted net income for fiscal 2009 of ¥37 million. This reflected an increase in provisions for the standard underwriting reserve in accordance with the statutory policy reserve requirements of the Insurance Business Law. Pro forma net income as used in the calculation of Group Core Profit (GCP), which is net income before provision for the standard underwriting reserve, amounted to ¥2.8 billion, an increase of ¥0.3 billion in year-on-year terms.

Embedded Value (EV) of ¥199.9 billion at the fiscal 2009 year-end was ¥11.3 billion higher than a year earlier. The factor breakdown for this increase was as follows: value of new contracts, +¥5.0 billion; expected earnings from EV at previous fiscal year-end, +¥9.2 billion; difference between assumptions and actual results, +¥0.1 billion; and changes in interest rates, etc., -¥2.9 billion.

Note: The standard underwriting reserve is a reserve based on the Insurance Business Law with a view toward maintaining the soundness of insurance companies and protecting policyholders. To attain the standard reserve required by the Insurance Business Law, Kirameki Life has funded provisions to the underwriting reserves using the fiscal 2009 earnings.

#### AMOUNT OF IN-FORCE POLICIES/NET INCOME (PRO FORMA)



\* Net income (pro forma) is before provision of standard underwriting reserve as defined in the calculation of Group Core Profit (as former definition)

Kirameki Life focused on trying to offer products to more customers by generating cross-selling opportunities for agents who primarily sell non-life insurance products to sell life insurance products. The firm also reinforced its sales platform by cultivating new business alliances to sell insurance through financial institutions and by increasing the range of products available through affiliated financial institution sales channels.

New products launched in fiscal 2009 included the "New Medical Insurance *Alpha*" and "New Cancer Insurance *Alpha*" policies, which feature wider coverage for advanced medical care. Kirameki Life also introduced new operating systems to integrate management of policy claims from receipt of initial claim notice to final claim payment.

#### □ FISCAL 2010 FORECAST

In fiscal 2010, Kirameki Life will roll out a new promotional infrastructure for life insurance on a nationwide basis, based on organizational improvements and the recruitment of new personnel. Under this enhanced sales framework, Kirameki Life plans to bolster the sales emphasis on medical insurance products for individuals that offer death benefits. In the corporate sector, Kirameki Life plans to conduct high-quality sales activities with tailored policies to generate growth in earnings. Further promotion of cross-selling of life insurance products to existing non-life insurance policyholders will remain a key part of the sales strategy. Kirameki Life will also focus on boosting sales of products through financial institution sales channels,

life insurance professionals and tax accountants, as well as through the direct sales force.

We expect the amount of new policies to increase 27.3% in year-on-year terms to ¥2,020 billion, with the amount of in-force policies growing 8.8% to ¥10,280 billion (both figures are totals for individual life policies plus individual annuities). Pro forma net income as used in the calculation of GCP is forecast at ¥3.3 billion, a projected year-on-year increase of ¥0.5 billion.

Kirameki Life expects to post a net loss of ¥2.8 billion in fiscal 2010, reflecting an anticipated one-off provision of ¥4.3 billion for fiscal 2010 to cover an unfunded portion of the standard underwriting reserve.

#### □ MERGER WITH AIOI LIFE INSURANCE

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

The new company formed out of the merger will aim to generate annualized premium in force of ¥330 billion (see Note) in fiscal 2013, and promises to make a substantial contribution to the MS&AD Insurance Group's fiscal 2013 GCP target for the Domestic Life Insurance Group of ¥15 billion.

Note: This figure is a total for individual life policies plus individual annuities.

#### KEY FINANCIAL DATA

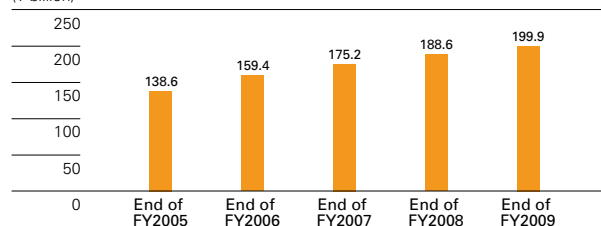
(¥ billion)

	FY2008	FY2009		FY2010 (forecast)	
			Change		Change
Amount of new policies	1,653.9	1,587.2	-4.0%	2,020.0	27.3%
Amount of in-force policies	9,030.8	9,444.7	4.6%	10,280.0	8.8%
Annualized premiums in-force	194.3	194.5	0.1%	200.0	2.8%
Net income	0.0	0.0	-0.0	-2.8	-2.8
Net income (pro forma)*	2.4	2.8	0.3	3.3	0.5

\* Net income (pro forma) is before provision of standard underwriting reserve as defined in the calculation of Group Core Profit (as former definition)

#### EMBEDDED VALUE

(¥ billion)



#### MOVEMENT ANALYSIS OF EV FOR FY2009

(¥ billion)

Factor	Amount of Increase (Decrease)
Value of new contracts	+5.0
Expected earnings from EV as of the end of FY2008	+9.2
Difference between assumptions and actual results for FY2009	+0.1
Impact of changes in interest rates, etc.	-0.3
Impact of changes in other assumptions	-2.6
Total	+11.3

\* Embedded value of each company at the end of FY2009 is calculated using the same method as at the end of FY2008 from the standpoint of continuity.

## □ DOMESTIC LIFE INSURANCE BUSINESS

### AIOI LIFE INSURANCE CO., LTD.

Aioi Life offers life insurance products tailored to customers' various lifestyles and requirements.

#### □ FISCAL 2009 RESULTS

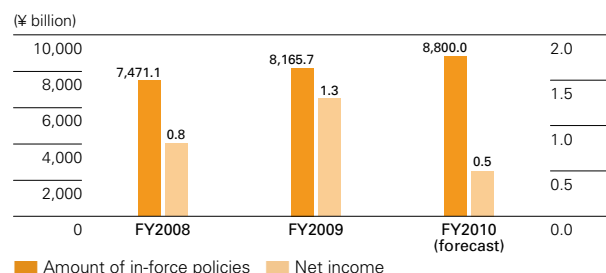
Aioi Life posted a 1.5% year-on-year increase in new policy amount (excluding group insurance) to ¥1,059.4 billion, reflecting expanded sales of policies for individuals. Aioi Life maintained robust growth, with the amount of in-force policies at the fiscal year-end rising 9.3% to ¥8,165.7 billion. Benefiting from sales of new products, annualized premium revenue from in-force policies increased 3.8% to ¥73.5 billion. Net income increased by ¥0.5 billion on a year-on-year basis to ¥1.3 billion, reflecting the steady expansion in new and in-force policies.

In line with ongoing social changes, Aioi Life continues to supply insurance products that accurately reflect the evolving needs of customers. For example, the "Just One W" income-security insurance policy provides death benefits for the surviving family as well as medical insurance protection. The "Luna Medical" product, which is designed for women, combines a comprehensive medical insurance policy with no surrender value that is specifically tailored to female needs with a flexible installment whole life policy featuring a variable interest rate.

#### □ FISCAL 2010 FORECAST

Based on greater cross-selling opportunities through non-life agencies with multi sales locations, Aioi Life expects the amount of new policies to be ¥1,026 billion in fiscal 2010. The amount of in-force policies at the end of fiscal 2010 is forecast to grow 7.8% to ¥8,800 billion, reflecting an anticipated improvement in policy surrender and lapse rates, among other factors. Annualized premiums in force are projected to rise 2.0% in year-on-year terms to ¥75 billion. Excluding exceptional factors from the previous fiscal year such as altered reinsurance arrangements, Aioi Life forecasts net income of ¥0.5 billion in fiscal 2010.

#### AMOUNT OF IN-FORCE POLICIES/NET INCOME

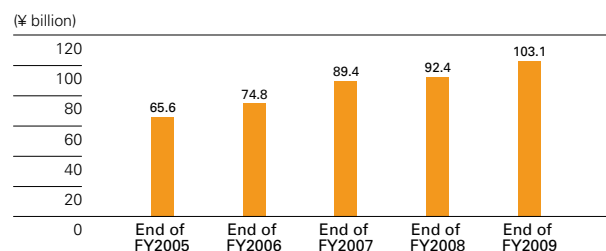


#### KEY FINANCIAL DATA

(¥ billion)

	FY2008	FY2009		FY2010 (forecast)	
			Change		Change
Amount of new policies (excluding group insurance)	1,043.7	1,059.4	1.5%	1,026.0	-3.2%
Amount of in-force policies	7,471.1	8,165.7	9.3%	8,800.0	7.8%
Annualized premiums in-force	70.8	73.5	3.8%	75.0	2.0%
Net income	0.8	1.3	0.5	0.5	-0.8

#### EMBEDDED VALUE



#### MOVEMENT ANALYSIS OF EV FOR FY2009

(¥ billion)

Factor	Amount of Increase (Decrease)
Value of new contracts	+0.9
Expected earnings from EV as of the end of FY2008	+5.3
Difference between assumptions and actual results for FY2009	+1.4
Impact of changes in interest rates, etc.	+3.1
Impact of changes in other assumptions	-1.2
Impact of model change	+1.1
Total	+10.6

\* Embedded value at the end of FY2009 is calculated using the same method as at the end of FY2008 of each company from the standpoint of continuity.

## □ DOMESTIC LIFE INSURANCE BUSINESS

### MITSUI SUMITOMO METLIFE INSURANCE CO., LTD.

Leveraging the trust and experience cultivated over many years by Mitsui Sumitomo Insurance and by MetLife, one of the leading life insurers in the United States, Mitsui Sumitomo MetLife Insurance (MSI MetLife) 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.

#### □ FISCAL 2009 RESULTS

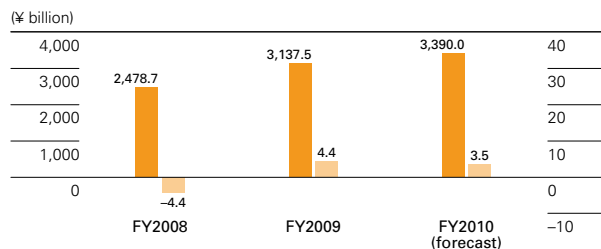
Despite aggressive sales efforts, MSI MetLife recorded a 28.4% decline in premium income in fiscal 2009 to ¥443.6 billion. This result reflected the continuing impact of the global financial crisis on the individual annuities market.

Net income (our equity share) was ¥4.4 billion, an improvement of ¥8.9 billion compared with the previous year. The improvement in performance was due to lower business expenses and higher investment income, reflecting the recovery in the Japanese stock market during fiscal 2009 (the main Nikkei stock index was up 36.7% at the fiscal year-end).

Net income (our equity share) under US GAAP, as used in the calculation of GCP, was ¥3.6 billion, an increase of ¥3.0 billion in year-on-year terms. As with net income, this was primarily the result of a significant improvement in the break even of asset investments associated with the recovery in the Japanese stock market.

Embedded Value (EV) of ¥103.5 billion at the fiscal 2009 year-end was ¥49.7 billion higher than a year earlier, mainly due to the market recovery substantially boosting the values of in-force policies and net assets. The factor breakdown for this increase was as follows: value of new contracts, +¥1.1 billion;

#### AMOUNT OF IN-FORCE POLICIES/NET INCOME



\* Net income (pro forma) is before provision of standard underwriting reserve as defined in the calculation of Group Core Profit (as former definition)

expected earnings from EV at previous fiscal year-end, +¥14.4 billion; difference between assumption and actual results, +¥39.0 billion; and effect of other changes in assumptions -¥4.9 billion.

Regarding the sales side, MSI MetLife focused on forging stronger relationships with banks, securities firms, regional financial institutions and the Japan Post Group to cultivate a more varied sales agency network. The firm also enhanced sales channel strategies aimed at expanding the customer base. A reorganization of the sales system in October 2009 sought to make sales activities more regionally focused. In other moves, MSI MetLife focused on upgrading the agency network through the introduction of more advanced educational and training programs for sales agencies and the development of various marketing support tools.

#### □ FISCAL 2010 FORECAST

The market for individual annuities in Japan is expected to generate stable growth over the medium-to-long term, in line with the progressive aging of society, the need to prepare financially for old age and growing diversity in the approaches used by individuals to manage financial assets. In the short



term, though, the lingering effects of the global financial crisis are likely to continue to dampen market expansion.

Responding to this changing environment as well as diverse customer requirements, MSI MetLife plans to focus in fiscal 2010 on upgrading the product lineup to make it both profitable and competitive while ensuring a stable supply of products. Since the variable annuities market is expected to remain depressed in the near term, MSI MetLife expects premium revenue of ¥450 billion in fiscal 2010 which is a slight increase from the previous year.

Net income (our equity share) is forecast at ¥3.5 billion, a fall of ¥0.9 billion in year-on-year terms. Insurance-related income is expected to rise in line with the growth in the amount of policies in force due to the recovery in fund investment conditions.

Net income (our equity share) under US GAAP, as used in the calculation of GCP, is forecast at ¥3.5 billion, a decline of ¥0.1 billion in year-on-year terms.

#### KEY FINANCIAL DATA

(¥ billion)

	FY2008	FY2009		FY2010 (forecast)	
			Change		Change
Amount of new policies	592.9	408.1	-31.2%	408.8	0.2%
Amount of in-force policies	2,478.7	3,137.5	26.6%	3,390.0	8.0%
Premiums	619.2	443.6	-28.4%	450.0	1.4%
Net income (our share)	-4.4	4.4	8.9	3.5	-0.9
Net income (our share, US-GAAP)*	0.6	3.6	3.0	3.5	-0.1

\* Net income under US-GAAP as defined in the calculation of Group Core Profit (as former definition).

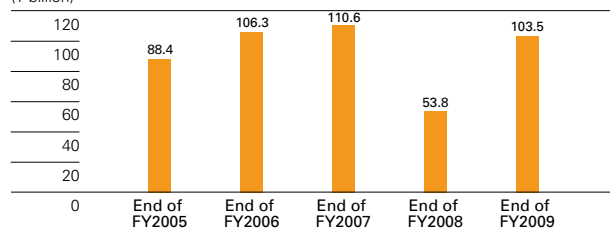
#### MOVEMENT ANALYSIS OF EV FOR FY2009

(¥ billion)

Factor	Amount of Increase (Decrease)
Value of new contracts	+1.1
Expected earnings from EV as of the end of FY2008	+14.4
Difference between assumptions and actual results for FY2009	+39.0
Impact of changes in other assumptions	-4.9
Total	+49.7

#### EMBEDDED VALUE

(¥ billion)

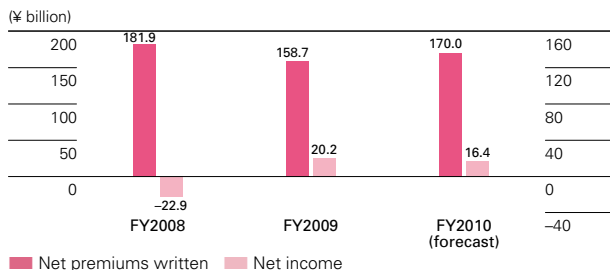


## OVERSEAS BUSINESS

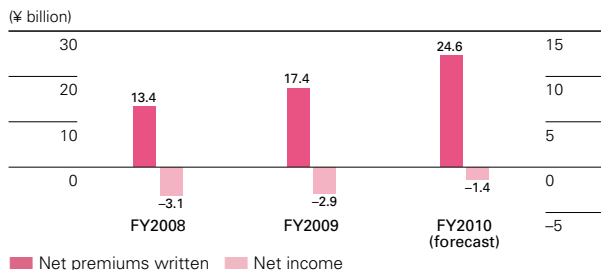
### MITSUI SUMITOMO INSURANCE/AIOI NISSAY DOWA INSURANCE

MS&AD Insurance Group has developed an overseas network of 325 bases in 42 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.

#### NET PREMIUMS WRITTEN/NET INCOME (MSI'S OVERSEAS SUBSIDIARIES)



#### NET PREMIUMS WRITTEN/NET INCOME (AIOI INSURANCE OVERSEAS SUBSIDIARIES)



#### FISCAL 2009 RESULTS

##### MSI OVERSEAS SUBSIDIARIES

Mitsui Sumitomo Insurance (MSI) continued to reinforce its competitiveness by developing its overseas network in Asia, including the establishment of its subsidiary in Laos and setup of the Beijing branch by its China subsidiary, while strengthening its sales force for corporate clients in Europe. On the other hand, MSI addressed further promotion of risk control, including the reinforcement of the monitoring structure for risks concerning overseas operations.

Net premiums written of MSI's overseas subsidiaries declined 12.8% year-on-year to ¥158.7 billion, owing to yen appreciation. On a basis of local currency, however, they increased by 5.2% year-on-year, due partly to the signs of recovery in the real economy shown especially within the Asian region.

Net income for fiscal 2009 was ¥20.2 billion, a significant improvement of ¥43.2 billion from the previous year, when results were substantially affected by the impact of the global financial crisis.

#### FISCAL 2009 RESULTS

##### AIOI INSURANCE OVERSEAS SUBSIDIARIES

The overseas subsidiaries of Aioi Insurance recorded ¥17.4 billion in net premiums written, an improvement of ¥4.0 billion,

or an increase of 29.2%, from the previous year. Aioi Motor & General, a U.K.-based subsidiary, posted growth in net premiums written of ¥3.5 billion, or 26.5%, compared with the previous year, due to steady expansion of automobile insurance business in Europe. Net premiums written by the China-based subsidiary, formed in fiscal 2009 in the course of business expansion, were ¥0.3 billion. Overall, on the bottom line, Aioi Insurance's overseas subsidiaries posted a net loss of ¥2.9 billion, a year-on-year improvement of ¥0.2 billion.

#### FISCAL 2010 FORECAST

##### MSI OVERSEAS SUBSIDIARIES

In fiscal 2010, MSI aims to accelerate growth in its overseas business through dynamic sales activities, leveraging its expanded business platform created by the formation of the Group, while ensuring to maintain a well-balanced portfolio of Japanese- and local-client business.

Led by revenue growth in Asia, MSI's overseas subsidiaries are forecast to generate net premiums written of ¥170.0 billion, an increase of ¥11.2 billion from the previous year. Net income from overseas subsidiaries is expected to decline ¥3.8 billion year-on-year to ¥16.4 billion, given expected losses of a certain level at reinsurance subsidiaries which recorded minimal losses associated with natural disasters in the previous year.

## TOPICS

MS&AD Insurance Group is seeking to make business investments in strategic regions and sectors to encourage the growth of overseas business. For possible investment in life and non-life insurance sectors in Asia, in particular, we are active in examining prospective deals to further strengthen the Group's competitive business base structure and superiority within Asia.

In April 2010, MSI acquired a seven-percent stake (approximately equivalent to ¥2.4 billion) in Sinatay Life Insurance Co., Ltd., a Chinese life insurer. In June 2010, MSI signed a basic agreement to form a strategic alliance involving the non-life and life insurance business with Hong Leong Financial Group, a leading Malaysian conglomerate. This alliance was a big step forward for MSI to enter into the life insurance business in Malaysia, a key base of operations within Asia, while expanding

its non-life insurance business there as well. MSI intends to take this opportunity to further accelerate its ongoing effort in establishing a stable business base in the Asian market.

### □ FISCAL 2010 FORECAST

#### AIOI NISSAY DOWA OVERSEAS SUBSIDIARIES

The overseas subsidiaries of Aioi Nissay Dowa Insurance are expected to record net premiums written of ¥24.6 billion in fiscal 2010, a ¥7.2 billion increase year-on-year. Projected growth reflects business expansion including that of the local subsidiary in China, and consolidation of the U.S. subsidiary.

The bottom line is forecast to improve by ¥1.5 billion to net loss of ¥1.4 billion by way of review and examination of the earnings structure, which involves underwriting including a rating scheme.

## NET PREMIUMS WRITTEN

(¥ billion)

Region	Net Premiums Written					
	FY2006 Results	FY2007 Results	FY2008 Results	FY2009 Results	(YoY change)	FY2010 Plan
Asia	90.9	105.5	106.3	98.4	-7.9	112.4
Americas	35.2	33.4	32.2	33.6	1.4	42.4
Europe	67.1	88.6	68.7	53.3	-15.4	71.5
Reinsurance	19.6	26.1	25.6	20.9	-4.7	20.6
Overseas Total	212.9	253.3	233.1	206.2	-26.9	246.9

## NET INCOME

(¥ billion)

Region	Net Income					
	FY2006 Results	FY2007 Results	FY2008 Results	FY2009 Results	(YoY change)	FY2010 Plan
Asia	8.1	11.4	1.9	10.9	9.0	9.4
Americas	-1.8	1.2	1.7	0.9	-0.8	3.0
Europe	2.4	-2.4	-33.6	-9.0	32.7	-0.2
Reinsurance	5.0	6.7	4.2	8.1	3.9	5.8
Overseas Total	11.7	14.9	-29.4	15.1	44.5	18.0

Notes: 1. Figures for fiscal years 2006 through 2009 represent Mitsui Sumitomo Insurance Group's overseas results (including non-consolidated subsidiaries).

2. FY2010 figures represent MS&AD Insurance Group's overseas business plan (Aioi Nissay Dowa = Asia/Americas/Europe plan).

3. "Net Income" figures for "Overseas Total" for fiscal years 2006 through 2009 include the headquarters/consolidation adjustments.

## □ FINANCIAL SERVICES BUSINESS

## □ RISK-RELATED BUSINESS

In the financial services business, the Group continued to endeavor to expand the sales of such services and products 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. In the risk management field, the Group focused on providing consulting services for swine flu contingencies.

The operating companies involved in the Group's financial services and risk-related businesses are listed in the table below. Following the establishment of the MS&AD Insurance Group in April 2010, companies in the Group dealing with the risk consulting businesses were merged into a single entity named InterRisk Research Institute & Consulting, Inc.

Sumitomo Mitsui Asset Management Co., Ltd.	Japan's largest asset management company, in which 4 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.	Outsourcing of administrative services for mortgage guarantee insurance, etc., trust guarantee services, 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

## CONTENTS

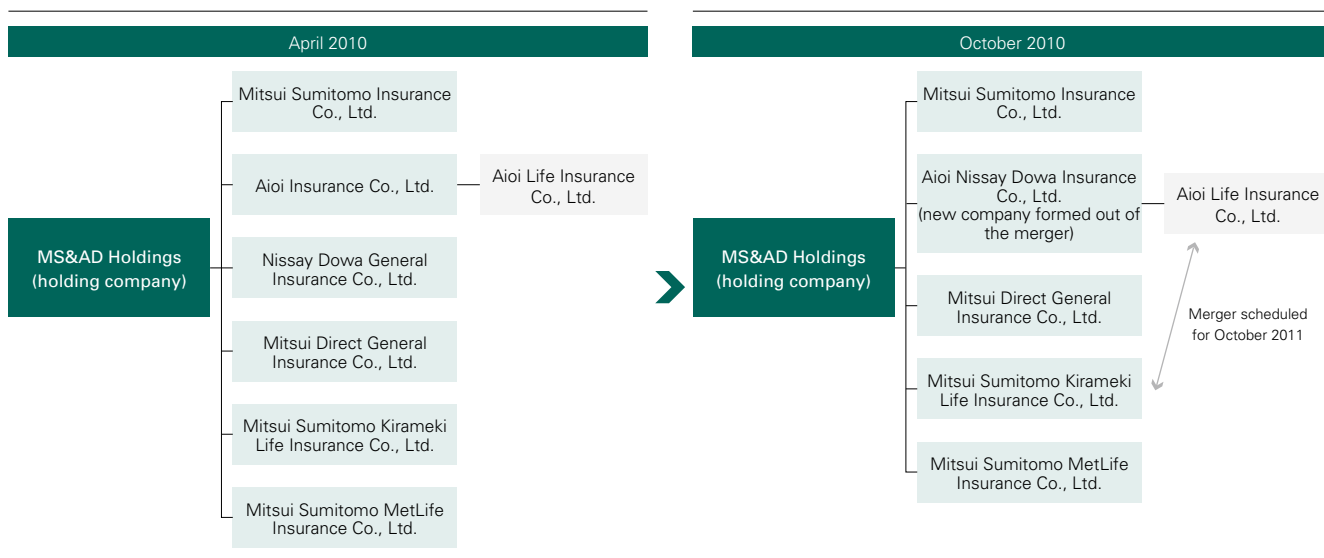
036	Group Structure
037	Aspirations for the New Integrated Group
038	MS&AD New Frontier 2013
040	Corporate Governance
042	Basic Policy Regarding Internal Control System
044	Directors, Executive Officers and Auditors
046	Internal and External Audits
047	Disclosure Policy
048	Risk Management
050	Compliance
051	Privacy Protection Policy
053	CSR
054	Environmental Initiatives
056	Social Contribution Activities

# GROUP STRUCTURE

MS&AD Insurance Group is composed of the following principle operating companies: Mitsui Sumitomo Insurance Co., Ltd. (MSI), Aioi Insurance Co., Ltd. (Aioi), Nissay Dowa General Insurance Co., Ltd. (NDI), Mitsui Direct General Insurance Co., Ltd., Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. and Mitsui Sumitomo MetLife Insurance Co., Ltd.

In October 2010, Aioi Insurance and Nissay Dowa General Insurance will merge to form Aioi Nissay Dowa Insurance Co., Ltd.

In October 2011, Mitsui Sumitomo Kirameki Life Insurance and Aioi Life Insurance, presently a subsidiary of Aioi Insurance, are scheduled to merge.



# ASPIRATIONS FOR THE NEW INTEGRATED 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.

# MS&AD NEW FRONTIER 2013

(MS&AD INSURANCE GROUP MEDIUM-TERM MANAGEMENT PLAN FISCAL 2010–FISCAL 2013)

## □ BASIC STRATEGY

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

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

2. Integrate all the power of the Group and pursue group synergies to enhance profitability even further.

- Aim to enhance efficiencies and increase group profitability by pursuing synergies within the Group.
- Revise all of the Group's operations from the perspective of maximizing performance of the Group, utilizing integration of operational processes and computer systems and development of shared services, and capitalize on economies of scale.

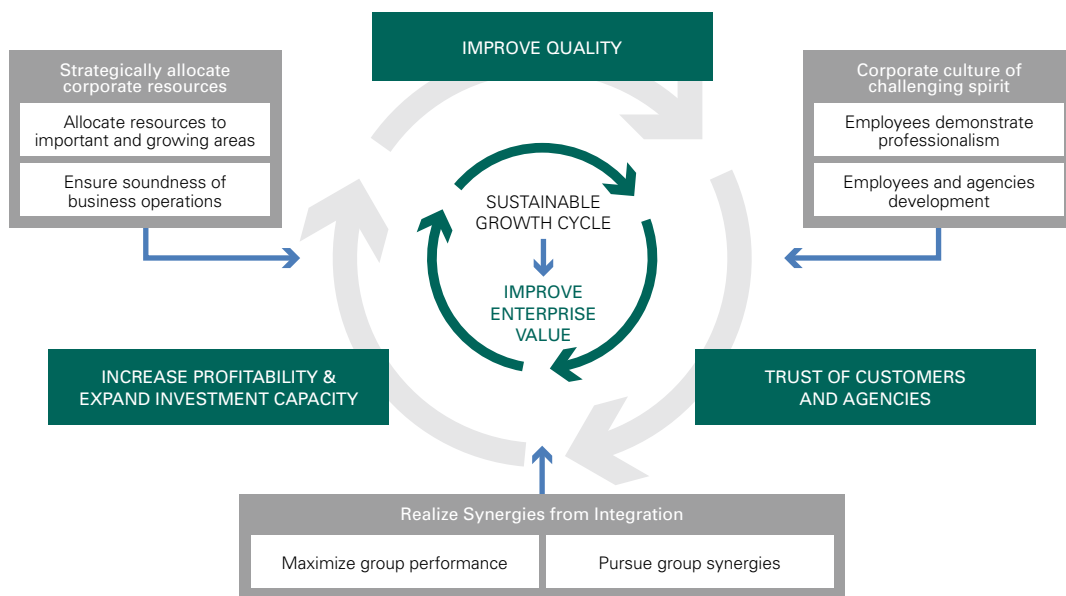
3. Allocate resources strategically to selected and focused areas, as well as secure soundness of business operations.

- Allocate expanded corporate resources into important and growing areas and aim to make efficient use of resources and to accelerate growth of the Group.
- Secure the soundness of the entire Group, by conducting business operations in each group company with the soundness required in the insurance and financial service businesses and by establishing a Group-wide corporate governance structure with the core of the holding company.

4. Foster a corporate culture of challenging spirit as professionals and grow with employees and agencies.

- Foster a corporate culture under which every single employee tackles challenges as a professional.
- Create a group that its members are proud of and want to work for, and in which employees and agencies can grow with the Group.

## □ TO IMPROVE ENTERPRISE VALUE





## □ BUSINESS DOMAIN AND INDIVIDUAL STRATEGIES

To grow as a group with business domains of domestic non-life insurance, domestic life insurance, overseas business, financial services, and risk-related services by expanding each of these businesses.

### Domestic Non-life Insurance Business

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

- To develop and provide attractive products and services suitable for the various operational bases and customer bases.
- To enhance sales capabilities by developing business models that can satisfy customers' needs in each market, and by concentrating resources in growing areas.
- To improve quality of business processes and to create best practices by utilizing know-how and infrastructure of MSI, Aioi, and NDI.
- To reduce business expenses significantly and to improve efficiency by integrating operational processes and by consolidating offices for sales and claims handling.
- 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 MetLife Insurance

- 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, life insurance agencies, and direct sales on expanded operational bases.
- 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

- To expand business actively in the Asian region through the Group's extensive operational bases and superiority.
- To pursue expansion and profits in Europe by enhancing the Group's services structure, and to ensure solid profits in the Americas.
- Active investment in new business in selected and focused strategic regions and areas.
- To expand overseas reinsurance business.

### Financial Services Business

- To expand asset management business by enhancing the salability of products and sales capabilities.
- To restructure a financial guarantee business in response to the structural changes in the financial market.
- To actively promote 401k business that responds to both corporate and individual needs.
- To expand ART (Alternative Risk Transfer) business, personal loan related business, and venture capital business.

### Risk-Related Services Business

- To provide services other than insurance services, that contribute to customers' risk solutions.  
(Risk management business, nursing care business, asset valuation and appraisal business, and assistance business)
- To promote new businesses in light of changes in the business environment.

## □ 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 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

- Formulation of strategies and execution of operation within their business areas.
- Management and administration of themselves as individual companies.

\* For areas where it is necessary to adjust strategies as between MSI and Aioi Nissay Dowa (MSI, Aioi, and NDI before the merger) with respect to such aspects of business as sales promotion, product strategies, and claims handling strategies, the Non-life Insurance Business Strategy Council will be established and will formulate strategies to maximize the group's performance.

\* MSI and Aioi Nissay Dowa will conduct their business operations while maintaining the maximum degree of autonomy from each other.

## □ 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.

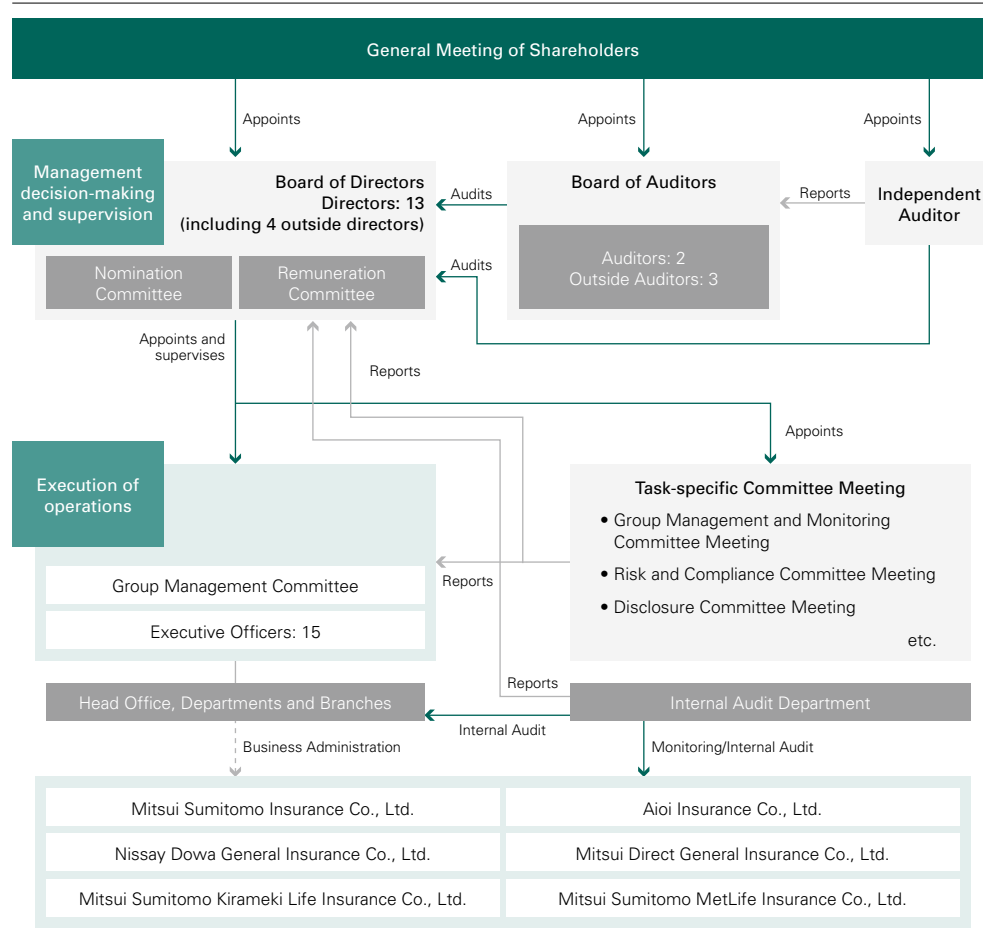
MS&AD Holdings has introduced an executive officer system and is strengthening the control of MS&AD Holdings management by clarifying the roles of the Board of Directors, who are responsible for management decision-making and supervision, and the Executive Officers, who are responsible for business execution. 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, 4 of the 13 members on the Board of Directors and 3 of the 5 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 Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd., Mitsui Direct General Insurance Co., Ltd., Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., Mitsui Sumitomo MetLife Insurance Co., Ltd.) to provide business administrative support.

MS&AD Holdings believes that obtaining timely and accurate information regarding the business of its subsidiary companies is beneficial to the smooth operations of the group. Therefore, MS&AD Holdings board members concurrently serve as directors of the subsidiary companies. Furthermore, directors from the subsidiary companies participate in Group Management Committee meetings depending on the topic.

## CORPORATE GOVERNANCE STRUCTURE



# BASIC POLICY REGARDING INTERNAL CONTROL SYSTEM

The system stipulated in this policy was established to be in alignment with the Corporation Law 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

(1) From the perspective of maximizing the corporate value of the whole group and overseeing business affairs of the whole group, MS&AD Holdings exercises its shareholder’s right accordingly to its direct subsidiaries (“directly invested domestic insurance companies”).

(2) MS&AD Holdings concludes a management agreement with its directly invested domestic insurance companies. Based on that contract, MS&AD Holdings calls for the directly invested domestic insurance companies 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 direct investment subsidiary. Additionally, in relation to sub-subsidiaries, 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

(1) As well as formulating the Group management plan, MS&AD Holdings sets the task-specific numerical targets and appropriately distributes the managerial resources needed to realize that plan. In addition, MS&AD Holdings and its subsidiaries’ execution of business operations shall be reported to the Board of Directors.

(2) 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 15 or less.

(3) To ensure assignments of directors and executive officers are carried out appropriately and efficiently, the Company establishes rules of organizational and administrative authority and clarifies the assignments to be implemented and the relevant authority.

## 3. SYSTEM TO ENSURE THAT THE ASSIGNMENTS 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 and internal regulations, etc., and maintains high ethical standards as part of all business activities.

(2) To promote and complete the compliance program in MS&AD Holdings and the Group companies, MS&AD Holdings maintains organizations and structures such as the Compliance Department and reports regularly on overall compliance promotion situations of the Group to the Board of Directors. To monitor compliance promotion, MS&AD Holdings has set up a Risk and Compliance Committee and takes necessary measures on issues identified by the Committee.

(3) MS&AD Holdings and the Group companies have set up an internal report 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. REGULATION AND SYSTEM RELATED TO MANAGING RISKS OF LOSSES (INTEGRATED RISK MANAGEMENT SYSTEM)

(1) In addition to establishing a shared basic understanding in accordance with the “MS&AD Insurance Group Basic Policy on Risk Management” set out by MS&AD Holdings’ Board of Directors, MS&AD Holdings and its Group companies formulate company-specific risk management policies and take appropriate risk management measures in line with circumstances at each company.

(2) MS&AD Holdings’ Board of Directors has established a Corporate Risk Management Department and put in place the necessary organizational framework to identify the full range of risks inherent in the Group’s activities and effectively implement integrated risk management. To monitor risks and risk management activities, MS&AD Holdings has also established a Risk and Compliance Committee and takes all 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)).

(3) 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 REPORT

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

(2) In accordance with the “MS&AD Insurance Group Basic Policy for Disclosure” set out by MS&AD’s Board of Directors, 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.

(3) To secure fair disclosure of information, MS&AD Holdings has set up the Information Disclosure Committee to maintain internal control regarding financial reports of the Company and the Group, as well as to examine 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 and its directly invested domestic companies maintain internal audit systems tailored to all the business activities of MS&AD 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’ DUTIES

MS&AD Holdings has established regulations for document management to appropriately store and manage information as well as documents that are related to Directors’ and Executive Officers’ duties. 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 set up a Corporate Auditor Office with full-time employees. Respecting the independence of the Corporate Auditor Office, 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 of report to the 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 of the report 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 facts that may have an extremely negative impact on the Company.

(3) Other systems

- 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 Auditors.

# DIRECTORS, EXECUTIVE OFFICERS AND AUDITORS

(As of July 31, 2010)



Representative Director,  
President & CEO

**TOSHIAKI EGASHIRA**

*Chairman of MSI*



Representative Director  
Executive Officer

**ICHIRO TATEYAMA**

*President of NDI*



Representative Director  
Executive Officer

**TADASHI KODAMA**

*Vice Chairman of Aioi*



Representative Director  
Executive Officer

**YASUYOSHI KARASAWA**

*President & CEO of MSI*



Director  
Senior Executive Officer

**SUSUMU FUJIMOTO**

Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept. Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., Mitsui Sumitomo MetLife Insurance Co., Ltd., Mitsui Direct General Insurance Co., Ltd.



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.  
*Managing Executive Officer of Aioi*



Director  
Executive Officer

**HISAHITO SUZUKI**

*President of Aioi*



Director  
Executive Officer

**MASANORI YONEDA**

*Executive Vice President of NDI*



Director  
Executive Officer

**KATSUAKI IKEDA**

*Senior Executive Officer of MSI*



Executive Officer  
**YASUO KISHIMOTO**  
 Financial Services Business  
 Managing Executive Officer of MSI



Executive Officer  
**KAZUYUKI FUJIMOTO**  
 Claims Services  
 Managing Executive Officer of NDI



Executive Officer  
**SEIICHI OTA**  
 Underwriting  
 Managing Executive Officer of MSI



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



Executive Officer  
**MITSUHIRO TSUCHIYA**  
 Marketing & Sales  
 Executive Officer of Aioi



Outside Director  
**TOSHIHIKO SEKI**\*1



Outside Director  
**AKIRA WATANABE**\*2



Outside Director  
**MITSUHIRO UMEZU**\*3



Outside Director  
**DAIKEN TSUNODA**\*4



Corporate Auditor (Full time)  
**TAKASHI YAMASHITA**



Corporate Auditor (Full time)  
**MASAHIKO OJI**



Outside Corporate Auditor  
**SOSUKE YASUDA**\*5



Outside Corporate Auditor  
**KUNIAKI NOMURA**\*6



Outside Corporate Auditor  
**HIROYUKI TEZUKA**\*7

\*1. Attorney-at-Law, Honorary Professor Tohoku University and Professor at Hosei University Law School

\*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

\*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 AUDITS

## □ MS&AD INSURANCE GROUP STRUCTURE OF INTERNAL AUDITS

MS&AD Insurance Group 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 related feedback and advice, 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. 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 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 AND CHECKS

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. To improve auditing effectiveness, the corporate auditors and Internal Audit Department work cooperatively by ensuring mutual access to the results of internal audits.

### Internal Audits

- By corporate auditors (administrative/accounting audits)
- By the Internal Audit Department

### External Audits

- By the independent auditors KPMG AZSA & Co. (under the Corporation Law and the Financial Instruments and Exchange Law)
- Apart from the above auditing procedures, the Group is also subject to regulatory audits under the Insurance Business Law 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 Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd., Mitsui Direct General Insurance Co., Ltd., Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., Aioi Life Insurance Co., Ltd. and Mitsui Sumitomo MetLife 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 intends to disclose information with the goal to ensure that customers, shareholders, investors, and others can accurately grasp and appraise the situation of the Group.

### 2. Disclosure Criteria

MS&AD Holdings discloses 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 discloses information that would be helpful for customers, shareholders and investors for their policy interpretation or their investment decisions.

### 3. Disclosure Manner

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

# RISK MANAGEMENT

## □ RISK OF INSURANCE BUSINESS

The business environment is constantly changing due to the growing complexity of societies and economies, making the risks affecting the management of MS&AD larger in scale and more diversified. We tackle risk management as one of our foremost priorities, highlighting our commitment to enhancing corporate value and to fulfilling our responsibility to customers, shareholders, and other stakeholders by taking sound and appropriate risk measures.

The risk management measures of MS&AD are aimed ultimately at raising MS&AD's corporate value, financial soundness, capital efficiency, and profitability by managing the various risks in pursuit of our management targets in consideration of the relationships between these risks and shareholders' equity.

### 1. Insurance Underwriting Risks

Insurance underwriting risks are risks associated with insurance losses caused by volatility in economic trends or a rate of accidents that differs significantly from the projections on which the premiums have been set. We will realize stable and sound underwriting and claims payment in the future by setting and applying appropriate premium rates and thus retaining an adequate level of reserves to cover social or economic contingencies and/or natural disasters.

### 2. Investment Management Risk

Investment risks are risks for losses caused by fluctuations in asset value or asset management unsuitable to the characteristics of our liabilities. Understanding that our assets are the very resource with which we fulfill our responsibility to policyholders, we will work to ensure the soundness of assets and achieve stable profitability.

### 3. Operational Risks

#### *Liquidity Risk*

We will maintain an effective system that prevents cash shortages and allows swift delivery of capital sufficient to cover payments of large claims in case of a natural disaster such as a major earthquake or other contingencies and repayments of unearned premiums.

#### *Transaction Risk*

We work to prevent mistakes and misconduct and to execute business transactions properly, recognizing their potential in all aspects of our operations.

#### *Information Risk*

With respect to data and information that we possess for our business as well as the systems that process and manage information, we will assure confidentiality (protection from unauthorized access), completeness (maintaining impartiality), and availability (assuring uninterrupted access), and execute business and conduct operations properly.

#### *Legal Risk*

We will maintain an appropriate legal check system so as to avoid unforeseen liabilities resulting from execution of our business.

#### *Accident/Disaster Risk*

We take preventive measures and devise proper responses to disasters, accidents, and criminal conduct which may have an adverse impact on our employees and/or our assets.

## □ RISK MANAGEMENT BASIC POLICY

MS&AD Insurance Group has set out the "MS&AD Insurance Group Basic Policy on Risk Management," which stipulates the basic processes and the Group-wide framework for risk management. The Group companies implement and execute commonly shared risk management subject to the policy.

It also defines the categories of risks which our Group should identify and manage.

The Group companies under our holding system set out their own "Risk Management Policies" and manage risk by their own responsibilities in line with the "Group Policy."

## □ RISK MANAGEMENT STRUCTURE

The Group insurance companies implement risk management on an individual basis. MS&AD Holdings implements an enterprise-wide risk management program and monitors integrated risk and Group companies' risk management activities.

The Corporate Risk Management Department obtains and analyzes the enterprise-wide risk reported from Group insurance companies on a regular basis at the Risk Compliance Committee and the all important items are reported to the Board of Directors.

## □ ENTERPRISE RISK MANAGEMENT

Based on risk reports and risk management activities of the Group's insurance companies, the Company manages risk with both a quantitative and qualitative approach.

### Quantitative Approach

Based on quantitative analysis (VaR), the Company periodically measures insurance underwriting risk, asset management risk, and operational risk to confirm that the risk threshold is in alignment with Group capital.

The Company also monitors the risk of the domestic Group insurance companies to confirm it does not exceed the set-up limit.

For the purpose of quantitative analysis, the Company conducts periodic stress tests to ascertain uncertainty of an anomalous but probable event such as a large-scale natural disaster or turmoil in the financial markets.

\* VaR (Value at Risk) is the particular level of maximum loss in terms of its chance of occurrence.

### Qualitative Approach

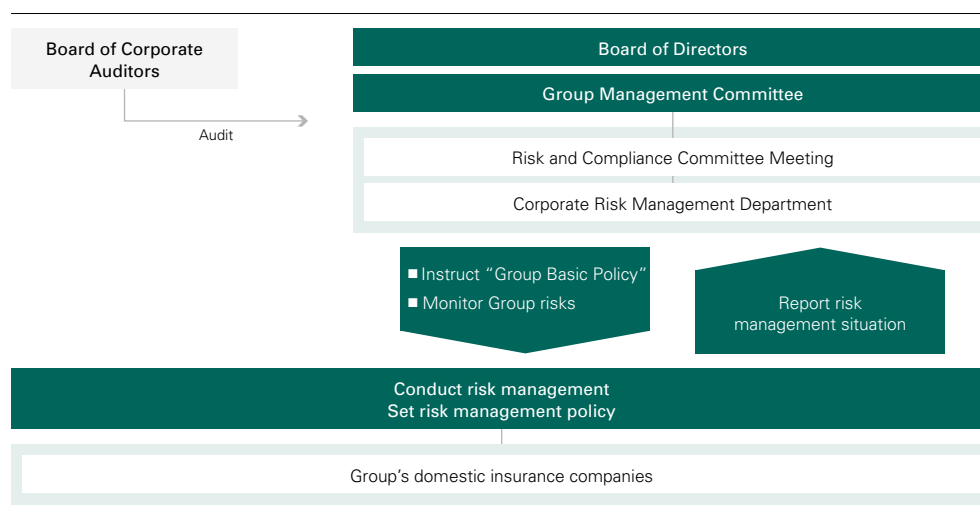
To evaluate insurance underwriting risk, asset management risk, and operational risk, the Company assesses Group insurance companies' risk management activities and risk management framework.

The Company also regulates the accumulation of loans and investments, and monitors transactions between Group companies. This is to ensure that propagation, maldistribution and concentration of risk shall not have an impact on the soundness of MS&AD Insurance Group.

## □ CRISIS MANAGEMENT STRUCTURE

To prepare for the situation where risks create a significant impact on our business continuity, the Group companies have created crisis management manuals and business continuity plans, and perform drills to assure the effectiveness of these measures. The Company promotes these preparations and oversees the situation.

## RISK MANAGEMENT STRUCTURE



# COMPLIANCE

## □ BASIC POLICY ON COMPLIANCE

To sustain ongoing development, it is imperative that companies carry out their business activities in strict adherence to laws while maintaining the highest sense of ethics. As the basis for the fundamental values shared by all MS&AD employees and the execution of appropriate and lawful corporate activities, MS&AD formulated the “MS&AD Insurance Group Basic Policy on Compliance,” with the aim of imbuing all officers and employees with a thorough awareness of compliance.

## □ COMPLIANCE PROMOTION STRUCTURE

The Compliance Department carries out unified management of compliance matters. Departments in charge of compliance at MS&AD insurance companies plan and implement measures and policies for employees and agencies, as well as operational rules for insurance sales. They also work to strengthen factual inquiry functions in case inappropriate behavior is discovered.

## □ ACTIVITIES

### ■ Compliance Program

As part of a compliance implementation plan of the company, MS&AD insurance companies each have a Compliance Program that is approved by the Board of Directors. The Compliance Committee of each company submits a regular report on the implementation and issues of the Program to the Board of Directors.

### ■ Compliance Manual

MS&AD insurance companies each have a Compliance Manual that states their compliance-related policies and regulations, with examples and interpretations, for board members and employees. The Manual is distributed to board members and employees, and its content is familiarized through training and examinations. Procedures for reporting inappropriate behavior are stipulated in the Manual for the speedy handling of misconduct.

### ■ Compliance-related Training

Based on the Compliance Program, MS&AD insurance companies organize education/training programs for employees and agencies every year to raise stronger awareness of lawful conduct and to enhance knowledge of regulations and company rules.

### ■ Compliance-related Inspection

MS&AD insurance companies conduct compliance-related inspections in accordance to each company’s business model to discover and correct any deficiencies that might occur.

### ■ Monitoring Group Companies

The Compliance Department at MS&AD Holdings monitors the state of compliance promotion structures and compliance-related activities of MS&AD insurance companies and reports regularly to the Board of Directors. 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

## □ HANDLING OF PERSONAL INFORMATION

Given the importance of protecting personal information, MS&AD Insurance Group Holdings, Inc. (“we”) will strictly comply with laws regarding protection of personal information (Act on the Protection of Personal Information) as well as other laws and guidelines to properly handle personal information, and take adequate measures to manage the security.

We will also ensure that personal information is not mis-handled, and will properly educate and supervise employees in the appropriate handling of personal information.

We will continue to review and improve our handling of personal information and our methods for secure management.

### 1. Collection of Personal Information

We will obtain personal information to the extent necessary for our business in a legitimate and fair manner.

We may also obtain personal information via phone calls involving questions and consultations, which will be recorded in order to accurately record their content.

### 2. Purpose of Use of Personal Information

We will report or publicize our purpose for using personal information, and will use personal information only to the extent necessary to accomplish the stated purpose, unless otherwise required by law.

### 3. Provision of Personal Data to Third Parties

We will only offer personal data without permission to third parties in the following situations:

- [1] When required to do so by law
- [2] When offering the information to consigned companies to the extent necessary for operations
- [3] When offering the information to third parties via procedures based on Article 23, paragraph (2) of the Act on the Protection of Personal Information (i.e. opting out)
- [4] When sharing information between our Group companies (please refer to item 4)

### 4. Shared Use of Personal Data

To manage the business of our Group companies, we may share personal data with them under the following conditions:

#### (1) Items of personal data

- a) Personal data about our shareholders (name, address, number of shares, etc.)
- b) Customer information held by us or our Group companies (name, address, phone number, email address, gender, date of birth, other information related to customer transactions such as those noted in contract forms or information regarding insured events, etc.).

#### (2) Scope of users of shared information and management representative

Users of shared information are domestic and overseas insurance companies, reinsurance companies, and related companies of the MS&AD Insurance Group. The management representative for the shared use of information will be the Holding Company.

### 5. Handling of Sensitive Information

In accordance with Article 53-10 of the Ordinance for Enforcement of Insurance Business Law, we will not obtain, use, or offer to third parties personal information such as political opinions, faith (religion, thoughts and beliefs), membership of labor unions, race or ethnicity, family and domicile of origin, and information regarding medical treatment, sex life or criminal records (hereon referred to as “sensitive information”) unless required by the Act on the Protection of Personal Information or other laws and ordinances.

#### 6. Request for Disclosure or Amendment

Should you have a request regarding notification, disclosure, corrections, or discontinuation of the use of information that we hold under the Act on the Protection of Personal Information, please contact us.

We will reserve the right to verify the identity of the claimant, who will be required to complete the prescribed forms and the application procedure. In principle, requests will be answered in writing at a later date. At the time of responding, we will require claimants to pay the standard fees for any requests for disclosure.

If we find that information about the claimant is incorrect, we will correct the information based on the results of our investigation.

#### 7. Summary of Secure Management Procedures for Personal Data

We will make efforts to prevent leakage, damage, or defamation of personal data. We will also ensure adequate security measures such as maintenance of policies regarding usage, as well as implementation systems for the maintenance of policies regarding use of data and secure management.

We will also set criteria for the selection of consigned companies when trusting personal data to external parties, and conduct necessary and adequate supervision of the consigned company, such as checking their information management system beforehand.

## □ CSR MANAGEMENT

### Mission

We play an important role in terms of identifying risks inherent in our customers' everyday lives and business activities, offering ideal products and solutions and providing customers with the support they need when they have been involved in an accident.

Our job is about more than just dealing with the risks that have already been identified. As the environment around us continues to change, new risks start to become apparent. Identifying this constantly changing array of risks and working with our customers to come up with solutions is another of the most important services that we provide.

Our aim is to help people keep their hopes and dreams alive and contribute to the development and protection of our beloved planet and local communities. We consider that to be our mission here at MS&AD Insurance Group.

### Vision

We have set out a medium-term vision for MS&AD Insurance Group. Having made a clear commitment to the pursuit of growth and quality, we intend to establish MS&AD Insurance Group as one of the world's leading insurance and financial services groups.

### Our CSR Management

All of our business activities here are aimed at putting our mission and vision into practice. That is the basis of CSR management at MS&AD Insurance Group.

## □ THE PILLARS OF CSR MANAGEMENT

In order to promote CSR management, we base our activities here at MS&AD Insurance Group on the following two Pillars.

### ■ Pillar I

#### Creating a Sustainable Society Through Our Core Operations

We make every effort to live up to new expectations and demands through the Group's core operations in order to help create a sustainable society.

In order to put our mission and vision into practice, individual Group companies continually work towards achieving their management targets based on our Basic Group Strategy.

With MS&AD Insurance Group operations extending all over the world, we have an obligation to play our part in helping to create a sustainable society. We believe that meeting the expectations and demands of society through the Group's core operations will pave the way for us to remain competitive over the medium to long term.

In addition to explicitly incorporating new expectations and demands such as these into each of our Group companies' business strategies, we are committed to implementing activities in line with the PDCA cycle, based on objective indicators.

### ■ Pillar II

#### Sharing Our Mission, Vision and Values

To put Pillar I into practice, we aim to share our mission, vision and values with each and every Group employee.

As insurance and financial services are intangible, the employees and brokers who deal with our customers represent our products through their work. Individual employees and brokers effectively embody MS&AD Insurance Group. Maintaining relationships with our customers built on trust is central to our business model as an insurance and financial services provider.

Our basic approach to CSR management is therefore based on ensuring that individual employees appreciate how their work relates to society as a whole and constantly rethink their actions in line with the MS&AD Insurance Group mission.

An electronic version of the MS&AD CSR Report will be released in December 2010 through our official website.

# 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, the day that the Group was founded. Going forward, all Group employees will work together in accordance with MS&AD Environmental Basic Policy in order to “win customers’ trust and realize growth through quality improvement”—a strategy in the medium-term management plan “MS&AD New Frontier 2013”—in the area of global environmental issues as well.

## □ MS&AD 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



### □ BIODIVERSITY CONSERVATION PROJECT

In order to further the initiatives of Group companies aimed at conserving biodiversity MS&AD Insurance Group has included “Protecting Biodiversity” in the action plans for MS&AD Environmental Basic Policy, and the Group as a whole will continue to proactively take steps to conserve biodiversity.

From fiscal 2010 onwards, the Group will work to conserve the biodiversity of waterfront areas, particularly focusing on the wetlands registered under the Ramsar Convention. At these registered wetlands and other areas, Group employees will work together on cleanup activities and conduct surveys of plant and animal life to help conserve biodiversity in each area.

### □ EFFORTS TOWARDS LOW-CARBON SOCIETIES

MS&AD Insurance Group works to reduce its own emissions of CO<sub>2</sub>, which is one of the main causes of global warming, and provides customers with a variety of systems to help them reduce their emissions of CO<sub>2</sub>.

MSI has been utilizing Green Power Certificates with which all of the electricity consumed at the Surugadai Building (7.6 million kWh) comes from clean energy sources, thereby annually reducing CO<sub>2</sub> emissions by 3,000 tons.

Aioi encourages its employees and agents to use the Japanese Ministry of the Environment’s “Household Eco- Account Book” to reduce CO<sub>2</sub> emissions at home.

### □ 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 rebuild our environmental management systems with a focus on the entire Group, with all employees working together in activities to maintain our ISO14001 certification.

### □ MS&AD PARENT AND CHILD ENVIRONMENTAL EDUCATION SEMINAR

As part of its efforts to raise environmental awareness amongst employees and their families, the Group organizes courses that give parents and children the chance to visit the workplace and learn about environmental issues. In addition to bringing parents and children closer together, hands-on education such as this is designed to encourage environmental activities in the home.

The “MS&AD Parent and Child Environmental Education Seminar” is held at locations throughout the country as an initiative to educate employees and their family members about environmental issues. The seminar was offered at six locations in fiscal 2009.

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 self-check and score their own efforts with respect to various categories, including “Eco-life,” “Waterfront biodiversity,” “Eco-friendly shopping” and “Volunteering.” In fiscal 2009, a total of 42,504 employees participated in the program. We made a donation to an environmental organization matching the total combined score of all participating employees.

# SOCIAL CONTRIBUTION ACTIVITIES

(Initiatives in Fiscal 2009)

As a member of local communities and international society, we contribute to their sustainable development through various Company-organized social contribution activities, and we also assist our employees to proactively carry out social contribution work.

## GROUP INITIATIVES

### Disaster Relief Donation Matching Gift Program

We have a "Donation Matching Gift Program" for disaster relief, whereby the Group matches the donations made by employees to the victims of disasters.

(1) Disasters covered by the system:

- Domestic ..... Disasters for which the Disaster Relief Act applies, and for which fundraising is carried out
- 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.

Disaster	No. of volunteers	Donation by employees	Corporate donation	Matching gift total
Yamaguchi Prefecture floods	1,116	¥ 1,775,000	¥ 1,775,000	¥ 3,550,000
Fukuoka Prefecture floods	831	¥ 1,252,000	¥ 1,252,000	¥ 2,504,000
Taiwan typhoon No. 8	922	¥ 1,314,000	¥ 1,314,000	¥ 2,628,000
Hyogo Okayama typhoon No. 9	1,094	¥ 1,523,000	¥ 1,523,000	¥ 3,046,000
Philippines typhoon No. 16	954	¥ 1,233,500	¥ 1,233,500	¥ 2,467,000
Indonesia, Sumatra earthquake	1,029	¥ 1,383,500	¥ 1,383,500	¥ 2,767,000
Haiti earthquake	2,473	¥ 4,028,000	¥ 4,028,000	¥ 8,056,000
Chile earthquake	1,821	¥ 2,801,600	¥ 2,801,600	¥ 5,603,200
Total	10,240	¥15,310,600	¥15,310,600	¥30,621,200

\* Aioi Insurance and Nissay Dowa General Insurance plan to participate in the program from fiscal 2010

### Smile Heart Club

On a voluntary basis, employees contribute an amount that they feel comfortable with from their monthly paychecks. This money is then used to support activities for NPOs, as funds to support the social contribution activities of departments and offices, charity events, and charity Christmas cards to support children around the world.

*Charity Events Held (As of March 31, 2010)*

*"Buta-Neko" Charity Concert (since 2000)*

This is a lunch time mini-concert put on by the students and alumni of Tokyo University of the Arts. Proceeds from this charity event totaling ¥884,708 were donated to Family House, an NPO which operates accommodation facilities for families of children with cancer or other serious diseases.

*Light Music Club Valentine Charity Concert (since 1996)*

Proceeds from this concert are donated to Minsai Center, an organization that arranges scholarships to support children in rural Thailand and Laos in attending middle school. 219 children have received scholarships to date.

*Karugamo Concert (Since 2001)*

We visit the Sanda Children's Development Support Center Karugamo-En in Hyogo Prefecture and give a concert in support of activities for education and development of children with disabilities.

*Supporting the World's Children with Charity Christmas Cards*

Each year, we work together with the KIDS EARTH FUND to create and sell Christmas cards and picture postcards with pictures of the world's children.



Proceeds from sales are used to provide assistance to children in countries suffering from either war or disasters. In fiscal 2009, we supported children in the former Yugoslavia, Cambodia, and Vietnam. Total proceeds since 1992 amount to ¥404.5 billion.

*"Sending Hand-knitted Sweaters to Children Around the World" Project*

In collaboration with N.A.C. and World Vision, approximately 500 volunteers from both inside and outside the Company participated in a project to send hand-knitted gifts to children around the world. In fiscal 2009, the hand-knitted items were sent to children in Vietnam. To date, a total of 23,988 items have been delivered to children.



# FINANCIAL SECTION

## CONTENTS

058	Five-Year Summary (Unaudited)
059	Management's Discussion and Analysis (Japan GAAP)
066	Segment Information—Non-Life Insurance (Unaudited)
069	Segment Information—Life Insurance (Unaudited)
070	Consolidated Balance Sheets
072	Consolidated Statements of Income
073	Consolidated Statements of Changes in Net Assets
075	Consolidated Statements of Cash Flows
076	Notes to Consolidated Financial Statements
097	Independent Auditors' Report
098	Supplemental Information—Aioi Insurance Company, Limited Consolidated Balance Sheets
099	Supplemental Information—Aioi Insurance Company, Limited Consolidated Statements of Income
100	Supplemental Information—Nissay Dowa General Insurance Company, Limited Non-Consolidated Balance Sheets
102	Supplemental Information—Nissay Dowa General Insurance Company, Limited Non-Consolidated Statements of Income

## FIVE-YEAR SUMMARY (UNAUDITED)

Mitsui Sumitomo Insurance Company, Limited and Subsidiaries for the Years Ended March 31, 2006, 2007 and 2008, and Mitsui Sumitomo Insurance Group Holdings, Inc. and Subsidiaries for the Years Ended March 31, 2009 and 2010

	Yen in millions					Dollars in millions
	2006	2007	2008	2009	2010	2010
<b>Ordinary income:</b>	¥2,106,874	¥2,117,072	¥2,137,603	¥2,040,013	¥1,962,689	\$21,104
Net premiums written	1,464,107	1,492,808	1,541,032	1,445,651	1,394,164	14,991
<b>Ordinary profit (loss)</b>	127,710	91,684	60,866	(13,044)	52,695	567
<b>Net income</b>	71,660	60,796	40,027	8,192	37,640	405
<b>Net assets</b>	2,027,469	2,182,877	1,671,517	1,023,021	1,311,082	14,098
<b>Total assets</b>	8,592,873	9,011,652	8,397,718	7,440,709	7,519,625	80,856
	Yen					Dollars
<b>Net income per share</b>						
Basic	¥ 50.27	¥ 42.82	¥ 28.37	¥ 19.45	¥ 89.84	\$ 0.97
<b>Net assets per share</b>	1,427.17	1,536.71	1,178.48	2,411.70	3,143.32	33.80
<b>Equity ratio</b>	23.60%	24.06%	19.71%	13.59%	17.35%	—
<b>Return on equity</b>	4.11%	2.90%	2.09%	0.61%	3.25%	—
<b>Price earnings ratio</b>	31.85	34.54	35.50	116.97	28.88	—
	Yen in millions					Dollars in millions
<b>Cash flows</b>						
Cash flows from operating activities	¥ 313,007	¥ 227,417	¥ 189,688	¥ 38,612	¥ (33,930)	\$ (365)
Cash flows from investing activities	(264,352)	(220,522)	(185,621)	94,495	52,741	567
Cash flows from financing activities	(33,580)	(37,358)	(329)	4,184	(104,320)	(1,122)
Cash and cash equivalents at the end of year	386,179	365,350	364,081	455,430	377,158	4,055
<b>Number of employees</b>	18,154	18,882	20,237	21,336	21,908	—

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

	Yen in millions		Dollars in millions
	2009	2010	2010
Net premiums written	¥ 2,591,099	¥ 2,519,022	\$ 27,086
Ordinary profit (loss)	(52,914)	99,131	1,066
Net income (loss)	(9,489)	57,340	617
Total assets	11,345,045	11,481,312	123,455

Notes: 1. U.S. dollar amounts in this table have been translated from yen, for convenience only, at the rate of ¥93=US\$1. For details, see Note 1 of the Notes to Consolidated Financial Statements.

2. Effective from the year ended March 31, 2007, MSIG adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8, issued on December 9, 2005).

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

4. Figures are presented exclusive of the GRR premiums of the 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 Mitsui Sumitomo Insurance Group Holdings, Inc. ("MSIGH") and its subsidiaries (collectively, "MSIG"). Specifically, upon describing MSIG'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 MSIG, risk analysis, solvency margin ratio, and MSI's credit rating.

### (1) Description of Businesses

The following is a description of MSIG's principal businesses and the positioning of Group companies within these businesses.

#### *1) Non-Life Insurance Business*

Mitsui Sumitomo Insurance Company, Limited ("MSI") and Mitsui Direct General Insurance Co., Ltd. ("Mitsui Direct") engage in the non-life insurance business in Japan. Overseas, non-life insurance business is undertaken by MSI in addition to a total of 23 Group companies, including Mitsui Sumitomo Insurance USA Inc., Mitsui Sumitomo Insurance Company of America, Mitsui Sumitomo Insurance Company (Europe), Limited, and Mitsui Sumitomo Insurance (Singapore) Pte Ltd.

#### *2) Non-Life Insurance-Related Businesses*

In Japan, MSIG carries out non-life insurance-related businesses through 18 Group companies, including Mitsui Sumitomo Insurance Claims Adjusting Company, Limited, while overseas MSIG undertakes non-life insurance-related business through 37 Group companies, including MSIG Holdings (Americas), Inc.

#### *3) Life Insurance Business*

MSIG's Life Insurance business in Japan is carried out by Mitsui Sumitomo Kirameki Life Insurance Company, Limited ("Kirameki Life") and Mitsui Sumitomo MetLife Insurance Co., Ltd. ("MSI MetLife").

#### *4) Asset Management-Related Business*

Sumitomo Mitsui Asset Management Company, Limited engages in investment and investment advisory services businesses in Japan, while the latter business is carried out overseas by 3 Group companies. In Japan, 14 Group companies, including MITSUI SUMITOMO INSURANCE Venture Capital Company, Limited, are involved in asset management-related businesses, and overseas this business is undertaken by 5 Group companies.

### (2) Points to Be Noted Regarding Figures

MSI, the core company of MSIG, is a Japanese corporation and prepares its legal consolidated financial statements in accordance with accounting principles generally accepted in Japan ("Japan GAAP"). In addition, as MSIG's sales (net premiums written) are mainly derived from the Japanese market, the preparation of various MSIG plans as well as the management of monthly business results are essentially based on Japan GAAP. As such, New Challenge 10, MSIG's medium-term management plan from fiscal 2007 to fiscal 2010, 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

MSIGH's consolidated financial statements are prepared in accordance with Japan GAAP. The preparation of these financial statements requires the management of MSIGH 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 MSIGH's 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 are 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, MSIG carries out impairment accounting for securities based on reasonable criteria set by MSIG in accordance with relevant accounting standards and practices. If the securities markets decline, MSIG's marketable securities could be subject to losses on their devaluation.

### 3) Impairment of Long-Lived Assets

MSIG 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 of 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 MSIG 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 MSIG 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 credits, MSIG 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

MSIG 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, MSIG 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

Certain aspects of the Japanese economy experienced a mild recovery during the latter half of the fiscal year, such as an increase in exports and an upturn in personal consumption and capital investment. However, on the whole, Japan's economy performed weakly with no substantial improvement in corporate earnings and no change in the continuing severe employment situation.

The business environment for the insurance industry remains extremely challenging. In the non-life insurance industry, premium income decreased due to a decline in sales of automobile and marine insurance. In the life insurance industry, the value of new policies continued to decline against the backdrop of an aging society and a declining birthrate.

MSIG has been actively working to implement corporate social responsibility (CSR) in management through a positive cycle of perpetually striving to improve *quality*, earning the *trust* of even more of our customers, and achieving *growth* in the business based on that trust. Our goal is to become a leading, world-class insurance and financial group that grows through competitiveness derived from corporate quality, based on *New Challenge 10*, our medium-term management plan which began in fiscal year 2007. As a result, we have the following results to report for the consolidated fiscal year ended March 31, 2010.

#### Key Consolidated Financial Indicators

	(Yen in millions)			
	2009	2010	Change	Change (%)
Net premiums written	¥1,445,651	¥1,394,164	¥(51,486)	(3.6)%
Life insurance premiums	133,367	135,165	1,797	1.3
Ordinary profit (loss)	(13,044)	52,695	65,740	—
Net income	8,192	37,640	29,448	359.5

In the non-life insurance business, net premiums written fell ¥51.4 billion, to ¥1,394.1 billion, due to a ¥31.0 billion decline in net premiums written by Mitsui Sumitomo Insurance Co., Ltd. owing to a drop in income from compulsory automobile liability insurance (CALI) and marine insurance, and also a decline in net premiums written by consolidated overseas subsidiaries, due to the impact of the appreciation of the yen.

In the life insurance business, life insurance premiums rose ¥1.7 billion year on year, to ¥135.1 billion, due to the increase in life insurance premiums contributed by subsidiary Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.

Ordinary profit increased ¥65.7 billion year on year, to ¥52.6 billion. This was due to a decline in devaluation losses on securities and an increase in investment profit by the equity method from affiliate Mitsui Sumitomo MetLife Insurance Co., Ltd. After adjusting this for extraordinary income, extraordinary losses, and current and deferred income taxes and other factors, net income came to ¥37.6 billion, an increase of ¥29.4 billion from the previous fiscal year.

### Geographic Segment Information

Results by geographic segment were as follows.

Ordinary income was ¥1,753.2 billion in Japan, ¥73.0 billion in Asia, ¥105.9 billion in Europe, and ¥43.9 billion in the Americas. Ordinary profit was ¥39.1 billion in Japan, ¥8.1 billion in Asia, ¥1.9 billion in Europe, and ¥10.3 billion in the Americas. Japan accounted for a high percentage of ordinary income (before eliminating internal transactions) at 89%.

In the non-life insurance business, the following table shows the key financial indicators of MSI, a particularly important subsidiary.

#### Key Non-Consolidated Financial Indicators of MSI

	(Yen in millions)			
	2009	2010	Change	Change (%)
Net premiums written	¥1,234,011	¥1,203,007	¥(31,003)	(2.5)%
Net loss ratio	69.8%	70.4%	0.6%	—
Net expense ratio	34.1%	34.5%	0.4%	—
Underwriting profit (loss)	¥ 32,477	¥ (15,945)	¥(48,422)	(149.1)
Ordinary profit	25,532	35,786	10,253	40.2
Net income	46,580	25,458	(21,122)	(45.3)

An overview of underwriting is as follows.

Net premiums written, a key component of underwriting income, declined 2.5% year on year, to ¥1,203 billion. This was due to the decline in premiums in both CALI and marine insurance.

Meanwhile, net claims paid, a key component of underwriting expenses, declined ¥12.8 billion year on year, to ¥771.9 billion. Nevertheless, the net loss ratio increased 0.6 percentage point year on year, to 70.4%, due to the decline in net premiums written.

Despite the year-on-year decline in commission and collection expenses as well as sales, general and administrative expenses concerning underwriting, the net expense ratio rose 0.4 percentage point over the previous fiscal year to 34.5%.

This was due to the decline in net premiums written. After factoring in deposit premiums from policyholders, maturity refunds to policyholders, reversal of outstanding claims and reversal of underwriting reserves, an underwriting loss of ¥15.9 billion was posted, which was a ¥48.4 billion decline from the previous fiscal year.

An overview by lines of insurance is as follows:

#### Net Premiums Written

Lines of Insurance	(Yen in millions)					
	2009			2010		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 176,199	(0.1)%	14.3%	¥ 179,426	1.8%	14.9%
Marine	64,189	(11.8)	5.2	51,910	(19.1)	4.3
Personal Accident	128,947	(1.4)	10.5	129,471	0.4	10.8
Voluntary Automobile	535,745	(3.6)	43.4	536,006	0.0	44.5
Compulsory Automobile Liability	148,274	(22.4)	12.0	134,645	(9.2)	11.2
Other	180,654	(2.1)	14.6	171,547	(5.0)	14.3
Total	1,234,011	(5.9)	100.0	1,203,007	(2.5)	100.0

#### Net Claims Paid

Lines of Insurance	(Yen in millions)					
	2009			2010		
	Amount	Change (%)	Net loss ratio (%)	Amount	Change (%)	Net loss ratio (%)
Fire and Allied	¥ 70,940	(9.8)%	42.6%	¥ 73,768	4.0%	43.3%
Marine	31,017	(10.5)	51.5	30,236	(2.5)	61.7
Personal Accident	68,879	3.5	60.4	72,692	5.5	62.9
Voluntary Automobile	352,674	(0.2)	74.0	350,966	(0.5)	73.5
Compulsory Automobile Liability	137,200	0.6	99.8	133,498	(2.7)	107.3
Other	124,090	15.2	72.3	110,834	(10.7)	68.2
Total	784,803	1.0	69.8	771,996	(1.6)	70.4

#### Fire and Allied Insurance

Net premiums written increased 1.8% year on year, to ¥179.4 billion. The net loss ratio increased 0.7 percentage point year on year, to 43.3%.

#### Marine Insurance

Net premiums written decreased 19.1% year on year, to ¥51.9 billion, due to the impacts of the decline in the distribution volume of goods and the appreciation of the yen. The net loss ratio increased 10.2 percentage points year on year, to 61.7%.

#### Personal Accident Insurance

Net premiums written increased 0.4% year on year, to ¥129.4 billion. The net loss ratio increased 2.5 percentage points year on year, to 62.9%.

### Voluntary Automobile Insurance

Net premiums written were generally flat year on year, totaling ¥536.0 billion. The net loss ratio fell 0.5 percentage point year on year, to 73.5%.

### Compulsory Automobile Liability Insurance

Net premiums written decreased 9.2% year on year, to ¥134.6 billion, due to the impact of the reduction in premium rates enacted during the previous fiscal year. The net loss ratio increased 7.5 percentage points year on year, to 107.3%.

### Other Insurance

Net premiums written decreased 5.0% year on year, to ¥171.5 billion. The net loss ratio fell 4.1 percentage points year on year, to 68.2%.

An overview of asset management is as follows:

Interest and dividends received declined ¥20.3 billion year on year to ¥117.4 billion, while gains on the sale of securities declined versus the previous fiscal year. As a result, investment income net of investment gains applied to savings-type insurance and maturity refunds totaled ¥107.6 billion, a ¥53.7 billion decline versus the previous fiscal year. Meanwhile, investment expenses declined ¥113.3 billion year on year to ¥42.3 billion, due to the decline in losses on devaluation of securities.

As a result, ordinary profit increased ¥10.2 billion yen versus the previous fiscal year to ¥35.7 billion. After adjusting this for extraordinary income, extraordinary losses, and current and deferred income taxes and other factors, net income came to ¥25.4 billion, a decrease of ¥21.1 billion versus the previous fiscal year when extraordinary income was posted in association with the reversal of the reserve for price fluctuation.

## 4. CASH FLOW ANALYSIS AND FINANCIAL POSITION

Cash flows from operating activities for the current fiscal year fell by ¥72.5 billion from the previous fiscal year, to negative cash flow of ¥33.9 billion, due to the decline in premiums in the non-life insurance business and a drop in interest and dividends received. Cash flows from investing activities dropped by ¥41.7 billion from the previous fiscal year, to ¥52.7 billion, due to reduction of gains from sale and redemption of securities. Cash flows from financing activities decreased by ¥108.5 billion from the previous fiscal year, to a negative cash flow of ¥104.3 billion, due to the redemption of corporate bonds. As a

result of these cash flows, cash and cash equivalents at the end of the fiscal year amounted to ¥377.1 billion, a reduction of ¥78.2 billion from the end of the previous fiscal year.

Total assets at March 31, 2010 stood at ¥7,519.6 billion, a 1.1% increase compared with the previous fiscal year-end. This change was mainly due to an increase in unrealized gains on investment securities. Total net assets amounted to ¥1,311.0 billion, a substantial increase over the figure of ¥1,023.0 billion at the end of the previous fiscal year. The equity ratio was 17.3%, compared with 13.6% at the end of the previous fiscal year.

## 5. ISSUES TO BE ADDRESSED BY MSIG

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 lack-luster 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 achieve sustainable growth and enhance the enterprise value of MS&AD Insurance Group, the Company launched a new group medium-term management plan "MS&AD New Frontier 2013."

In this plan, the Company aims to achieve synergies and further improve its profitability by raising the efficiency of system development and operations and cutting costs. To this end the Company will integrate the systems of MSI, Aioi Insurance and Nissay Dowa General Insurance. The Company also aspires to maintain sound business operations by establishing Group corporate governance centered on the holding company, and to achieve growth by improving the quality of all operations and by gaining customers' trust.

MS&AD Insurance Group will actively promote the domestic non-life insurance business, domestic life insurance business, overseas business, financial services business, and risk-related businesses, and will create a world-class insurance and financial services group that operates on a global basis.

## 6. RISK ANALYSIS

### (i) Asset management risk

#### 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 valuation losses and loss on sales in the event of a large 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.

**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, 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.

Furthermore, the Group sells savings-type as well as long-term third-sector products and life insurance that pay a pre-determined fixed rate of return. However, there is a risk that a change in future interest rates could lead to a change in the valuation amount of insurance liabilities based on the original assumed rate of interest.

**(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 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 and foreign currency fluctuations.

**(viii) 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.

**(ix) 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.

**(x) 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.

**(xi) 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 given accounting standards. Any future amendment to these applicable laws or standards that requires a change to the methods of selling insurance products and the product content, as well as the methods for computing insurance reserves and accounting procedures may impact the Group's business results.

**(xii) Risks associated with merger with Aioi Insurance and Nissay Dowa General Insurance**

The Group integrated its business operations with Aioi Insurance and Nissay Dowa General Insurance through an exchange of shares on April 1, 2010. However, a full merger with Aioi Insurance and Nissay Dowa General Insurance is scheduled to take place on October 1, 2010. The following risks are associated with this merger:

- a. The benefits and synergies expected from the merger may not be fully realized.
- b. There may be turmoil from delays in preparation for the merger or because of changes of business processes associated with the merger.

- c. The costs of the merger may be greater than expected from inability to obtain approval for the merger by October 1, 2010.
- d. The costs of the merger may increase due to unanticipated circumstances.

**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 increase in the market value of stocks held, MSI's solvency margin total amount increased ¥383.9 billion versus the end of the previous fiscal year. As a result of this and other factors, the solvency margin ratio increased 146.6 points, to 839.4%.

The following shows the solvency margin ratios of domestic MSIG companies, including MSI.

**MSI's Solvency Margin Ratio***As of March 31, 2009 and 2010*

	(Yen in millions)	
	2009	2010
Solvency margin total amount	¥1,857,520	¥2,241,511
Risk amount	536,176	534,040
Solvency margin ratio	692.8%	839.4%

**Mitsui Direct's Solvency Margin Ratio***As of March 31, 2009 and 2010*

	(Yen in millions)	
	2009	2010
Solvency margin total amount	¥6,473	¥10,738
Risk amount	2,771	3,206
Solvency margin ratio	467.0%	669.8%

### Kirameki Life's Solvency Margin Ratio

*As of March 31, 2009 and 2010*

	(Yen in millions)	
	2009	2010
Solvency margin total amount	¥114,070	¥124,409
Risk amount	11,025	11,682
Solvency margin ratio	2,069.1%	2,129.7%

### MSI MetLife's Solvency Margin Ratio

*As of March 31, 2009 and 2010*

	(Yen in millions)	
	2009	2010
Solvency margin total amount	¥116,483	¥174,313
Risk amount	31,926	32,949
Solvency margin ratio	729.6%	1,058.0%

## 8. MSI'S CREDIT RATING

Standard & Poor's, Moody's Investors Service and A. M. Best Company are the world's leading rating agencies and rate the debt performance capability (creditworthiness) of debt issuers. Their evaluations are based on periodic reviews of financial data as well as management strategies, and are results of analyses done using the proprietary models of each rating agency.

MSI receives ratings on its capability to perform its debt obligations from insurance contracts, debt obligations from the issue of commercial papers, and other specific debt obligations. MSI's ratings are shown below. These ratings illustrate the high evaluation that leading rating agencies have of MSI's financial strength.

### *As of July 1, 2010*

Standard & Poor's	Financial Strength Rating	AA-
Moody's Investors Service	Insurance Financial Strength Rating	Aa3
Moody's Investors Service	CP Rating (Domestic Currency)	P-1
A.M. Best Company	Financial Strength Rating	A+

Note: These ratings are entirely the opinion of the respective agencies and are thus not to be construed as payment guarantees. Also, these ratings are subject to revision.

# SEGMENT INFORMATION—NON-LIFE INSURANCE (UNAUDITED)

## (1) PREMIUMS AND LOSSES

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

Lines of Insurance	(Yen in millions)								
	2006			2007			2008		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 304,176	7.9	17.0	¥ 301,692	(0.8)	16.7	¥ 317,881	5.4	17.4
Marine	101,461	19.5	5.7	113,005	11.4	6.3	121,969	7.9	6.7
Personal Accident	341,536	(3.7)	19.0	327,518	(4.1)	18.1	298,155	(9.0)	16.3
Voluntary Automobile	595,744	1.6	33.2	611,148	2.6	33.8	634,948	3.9	34.8
Compulsory Automobile Liability	181,757	(2.9)	10.1	176,826	(2.7)	9.8	165,851	(6.2)	9.1
Other	269,307	5.8	15.0	276,517	2.7	15.3	287,459	4.0	15.7
Total	¥1,793,984	2.6	100.0	¥1,806,708	0.7	100.0	¥1,826,265	1.1	100.0
Deposit premiums from policyholders	¥ 249,760	(8.4)	13.9	¥ 224,676	(10.0)	12.4	¥ 197,116	(12.3)	10.8

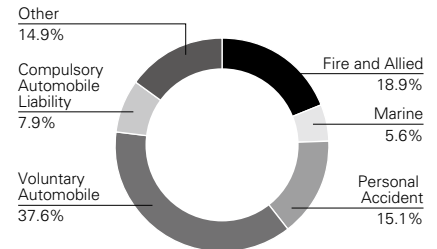
### (b) Net Premiums Written

Lines of Insurance	(Yen in millions)								
	2006			2007			2008		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 206,373	9.3	14.1	¥ 208,951	1.2	14.0	¥ 225,160	7.8	14.6
Marine	84,788	18.0	5.8	95,486	12.6	6.4	104,127	9.0	6.8
Personal Accident	143,316	8.7	9.8	139,531	(2.6)	9.3	138,217	(0.9)	9.0
Voluntary Automobile	590,422	1.0	40.3	601,353	1.9	40.3	624,949	3.9	40.5
Compulsory Automobile Liability	193,402	(1.2)	13.2	192,087	(0.7)	12.9	191,255	(0.4)	12.4
Other	245,805	4.9	16.8	255,398	3.9	17.1	257,321	0.8	16.7
Total	¥1,464,107	4.0	100.0	¥1,492,808	2.0	100.0	¥1,541,032	3.2	100.0

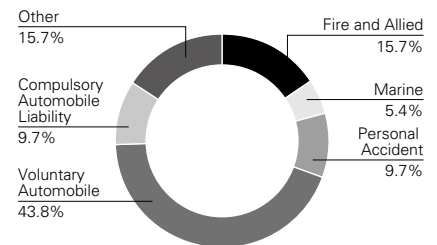
### (c) Net Claims Paid

Lines of Insurance	(Yen in millions)								
	2006			2007			2008		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 88,202	(36.9)	11.1	¥100,229	13.6	11.9	¥104,817	4.6	11.9
Marine	35,175	26.6	4.4	38,684	10.0	4.6	44,367	14.7	5.0
Personal Accident	56,049	5.3	7.1	62,908	12.2	7.4	70,232	11.6	8.0
Voluntary Automobile	364,207	2.8	45.9	375,298	3.0	44.3	391,877	4.4	44.6
Compulsory Automobile Liability	130,517	15.5	16.5	134,908	3.4	15.9	136,542	1.2	15.5
Other	118,787	(3.4)	15.0	134,415	13.2	15.9	131,887	(1.9)	15.0
Total	¥792,941	(2.2)	100.0	¥846,445	6.7	100.0	¥879,724	3.9	100.0

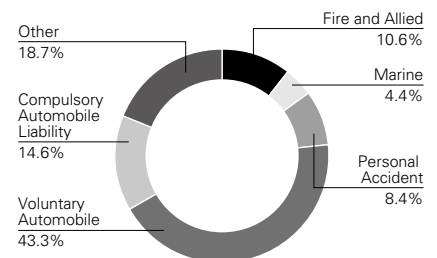
(Yen in millions)						(Dollars in millions)	
2009			2010				
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	
¥ 314,513	(1.1)	18.5	¥ 309,649	(1.5)	18.9	\$ 3,330	
110,565	(9.3)	6.5	91,816	(17.0)	5.6	987	
263,396	(11.7)	15.5	246,694	(6.3)	15.1	2,653	
615,451	(3.1)	36.2	615,907	0.1	37.6	6,623	
137,598	(17.0)	8.1	129,284	(6.0)	7.9	1,390	
258,712	(10.0)	15.2	243,482	(5.9)	14.9	2,618	
¥1,700,238	(6.9)	100.0	¥1,636,834	(3.7)	100.0	\$17,600	
¥ 165,464	(16.1)	9.7	¥ 145,026	(12.4)	8.9	\$ 1,559	

**DIRECT PREMIUMS WRITTEN (2010)**
**TOTAL ¥1,636.8 BILLION**


(Yen in millions)						(Dollars in millions)	
2009			2010				
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	
¥ 220,095	(2.2)	15.2	¥ 218,268	(0.8)	15.7	\$ 2,347	
93,680	(10.0)	6.5	75,936	(18.9)	5.4	817	
135,937	(1.6)	9.4	135,128	(0.6)	9.7	1,453	
608,613	(2.6)	42.1	610,955	0.4	43.8	6,569	
148,501	(22.4)	10.3	134,931	(9.1)	9.7	1,451	
238,822	(7.2)	16.5	218,944	(8.3)	15.7	2,354	
¥1,445,651	(6.2)	100.0	¥1,394,164	(3.6)	100.0	\$14,991	

**NET PREMIUMS WRITTEN (2010)**
**TOTAL ¥1,394.1 BILLION**


(Yen in millions)						(Dollars in millions)	
2009			2010				
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	
¥ 96,269	(8.2)	10.8	¥ 96,342	0.1	10.6	\$1,036	
42,481	(4.3)	4.8	40,442	(4.8)	4.4	435	
71,916	2.4	8.0	77,046	7.1	8.4	828	
393,311	0.4	44.1	395,925	0.7	43.3	4,257	
137,383	0.6	15.4	133,723	(2.7)	14.6	1,438	
151,348	14.8	16.9	171,210	13.1	18.7	1,841	
¥892,710	1.5	100.0	¥914,691	2.5	100.0	\$9,835	

**NET CLAIMS PAID (2010)**
**TOTAL ¥914.6 BILLION**


## (2) RETURN ON INVESTMENTS (UNAUDITED)

## (a) Income basis

Category	2009			2010				
	(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	¥ 9,881	¥ 311,821	3.17%	¥ 4,411	¥ 289,753	1.52%	\$ 47	\$ 3,116
Call loans	80	21,737	0.37	28	26,098	0.11	0	281
Receivables under resale agreements	22	4,801	0.48	23	19,630	0.12	0	211
Monetary claims bought	2,137	114,054	1.87	1,832	135,229	1.36	20	1,454
Money trusts	715	32,792	2.18	178	14,804	1.21	2	159
Investments in securities	115,234	3,890,345	2.96	94,984	3,640,879	2.61	1,021	39,149
Loans	15,496	779,261	1.99	14,251	730,772	1.95	153	7,858
Land, Buildings	7,367	246,228	2.99	7,664	239,231	3.20	82	2,572
Subtotal	¥150,937	¥5,401,043	2.79%	¥123,376	¥5,096,402	2.42%	\$1,327	\$54,800
Others	910	—	—	1,025	—	—	11	—
Total	¥151,847	—	—	¥124,401	—	—	\$1,338	—

## (b) Realized basis

Category	2009			2010				
	(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	¥ 2,396	¥ 311,821	0.77%	¥ 2,967	¥ 289,753	1.02%	\$ 32	\$ 3,116
Call loans	80	21,737	0.37	28	26,098	0.11	0	281
Receivables under resale agreements	22	4,801	0.48	23	19,630	0.12	0	211
Monetary claims bought	1,864	114,054	1.63	1,616	135,229	1.20	17	1,454
Money trusts	(2,542)	32,792	(7.75)	653	14,804	4.42	7	159
Investments in securities	41,382	3,890,345	1.06	73,554	3,640,879	2.02	791	39,149
Loans	15,409	779,261	1.98	14,153	730,772	1.94	152	7,858
Land, Buildings	7,367	246,228	2.99	7,664	239,231	3.20	82	2,572
Derivatives	576	—	—	24,777	—	—	266	—
Others	458	—	—	1,716	—	—	18	—
Total	¥67,016	¥5,401,043	1.24%	¥127,155	¥5,096,402	2.50%	\$1,367	\$54,800

# SEGMENT INFORMATION—LIFE INSURANCE (UNAUDITED)

## (1) INSURANCE AMOUNT

### (a) Amount of Policies in Force

	(Yen in millions; Dollars in millions)										
	2006		2007		2008		2009		2010		
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	
As of March 31											
Individual Insurance	¥7,603,541	15.5	¥7,846,571	3.2	¥8,297,141	5.7	¥8,715,563	5.0	¥9,129,287	4.7	\$98,164
Individual Annuities	314,360	14.9	317,690	1.1	319,339	0.5	315,285	(1.3)	315,415	0.0	3,392
Group Insurance	3,047,795	22.9	2,561,215	(16.0)	2,488,971	(2.8)	2,591,340	4.1	2,699,819	4.2	29,030
Group Annuities	—	—	—	—	—	—	—	—	—	—	—

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)					
	2006	2007	2008	2009	2010	
	Amount	Amount	Amount	Amount	Amount	Amount
As of March 31						
Individual Insurance		¥1,725,432	¥1,149,836	¥1,461,604	¥1,620,416	¥1,553,143 \$16,700
Individual Annuities		66,200	44,172	44,101	33,489	34,097 367
Group Insurance		197,832	25,795	45,344	32,441	26,198 282
Group Annuities		—	—	—	—	— —

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

## (2) RETURN ON INVESTMENTS

### (a) Income basis

Category	2009				2010				
	(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	¥ —	¥ 9,354	—%		¥ —	¥ 11,354	—%	\$ —	\$ 122
Call loans	16	3,816	0.44		2	2,631	0.10	0	28
Investments in securities	17,562	971,863	1.81		18,924	1,036,673	1.83	203	11,147
Loans	804	26,845	3.00		898	31,849	2.82	10	342
Land, Buildings	—	197	—		—	169	—	—	2
Subtotal	¥18,383	¥1,012,077	1.82%		¥19,826	¥1,082,678	1.83%	\$213	\$11,642
Others	12	—	—		10	—	—	0	—
Total	¥18,396	—	—		¥19,837	—	—	\$213	—

### (b) Realized basis

Category	2009				2010				
	(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	¥ —	¥ 9,354	—%		¥ —	¥ 11,354	—%	\$ —	\$ 122
Call loans	16	3,816	0.44		2	2,631	0.10	0	28
Investments in securities	18,309	971,863	1.88		19,041	1,036,673	1.84	205	11,147
Loans	804	26,845	3.00		898	31,849	2.82	10	342
Land, Buildings	—	197	—		—	169	—	—	2
Others	6	—	—		9	—	—	0	—
Total	¥19,137	¥1,012,077	1.89%		¥19,952	¥1,082,678	1.84%	\$215	\$11,642

# CONSOLIDATED BALANCE SHEETS

Mitsui Sumitomo Insurance Group Holdings, Inc. and Subsidiaries  
As of March 31, 2009 and 2010

Assets	Yen in millions		Dollars in millions
	2009	2010	2010
Cash, deposits and savings	¥ 452,057	¥ 313,389	\$ 3,370
Call loans	31,900	33,700	362
Receivables under resale agreements	—	15,998	172
Monetary claims bought	127,339	108,158	1,163
Money trusts	14,476	10,592	114
Investments in securities	5,110,839	5,497,537	59,113
Loans	768,400	749,524	8,059
Tangible fixed assets:			
Land	103,117	100,852	1,084
Buildings	134,635	129,358	1,391
Construction in progress	1,429	4,427	48
Other tangible fixed assets	23,480	20,400	219
Total tangible fixed assets	262,662	255,039	2,742
Intangible fixed assets:			
Software	6,876	11,927	128
Goodwill	63,951	63,004	677
Other intangible fixed assets	3,669	4,035	43
Total intangible fixed assets	74,497	78,967	849
Other assets	463,442	459,454	4,940
Deferred tax assets	141,831	6,411	69
Bad debt reserve	(6,737)	(9,149)	(98)
<b>Total assets</b>	<b>¥7,440,709</b>	<b>¥7,519,625</b>	<b>\$80,856</b>



Liabilities and Net Assets	Yen in millions		Dollars in millions
	2009	2010	2010
Underwriting funds:			
Outstanding claims	¥ 793,498	¥ 753,784	\$ 8,105
Underwriting reserve	5,054,956	5,027,448	54,059
Total underwriting funds	5,848,454	5,781,233	62,164
Bonds issued	164,960	94,969	1,021
Other liabilities	300,724	198,587	2,135
Reserve for pension and retirement benefits	80,958	82,424	886
Reserve for retirement benefits for officers	2,409	2,092	22
Accrued bonuses for employees	12,365	12,713	137
Reserves under the special laws:			
Reserve for price fluctuation	4,240	4,302	46
Total reserve under the special laws	4,240	4,302	46
Deferred tax liabilities	3,574	32,221	346
<b>Total liabilities</b>	6,417,688	6,208,542	66,759
Common stock	100,000	100,000	1,075
Capital surplus	132,689	132,690	1,427
Retained earnings	527,578	541,520	5,823
Treasury stock	(4,644)	(14,687)	(158)
<b>Total stockholders' equity</b>	755,623	759,522	8,167
Unrealized gains on investments	295,558	582,980	6,269
Deferred profits on hedge accounting for derivatives	9,671	2,138	23
Foreign currency translation adjustments	(49,625)	(40,309)	(433)
<b>Total valuation and translation adjustments</b>	255,603	544,809	5,858
Minority interests	11,794	6,750	73
<b>Total net assets</b>	1,023,021	1,311,082	14,098
<b>Total liabilities and net assets</b>	¥7,440,709	¥7,519,625	\$80,856

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

Mitsui Sumitomo Insurance Group Holdings, Inc. and Subsidiaries  
For The Years Ended March 31, 2009 and 2010

	Yen in millions		Dollars in millions
	2009	2010	2010
<b>Ordinary income and expense</b>			
<b>Ordinary income:</b>			
<b>Underwriting income:</b>			
Net premiums written	¥1,445,651	¥1,394,164	\$14,991
Deposit premiums from policyholders	165,464	145,026	1,559
Investment income on deposit premiums from policyholders	52,874	54,075	581
Life insurance premiums	133,367	135,165	1,453
Reversal of outstanding claims	—	49,876	536
Reversal of underwriting reserve	33,027	31,417	338
Other underwriting income	1,491	2,942	32
<b>Total underwriting income</b>	<b>1,831,877</b>	<b>1,812,669</b>	<b>19,491</b>
<b>Investment income:</b>			
Interest and dividends received	169,340	143,896	1,547
Investment gains on money trusts	118	675	7
Gains on sale of securities	76,713	19,695	212
Gains on redemption of securities	3,726	1,727	19
Gains on derivative transactions	576	24,777	266
Other investment income	5,598	3,206	34
Transfer of investment income on deposit premiums from policyholders	(52,874)	(54,075)	(581)
<b>Total investment income</b>	<b>203,199</b>	<b>139,902</b>	<b>1,504</b>
<b>Other ordinary income</b>			
Gains from equity method investments	—	4,878	52
Other ordinary income	4,936	5,239	56
<b>Total other ordinary income</b>	<b>4,936</b>	<b>10,118</b>	<b>109</b>
<b>Total ordinary income</b>	<b>2,040,013</b>	<b>1,962,689</b>	<b>21,104</b>
<b>Ordinary expenses:</b>			
<b>Underwriting expenses:</b>			
Net claims paid	892,710	914,691	9,835
Loss adjustment expenses	82,270	80,547	866
Commissions and collection expenses	245,696	243,136	2,614
Maturity refunds to policyholders	283,405	278,423	2,994
Dividends to policyholders	507	1,062	11
Life insurance claims	36,438	41,716	449
Provision for outstanding claims	25,002	—	—
Other underwriting expenses	3,915	1,538	17
<b>Total underwriting expenses</b>	<b>1,569,947</b>	<b>1,561,117</b>	<b>16,786</b>
<b>Investment expenses:</b>			
Investment losses on money trusts	2,661	21	0
Losses on sale of securities	17,830	17,419	187
Losses on devaluation of securities	118,122	6,065	65
Losses on redemption of securities	9,358	4,435	48
Other investment expenses	22,123	19,079	205
<b>Total investment expenses</b>	<b>170,096</b>	<b>47,021</b>	<b>506</b>
<b>Operating expenses and general and administrative expenses</b>	<b>302,350</b>	<b>294,960</b>	<b>3,172</b>
<b>Other ordinary expenses:</b>			
Interest expenses	1,625	2,254	24
Provision for bad debt reserve	1,971	2,044	22
Loss on bad debts	270	131	1
Losses from equity method investments	4,243	—	—
Other ordinary expenses	2,554	2,463	26
<b>Total other ordinary expenses</b>	<b>10,664</b>	<b>6,894</b>	<b>74</b>
<b>Total ordinary expenses</b>	<b>2,053,058</b>	<b>1,909,994</b>	<b>20,538</b>
<b>Ordinary profit (loss)</b>	<b>(13,044)</b>	<b>52,695</b>	<b>567</b>
<b>Extraordinary income and losses</b>			
<b>Extraordinary income:</b>			
Gains on sale of fixed assets	1,414	3,592	39
Reversal of reserves under the special laws:			
Reserve for price fluctuation	25,721	—	—
Total reversal of reserves under the special laws	25,721	—	—
<b>Total extraordinary income</b>	<b>27,136</b>	<b>3,592</b>	<b>39</b>
<b>Extraordinary losses:</b>			
Losses on sale of fixed assets	2,621	2,555	27
Impairment loss on fixed assets	1,044	3,431	37
Provision for reserves under the special laws:			
Reserve for price fluctuation	—	61	1
Total provision for reserves under the special laws	—	61	1
<b>Total extraordinary losses</b>	<b>3,666</b>	<b>6,048</b>	<b>65</b>
<b>Income before income taxes</b>	<b>10,425</b>	<b>50,238</b>	<b>540</b>
Income taxes-current	34,333	18,778	202
Reversal of prior period's income taxes	(7,307)	(13,950)	(150)
Income taxes-deferred	(25,161)	7,330	79
<b>Total income taxes</b>	<b>1,864</b>	<b>12,158</b>	<b>131</b>
<b>Minority interests</b>	<b>369</b>	<b>439</b>	<b>5</b>
<b>Net income</b>	<b>¥ 8,192</b>	<b>¥ 37,640</b>	<b>\$ 405</b>

See accompanying notes to consolidated financial statements.



**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

 Mitsui Sumitomo Insurance Group Holdings, Inc. and Subsidiaries  
 For The Year Ended March 31, 2010

	Yen in millions	Dollars in millions		Yen in millions	Dollars in millions
<b>Stockholders' equity:</b>			<b>Valuation and translation adjustments:</b>		
Common stock:			Unrealized gain on investments:		
Ending balance as of March 31, 2009	¥ 100,000	\$ 1,075	Ending balance as of March 31, 2009	¥ 295,558	\$ 3,178
Ending balance as of March 31, 2010	100,000	1,075	Changes for the year:		
Additional paid-in capital:			Net changes of items other than stockholders' equity		
Ending balance as of March 31, 2009	132,689	1,427	Total changes for the year	287,422	3,091
Changes for the year:			Ending balance as of March 31, 2010	582,980	6,269
Reissuance of treasury stock	0	0	Deferred profit/loss on hedge accounting for derivatives:		
Total changes for the year	0	0	Ending balance as of March 31, 2009	9,671	104
Ending balance as of March 31, 2010	132,690	1,427	Changes for the year:		
Retained earnings:			Net changes of items other than stockholders' equity		
Ending balance as of March 31, 2009	527,578	5,673	Total changes for the year	(7,532)	(81)
Changes for the year:			Ending balance as of March 31, 2010	2,138	23
Dividend paid	(22,641)	(243)	Translation adjustments:		
Changes in the scope of consolidation	(1,055)	(11)	Ending balance as of March 31, 2009	(49,625)	(534)
Net income	37,640	405	Changes for the year:		
Total changes for the year	13,942	150	Net changes of items other than stockholders' equity		
Ending balance as of March 31, 2010	541,520	5,823	Total changes for the year	9,316	100
Treasury stock:			Ending balance as of March 31, 2010	(40,309)	(433)
Ending balance as of March 31, 2009	(4,644)	(50)	Total valuation and translation adjustments:		
Changes for the year:			Ending balance as of March 31, 2009	255,603	2,748
Repurchase of treasury stock	(10,048)	(108)	Changes for the year:		
Reissuance of treasury stock	4	0	Net changes of items other than stockholders' equity		
Total changes for the year	(10,043)	(108)	Total changes for the year	289,206	3,110
Ending balance as of March 31, 2010	(14,687)	(158)	Ending balance as of March 31, 2010	544,809	5,858
Total stockholders' equity:			<b>Minority interests</b>		
Ending balance as of March 31, 2009	755,623	8,125	Ending balance as of March 31, 2009	11,794	127
Changes for the year:			Changes for the year:		
Dividend paid	(22,641)	(243)	Net changes of items other than stockholders' equity		
Changes in the scope of consolidation	(1,055)	(11)	Total changes for the year	(5,044)	(54)
Net income	37,640	405	Ending balance as of March 31, 2010	6,750	73
Repurchase of treasury stock	(10,048)	(108)	<b>Total net assets:</b>		
Reissuance of treasury stock	5	0	Ending balance as of March 31, 2009	1,023,021	11,000
Total changes for the year	3,899	42	Changes for the year:		
Ending balance as of March 31, 2010	¥ 759,522	\$ 8,167	Dividend paid	(22,641)	(243)
			Changes in the scope of consolidation	(1,055)	(11)
			Net income	37,640	405
			Repurchase of treasury stock	(10,048)	(108)
			Reissuance of treasury stock	5	0
			Net changes of items other than stockholders' equity	284,161	3,055
			Total changes for the year	288,060	3,097
			Ending balance as of March 31, 2010	¥ 1,311,082	\$ 14,098

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsui Sumitomo Insurance Group Holdings, Inc. and Subsidiaries  
For The Years Ended March 31, 2009 and 2010

	Yen in millions		Dollars in millions
	2009	2010	2010
<b>I. Cash flows from operating activities:</b>			
Income before income taxes	¥ 10,425	¥ 50,238	\$ 540
Depreciation	22,157	22,897	246
Impairment loss on fixed assets	1,044	3,431	37
Amortization of goodwill	4,126	4,265	46
Amortization of negative goodwill	(16)	(20)	(0)
Increase (decrease) in outstanding claims	36,371	(53,150)	(572)
Decrease in underwriting reserves	(32,255)	(33,813)	(364)
Increase in bad debt reserve	1,777	2,318	25
Increase in reserve for pension and retirement benefits	3,165	1,417	15
Decrease in reserve for retirement benefits for officers	(297)	(317)	(3)
Increase (decrease) in accrued bonuses for employees	(772)	317	3
Increase (decrease) in reserve for price fluctuation	(25,721)	61	1
Interest and dividends income	(169,340)	(143,896)	(1,547)
Investment related losses	64,871	6,497	70
Derivative transactions related gains	(576)	(24,777)	(266)
Interest expenses	1,625	2,254	24
Foreign exchange losses	8,494	364	4
Losses (gains) on disposal of tangible fixed assets	1,206	(1,036)	(11)
Equity in losses (earnings) of affiliates	4,243	(4,878)	(52)
Increase in other assets	(27,553)	(16,062)	(173)
Decrease in other liabilities	(2,415)	(4,914)	(53)
Others, net	9,672	14,259	153
<b>Subtotal</b>	(89,767)	(174,543)	(1,877)
Interest and dividends received	169,309	145,400	1,563
Interest paid	(1,652)	(2,331)	(25)
Income tax paid	(39,276)	(24,518)	(264)
Income tax refunded	—	22,062	237
<b>Net cash provided by (used in) operating activities (a)</b>	<b>38,612</b>	<b>(33,930)</b>	<b>(365)</b>
<b>II. Cash flows from investing activities:</b>			
Net increase (decrease) in deposits and savings	(43,923)	22,411	241
Purchase of monetary claims bought	(3,000)	—	—
Proceeds from sales and redemption of monetary claims bought	3,692	4,934	53
Purchase of money trusts	(3)	(13)	(0)
Proceeds from sales of money trusts	33,090	5,400	58
Purchase of securities	(890,529)	(694,015)	(7,463)
Proceeds from sales and redemption of securities	953,708	777,651	8,362
Investment in loans	(207,492)	(196,526)	(2,113)
Collection of loans	240,622	214,682	2,308
Increase (decrease) in cash received under securities lending transactions	24,466	(60,508)	(651)
Others, net	4,980	(391)	(4)
<b>Subtotal (b)</b>	<b>115,611</b>	<b>73,625</b>	<b>792</b>
(a + b)	154,224	39,695	427
Acquisition of tangible fixed assets	(17,572)	(17,387)	(187)
Proceeds from sales of tangible fixed assets	2,775	5,373	58
Acquisition of intangible fixed assets	(2,657)	(8,300)	(89)
Others, net	(3,661)	(569)	(6)
<b>Net cash provided by investing activities</b>	<b>94,495</b>	<b>52,741</b>	<b>567</b>
<b>III. Cash flows from financing activities:</b>			
Issuance of short-term bonds	16,949	—	—
Redemption of short-term bonds	(47,000)	—	—
Issuance of bonds	64,967	—	—
Redemption of bonds	—	(70,000)	(753)
Repurchase of treasury stock	(4,724)	(10,048)	(108)
Dividends paid to shareholders	(23,987)	(22,610)	(243)
Dividends paid to minority shareholders	(1,235)	(910)	(10)
Others, net	(785)	(751)	(8)
<b>Net cash provided by (used in) financing activities</b>	<b>4,184</b>	<b>(104,320)</b>	<b>(1,122)</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	<b>(45,943)</b>	<b>8,553</b>	<b>92</b>
<b>V. Net change in cash and cash equivalents</b>	<b>91,349</b>	<b>(76,955)</b>	<b>(827)</b>
<b>VI. Cash and cash equivalents at beginning of year</b>	<b>364,081</b>	<b>455,430</b>	<b>4,897</b>
<b>VII. Effect of change in scope of consolidation</b>	<b>—</b>	<b>(1,316)</b>	<b>(14)</b>
<b>VIII. Cash and cash equivalents at end of year</b>	<b>¥ 455,430</b>	<b>¥ 377,158</b>	<b>\$ 4,055</b>

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mitsui Sumitomo Insurance Group Holdings, Inc. and Subsidiaries  
As of and for the Years Ended March 31, 2009 and 2010

□ MARCH 31, 2009

## Basis of presentation

### 1. Basis of presentation

Mitsui Sumitomo Insurance Group Holdings, Inc. ("the Company") was established on April 1, 2008 as a result of the share transfer conducted solely by Mitsui Sumitomo Insurance Company, Limited ("MSI"). The Company's consolidated financial statements for the prior period represent the financial results of MSI, as predecessor to the Company.

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: 37 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 (Vietnam) Company Limited, a newly established subsidiary, has been included in consolidation effective from the year ended March 31, 2009.

□ 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.

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, 2010 have been translated into U.S. dollars at the rate of ¥93=US\$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2010. 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: 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 consolidated due to the financial relationship that the company had held its debenture, has also been excluded due to the debenture redemption.

□ MARCH 31, 2009

## (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 effect 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.

## 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  
SMA MSI AS has been accounted for under the equity method as a newly established affiliated company effective from the year ended March 31, 2009 because its stock was acquired by Mitsui Sumitomo Insurance Company (Europe), Limited, a consolidated subsidiary, in this consolidated year.

(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 effect on consolidated net income and retained earnings is immaterial individually and in aggregate.

## 4. Fiscal year of consolidated subsidiaries

The fiscal year end of consolidated subsidiaries, representing MSIG Holdings (Americas), Inc. and 32 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.

□ MARCH 31, 2010

## (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 effect 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.

## 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 effect on consolidated net income and retained earnings is 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.

□ MARCH 31, 2009

## 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).

The outline of the risk management policy for securities earmarked for policy reserve which the Company established in the current year is as follows:

In order to control risks of interest rate variability arising in assets and liabilities, the consolidated life insurance subsidiary segregates the "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, 2009. 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 not available are valued at cost determined by the moving average method or amortized cost.
- (vi) Securities managed as a major component of trust assets in the money trust are valued at fair value.

□ MARCH 31, 2010

## 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).

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 the "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"

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.



□ MARCH 31, 2009

(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 will 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.

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

□ MARCH 31, 2010

(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.
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(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 will 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.

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

□ MARCH 31, 2009

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, 2009.

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

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 Company uses the simplified method.

- (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 pensions) for officers and operating officers, for MSI and MSKL.
- (iv) Accrued bonuses  
Accrued bonuses for employees are based on estimated amounts to be paid at the end of the year.
- (v) Reserve for price fluctuation  
For the domestic consolidated insurance subsidiaries, reserve for price fluctuation is recognized under Article

□ MARCH 31, 2010

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.

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

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 Company uses the simplified method.

(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 pensions) for officers and operating officers, for MSI and MSKL.
- (iv) Accrued bonuses  
Accrued bonuses for employees are based on estimated amounts to be paid at the end of the year.
- (v) Reserve for price fluctuation  
For the domestic consolidated insurance subsidiaries, reserve for price fluctuation is recognized under Article

□ MARCH 31, 2009

115 of the Insurance Business Law to provide for possible losses arising from price fluctuations 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 "Ze 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 "Ze 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 commencement dates prior to April 1, 2008 are accounted for as operating leases similar to the rental of property.

(Change in accounting principles)  
Application of "Accounting Standard for Lease Transactions"  
The Accounting Standards Board of Japan ("ASBJ") released "Accounting Standard for Lease Transactions" (Statement No. 13) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No. 16) on March 30, 2007. This Standard and Guideline shall be applied for annual periods beginning on or after April 1, 2008. As a result of the change in the accounting standard, finance lease transactions that do not transfer ownership with commencement dates on or after April 1, 2008 are accounted for in a manner similar to the accounting for ordinary sale and purchase transactions.

The adoption did not have a material effect on the consolidated financial statements.

(8) Hedge accounting  
For MSI, profits 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.

□ MARCH 31, 2010

115 of the Insurance Business Law to provide for possible losses arising from price fluctuations 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.

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

(8) Hedge accounting  
For MSI, profits 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.

□ MARCH 31, 2009

Profits 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.

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 ALM (Asset and Liability Management) for the purpose of adequate control of risks of interest rate variability are accounted for as deferred hedges 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 the hedging instrument and the hedged item.

#### 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 amounts of goodwill are charged to income as incurred in the entire amount.

#### 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, 2010

Profits 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.

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Interest rate swap contracts used in ALM (Asset and Liability Management) for the purpose of adequate control of risks of interest rate variability are accounted for as deferred hedges 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 the hedging instrument and the hedged item.

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#### 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, 2009

### 9. Change in accounting principles

In accordance with "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18) issued on May 17, 2006, the Company made necessary adjustments in preparing the consolidated financial statements effective from the year ended March 31, 2009.

Since the Company was established on April 1, 2008, its consolidated financial statements are not available. Compared to the prior method in the consolidated financial statements of MSI, ordinary expenses increased by ¥1,867 million and income before income taxes decreased by ¥1,881 million, respectively.

## Notes to Consolidated Balance Sheets

1. Accumulated depreciation of tangible fixed assets amounted to ¥276,009 million. The acquisition costs of certain properties were reduced by ¥18,885 million representing deferred profit on sales of other properties.

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

	Yen in millions
Investments in securities (Stock)	¥23,920
Investments in securities (Foreign securities)	6,246
Investments in securities (Other securities)	6,604

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

(1) Loans to financially impaired parties and overdue loans amounted to ¥13 million and ¥2,609 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.

□ 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 were as follows:

	Yen in millions
Investments in securities (Stock)	¥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 were 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.

□ MARCH 31, 2009

(2) Loans overdue for 3 months or more amounted to ¥817 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 exclude loans to financially impaired parties and overdue loans.

(3) Restructured loans amounted to ¥845 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.

(4) The total of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans amounted to ¥4,285 million.

4. Securities in the amount of ¥81,164 million, Cash and deposits in the amount of ¥4,122 million and Tangible fixed assets in the amount of ¥410 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 ¥88,481 million.

6. Matters regarding retirement benefits are as follows:

(1) Details of retirement benefit obligation:

	Yen in millions
Projected retirement benefit obligation	¥ 264,415
Plan assets	(138,674)
Unfunded obligation	125,741
Unrecognized actuarial losses	(44,782)
Reserve for pension and retirement benefits	¥ 80,958

(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 actuarial gains and losses:	
Tax qualified defined benefit pension plan	4 years
Other than tax qualified defined benefit pension plan	Mainly 10 years

□ MARCH 31, 2010

(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 exclude 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.

(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 and deposits 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 actuarial gains and losses:	
Tax qualified defined benefit pension plan	4 years
Other than tax qualified defined benefit pension plan	Mainly 10 years

## □ MARCH 31, 2009

MSI transferred its tax qualified defined benefit pension plan to a defined benefit pension plan on April 1, 2006.

7. MSI provides guarantees to the transactions of a limited partnership entity. Aggregate net present value of those transactions was ¥296,290 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.

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 amounts of liabilities and assets of MSML as of March 31, 2009 were ¥2,444,271 million (including Underwriting funds in the amounts of ¥2,424,052 million) and ¥2,470,766 million, respectively. This agreement does not provide any guarantees for payment for its obligations. MSML was not in a triggering situation as mentioned above as of March 31, 2009.

9. The unutilized portion of commitment lines given to third parties amounted to ¥3,164 million.

## □ MARCH 31, 2010

MSI transferred its tax qualified defined benefit pension plan to a defined benefit pension plan on April 1, 2006.

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.

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 amounts of liabilities and assets of MSML as of March 31, 2010 were ¥3,081,115 million (including Underwriting funds in the amounts 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 as 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.

□ MARCH 31, 2009

□ MARCH 31, 2010

The Group's cash-flows 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 from time to time issues corporate bonds and short-term bonds as needs arise.

- (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 make 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 "—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



□ MARCH 31, 2009

□ MARCH 31, 2010

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.

(iii) Risk management structure relating for 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.

□ MARCH 31, 2009

□ MARCH 31, 2010

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, dealing with bad loans.

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.

□ MARCH 31, 2009

□ MARCH 31, 2010

## (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 <sup>(*)</sup>	(4,014)	—	—
	745,509	753,655	8,145
<b>Total assets</b>	<b>¥6,547,639</b>	<b>¥6,568,616</b>	<b>¥20,976</b>
Bond issued	¥ 94,969	¥ 98,150	¥ 3,180
<b>Total Liabilities</b>	<b>¥ 94,969</b>	<b>¥ 98,150</b>	<b>¥ 3,180</b>
Derivative transaction <sup>(*)</sup>			
Hedge accounting not applied	¥ (6,118)	¥ (6,118)	¥ —
Hedge accounting applied	3,895	3,895	—
	¥ (2,222)	¥ (2,222)	¥ —

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

(\*) 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 & savings  
With regard to cash, deposits & 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

□ MARCH 31, 2009

□ MARCH 31, 2010

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 vender 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 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 rate 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

## 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.

□ MARCH 31, 2009

10. Net assets per share as of March 31, 2009 were ¥2,411.70. Minority interests in the amount of ¥11,794 million were deducted from net assets in its computation. Outstanding common shares as of March 31, 2009 were 419,300 thousand shares.

□ MARCH 31, 2010

#### 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" in the above table, because determination of their fair values is impracticable, are summarized as follows:

Unlisted stocks (Carrying amount on the consolidated balance sheet: 93,839 million yen), partnership investment comprised of unlisted stocks (Carrying amount on the consolidated balance sheet: 39,076 million yen) 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 yen) are not included in the scope of fair value disclosure.

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

#### (Note)

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

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:

□ MARCH 31, 2009

□ MARCH 31, 2010

(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
- (ii) Reason for 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 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) Grounds 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.

□ MARCH 31, 2009

□ MARCH 31, 2010

## (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 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.

11. Amounts are rounded down to the nearest million yen, except for those stated otherwise.

14. Amounts are rounded down to the nearest million yen, except for those stated otherwise.

□ MARCH 31, 2009

## Notes to Consolidated Statements of Income

1. Business expenses mainly consist of:

Commission expenses	¥255,018 million
Salary	¥138,876 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	Properties, including buildings for rent in Gunma	Land	¥ 104
			Buildings	267
			Total	¥ 371
Idle real estate and real estate for sale	Land and buildings	9 properties, including company residences in Niigata	Land	¥ 157
			Buildings	516
			Total	¥ 673

Properties used for insurance operations are grouped as a single asset group for the entire insurance operation. 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 idle real estate and the resulting decreases in the carrying amounts were recorded as an impairment loss in the aggregate amount of ¥1,044 million in the 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 or the taxable base for inheritance taxes and the potential values in continued use are computed by discounting the future cash flows at the discount rate of 5.4%.

3. Consolidated net income per share for the year ended March 31, 2009 was ¥19.45.

Consolidated net income per share is computed based on the following figures: Consolidated net income and Consolidated net income available to common stockholders, ¥8,192 million; and Average outstanding common shares during the year, 421,051 thousand shares. Earnings per share after adjustment for dilutive effect of shares is not presented as no dilutive securities exist.

4. Amounts are rounded down to the nearest million yen, except for those stated otherwise.

□ MARCH 31, 2010

## 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 operation. 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 an impairment loss in the aggregate amount of ¥3,431 million in the 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 or the potential values in continued use are computed by discounting the future cash flows at the discount rate of 5.5%.

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 no dilutive securities exist.

4. Amounts are rounded down to the nearest million yen, except for those stated otherwise.



□ MARCH 31, 2009

## Notes to Consolidated Statements of Changes in Net Assets

1. As a result of the share transfer, the shareholders' equity in the consolidated financial statements of MSI was carried over to the Company.

### 2. Type and number of stock issued and treasury stock

	Thousands of shares			
	March 31, 2008	Increase	Decrease	March 31, 2009
Issued:				
Common shares	—	421,320	—	421,320
Total	—	421,320	—	421,320
Treasury stock:				
Common shares	—	2,041	21	2,020
Total	—	2,041	21	2,020

Note:

- The increase in the number of outstanding common stocks during the year was 421,320 thousand shares, as a result of the new stock issued in the share transfer conducted solely by MSI to establish the Company.
- The increase in the number of common treasury stocks during the year was 2,041 thousand shares in aggregate, as a result of the stock repurchase in the market (1,851 thousand shares) and repurchase of fractional stocks (180 thousand shares).
- The decrease in the number of common treasury stocks during the year was 21 thousand shares, as a result of sales of fractional stocks.

### 3. 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
Meeting of board of directors held on November 19, 2008	Common shares	¥11,371	¥27	September 30, 2008	December 11, 2008

Note:

Dividend paid in the amount of ¥24,011 million presented in the consolidated statement of changes in net assets includes aggregated dividend paid in the amount of ¥12,639 million paid by MSI. The details of the dividend paid by MSI are as follows:

Resolution	Type of share	Aggregate amount of dividends	Source of dividend	Dividend per share	Date of record	Effective date
General meeting of stockholders held on June 26, 2008	Common shares	¥12,639	Retained earnings	¥9	March 31, 2008	June 27, 2008

□ MARCH 31, 2010

## Notes to Consolidated Statements of Changes in Net Assets

### 1. Type and number of stock issued and treasury stock

	Thousands of shares			
	March 31, 2009	Increase	Decrease	March 31, 2010
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

Note:

- 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, 2009

(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 held on June 25, 2009	Common shares	¥11,321	Retained earnings	¥27	March 31, 2009	June 26, 2009

4. Amounts are rounded down to the nearest million 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	¥ 452,057
Call loans	31,900
Monetary claims bought	127,339
Money trust	14,476
Securities	5,110,839
Time deposit with an original maturity of more than three months	(79,135)
Monetary claims bought other than cash equivalents	(77,769)
Money trust other than cash equivalents	(13,727)
Securities other than cash equivalents	(5,110,550)
Cash and cash equivalents	¥ 455,430

2. Significant non-cash transactions

Assets and liabilities recorded on new finance lease transactions in the current year amounted to ¥702 million.

3. Cash flows from investing activities include cash flows from investments made as part of the insurance business.

## □ 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 million 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

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.



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, 2009 and 2010, the related consolidated statements of income, changes in net assets and cash flows for the years then ended, 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 provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MS&AD Insurance Group Holdings, Inc. and consolidated subsidiaries as of March 31, 2009 and 2010, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

*KPMG AZSA & Co.*

Tokyo, Japan  
May 18, 2010

KPMG AZSA & Co., an 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, a Swiss cooperative.

# SUPPLEMENTAL INFORMATION —AIOI INSURANCE COMPANY, LIMITED

## CONSOLIDATED BALANCE SHEETS

Aioi Insurance Company, Limited and subsidiaries for the years ended March 31, 2009 and 2010

	Yen in millions		Dollars in millions
	2009	2010	2010
<b>Assets</b>			
Cash, deposits and savings	¥ 175,202	¥ 214,256	\$ 2,304
Receivables under resale agreements	3,298	1,999	21
Monetary claims bought	19,535	14,094	152
Money trusts	6,718	4,604	50
Investments in securities	1,642,053	1,743,660	18,749
Loans	360,819	336,728	3,621
Tangible fixed assets:	150,333	149,041	1,603
Land	63,440	65,369	703
Buildings	75,467	73,359	789
Lease assets	369	208	2
Construction in progress	11	17	0
Other tangible fixed assets	11,044	10,085	108
Intangible fixed assets:	9,045	7,114	76
Software	5,583	5,757	62
Lease assets	1,013	359	4
Other intangible fixed assets	2,447	997	11
Other assets	240,800	234,910	2,526
Deferred tax assets	195,635	147,939	1,591
Customers' liabilities under acceptances and guarantees	3,000	3,000	32
Bad debt reserve	(2,280)	(1,924)	(21)
<b>Total assets</b>	<b>2,804,162</b>	<b>2,855,424</b>	<b>30,703</b>
<b>Liabilities</b>			
Underwriting funds:	2,368,818	2,366,440	25,446
Outstanding claims	313,809	324,274	3,487
Underwriting reserve	2,055,008	2,042,165	21,959
Other liabilities	138,870	111,224	1,196
Reserve for pension and retirement benefits	20,111	20,099	216
Reserve for retirement benefits for officers	51	111	1
Accrued bonuses for employees	4,712	4,642	50
Reserves under the special laws:	1,729	3,100	33
Reserve for price fluctuation	1,729	3,100	33
Liabilities under acceptances and guarantees	3,000	3,000	32
<b>Total liabilities</b>	<b>2,537,293</b>	<b>2,508,619</b>	<b>26,974</b>
<b>Net assets</b>			
Stockholders' equity:			
Common stock	100,005	100,005	1,075
Capital surplus	44,092	44,097	474
Retained earnings	167,394	176,693	1,900
Treasury stock	(7,946)	(7,963)	(86)
Total stockholders' equity	303,545	312,833	3,364
Valuation and translation adjustments:			
Unrealized gains on investments	(33,506)	37,100	399
Foreign currency translation adjustments	(3,368)	(3,232)	(35)
Total valuation and translation adjustments	(36,875)	33,867	364
Subscription rights to shares	104	—	—
Minority interests	93	104	1
<b>Total net assets</b>	<b>266,868</b>	<b>346,804</b>	<b>3,729</b>
<b>Total liabilities and net assets</b>	<b>¥2,804,162</b>	<b>¥2,855,424</b>	<b>\$30,703</b>

# SUPPLEMENTAL INFORMATION

## —AIOI INSURANCE COMPANY, LIMITED

### CONSOLIDATED STATEMENTS OF INCOME

Aioi Insurance Company, Limited and subsidiaries for the years ended March 31, 2009 and 2010

	Yen in millions		Dollars in millions
	2009	2010	2010
<b>Ordinary income and expenses:</b>			
<b>Ordinary income:</b>	¥1,075,517	¥1,044,151	\$11,227
<b>Underwriting income:</b>	985,723	971,297	10,444
Net premiums written	829,147	811,455	8,725
Deposit premiums from policyholders	52,954	48,437	521
Investment income on deposit premiums from policyholders	20,213	18,377	198
Life insurance premiums	71,249	77,737	836
Reversal of outstanding claims	11,132	—	—
Reversal of underwriting reserve	—	13,045	140
Other underwriting income	1,024	2,244	24
<b>Investment income:</b>	87,243	68,844	740
Interest and dividends received	51,007	57,440	618
Investment gains on money trusts	38	659	7
Gains on trading securities	35	—	—
Gains on sale of securities	56,270	19,766	213
Gains on redemption of securities	8	151	2
Gains on derivative transactions	—	8,103	87
Other investment income	96	1,101	12
Transfer of investment income on deposit premiums from policyholders	(20,213)	(18,377)	(198)
<b>Other ordinary income</b>	2,551	4,009	43
<b>Ordinary expenses:</b>	1,098,545	1,007,774	10,836
<b>Underwriting expenses:</b>	824,792	829,319	8,917
Net claims paid	501,550	501,786	5,396
Loss adjustment expenses	37,732	44,629	480
Commissions and collection expenses	156,745	154,417	1,660
Maturity refunds to policyholders	92,279	97,408	1,047
Dividends to policyholders	128	508	5
Life insurance claims	13,957	17,286	186
Provision for outstanding claims	—	10,799	116
Provision for underwriting reserve	20,122	—	—
Other underwriting expenses	2,276	2,482	27
<b>Investment expenses:</b>	113,520	14,970	161
Losses on trading securities	—	4	0
Losses on sale of securities	12,598	6,818	73
Losses on devaluation of securities	62,461	2,971	32
Losses on redemption of securities	126	875	9
Losses on derivative transactions	11,832	—	—
Other investment expenses	26,501	4,300	46
<b>Operating expenses and general and administrative expenses</b>	158,847	162,795	1,750
<b>Other ordinary expenses:</b>	1,385	688	7
Interest expenses	49	39	0
Provision for bad debt reserve	590	167	2
Loss on bad debts	10	59	1
Other ordinary expenses	734	422	5
<b>Ordinary profit (loss)</b>	(23,028)	36,377	391
<b>Extraordinary income and losses:</b>			
<b>Extraordinary income:</b>	9,853	1,522	16
Gains on sale of fixed assets	624	1,314	14
Reversal of reserves under the special laws:	5,907	—	—
Reserve for price fluctuation	5,907	—	—
Other extraordinary income	3,321	208	2
<b>Extraordinary losses:</b>	1,429	11,340	122
Losses on sale of fixed assets	763	897	10
Impairment loss on fixed assets	665	696	7
Provision for reserves under the special laws:	—	1,370	15
Reserve for price fluctuation	—	1,370	15
Loss on reduction of fixed assets	—	140	2
Other extraordinary losses	—	8,236	89
<b>Income (loss) before income taxes</b>	(14,603)	26,558	286
<b>Income taxes—current</b>	2,485	2,079	22
<b>Income taxes—deferred</b>	(6,041)	7,831	84
<b>Total income taxes</b>	(3,556)	9,911	107
<b>Minority interests</b>	(103)	7	0
<b>Net income (loss)</b>	¥ (10,943)	¥ 16,640	\$ 179

# SUPPLEMENTAL INFORMATION

## —NISSAY DOWA GENERAL INSURANCE COMPANY, LIMITED

### NON-CONSOLIDATED BALANCE SHEETS

Nissay Dowa General Insurance Company, Limited for the years ended March 31, 2009 and 2010

Assets	Yen in millions		Dollars in millions
	2009	2010	2010
Cash, deposits and savings:	¥ 32,803	¥ 28,378	\$ 305
Cash	83	64	1
Deposits and savings	32,720	28,314	304
Call loans	24,300	17,900	192
Investments in securities:	810,817	836,761	8,997
Government bonds	99,768	105,528	1,135
Municipal bonds	11,653	7,624	82
Corporate bonds	234,225	187,753	2,019
Stocks	270,479	302,905	3,257
Foreign securities	180,283	222,526	2,393
Other securities	14,405	10,423	112
Loans:	40,785	36,621	394
Policy loans	2,118	2,169	23
General loans	38,667	34,452	370
Tangible fixed assets:	56,778	56,945	612
Land	24,713	24,633	265
Buildings	25,960	24,249	261
Construction in progress	2,688	5,179	56
Other tangible fixed assets	3,416	2,882	31
Intangible fixed assets:	236	234	3
Other intangible fixed assets	236	234	3
Other assets:	78,144	83,480	898
Accrued premiums	113	289	3
Agency accounts receivable	15,272	17,345	187
Foreign agency accounts receivable	2	10	0
Coinsurance accounts receivable	2,936	1,506	16
Reinsurance accounts receivable	11,504	14,050	151
Foreign reinsurance accounts receivable	5,819	3,119	34
Proxy service receivable	0	—	—
Accounts receivable	6,678	5,083	55
Accrued income	3,871	3,632	39
Cash segregated as deposits	3,838	3,969	43
Deposits for earthquake insurance	19,143	20,282	218
Suspense payments	8,301	8,803	95
Initial margins of futures markets	176	1,499	16
Derivatives other than for trading	240	1,060	11
Rest of the other assets	243	2,828	30
Deferred tax assets	57,153	46,850	504
Bad debt reserve	(844)	(907)	(10)
Investment loss reserve	(2)	(2)	(0)
<b>Total assets</b>	<b>¥1,100,172</b>	<b>¥1,106,262</b>	<b>\$11,895</b>

Liabilities	Yen in millions		Dollars in millions
	2009	2010	2010
Underwriting funds:	¥ 884,604	¥ 870,632	\$ 9,362
Outstanding claims	125,808	127,557	1,372
Underwriting reserve	758,795	743,074	7,990
Other liabilities:	29,678	28,965	311
Coinsurance accounts payable	546	524	6
Reinsurance accounts payable	8,333	12,561	135
Foreign reinsurance accounts payable	2,259	1,509	16
Borrowings	6	—	—
Income taxes payable	780	928	10
Deposits received	698	553	6
Unearned revenue	4	0	0
Accounts payable—other	5,803	6,026	65
Suspense receipt	5,167	5,084	55
Variation margins of futures markets	—	96	1
Derivatives other than for trading	6,079	1,681	18
Rest of the other liabilities	0	0	0
Reserve for pension and retirement benefits	337	416	4
Accrued bonuses for employees	580	579	6
Reserve under the special laws:	607	1,246	13
Reserve for price fluctuation	607	1,246	13
<b>Total liabilities</b>	<b>915,808</b>	<b>901,840</b>	<b>9,697</b>
<b>Net assets</b>			
Stockholders' equity:			
Common stock	47,328	47,328	509
Capital surplus:			
Legal capital surplus	40,303	40,303	433
Other capital surplus	3	3	0
Total capital surplus	40,307	40,307	433
Retained earnings:			
Reserve for dividends	7,492	7,492	81
Other retained earnings:	66,288	66,312	713
Reserve for advanced depreciation of fixed assets	1,116	1,093	12
General reserve	68,000	58,000	624
Retained earnings brought forward	(2,827)	7,218	78
Total retained earnings	73,781	73,805	794
Treasury stock	(4,938)	(4,948)	(53)
Total stockholders' equity	156,479	156,493	1,683
Valuation and translation adjustments:			
Unrealized gains on investments	27,885	47,929	515
Total valuation and translation adjustments	27,885	47,929	515
<b>Total net assets</b>	<b>184,364</b>	<b>204,422</b>	<b>2,198</b>
<b>Total liabilities and net assets</b>	<b>¥1,100,172</b>	<b>¥1,106,262</b>	<b>\$11,895</b>

# SUPPLEMENTAL INFORMATION

## —NISSAY DOWA GENERAL INSURANCE COMPANY, LIMITED

### NON-CONSOLIDATED STATEMENTS OF INCOME

Nissay Dowa General Insurance Company, Limited for the years ended March 31, 2009 and 2010

	Yen in millions		Dollars in millions
	2009	2010	2010
<b>Ordinary income and expenses:</b>			
<b>Ordinary income:</b>	¥383,649	¥392,708	\$4,223
<b>Underwriting income:</b>	351,256	349,803	3,761
Net premiums written	310,918	312,666	3,362
Deposit premiums from policyholders	15,229	13,663	147
Investment income on deposit premiums from policyholders	8,340	7,729	83
Reversal of underwriting reserve	16,767	15,721	169
Other underwriting income	—	21	0
<b>Investment income:</b>	31,586	42,046	452
Interest and dividends received	23,897	21,144	227
Gains on sale of securities	16,014	28,129	302
Gains on redemption of securities	9	307	3
Foreign exchange gains	—	191	2
Other investment income	4	2	0
Transfer of investment income on deposit premiums from policyholders	(8,340)	(7,729)	(83)
<b>Other ordinary income</b>	807	859	9
<b>Ordinary expenses:</b>	400,491	382,649	4,115
<b>Underwriting expenses:</b>	306,025	308,694	3,319
Net claims paid	191,808	196,965	2,118
Loss adjustment expenses	17,623	18,051	194
Commissions and collection expenses	53,311	54,146	582
Maturity refunds to policyholders	40,743	37,537	404
Dividends to policyholders	1	3	0
Provision for outstanding claims	1,877	1,749	19
Foreign exchange losses	555	131	1
Other underwriting expenses	104	108	1
<b>Investment expenses:</b>	34,997	17,746	191
Losses on sale of securities	10,254	10,203	110
Losses on devaluation of securities	19,017	5,153	55
Losses on redemption of securities	1,522	1,985	21
Losses on derivative transactions	3,144	332	4
Foreign exchange losses	645	—	—
Other investment expenses	413	70	1
<b>Operating expenses and general and administrative expenses</b>	58,410	55,374	595
<b>Other ordinary expenses:</b>	1,057	834	9
Interest expenses	0	0	0
Provision for bad debt reserve	21	84	1
Loss on bad debts	0	3	0
Other ordinary expenses	1,035	746	8
<b>Ordinary profit (loss)</b>	(16,841)	10,059	108
<b>Extraordinary income and losses:</b>			
<b>Extraordinary income:</b>	6,677	241	3
Gains on sale of fixed assets	234	241	3
Reversal of reserves under the special laws:	6,443	—	—
Reserve for price fluctuation	6,443	—	—
<b>Extraordinary losses:</b>	556	6,707	72
Losses on sale of fixed assets	544	183	2
Impairment loss on fixed assets	12	—	—
Provision for reserves under the special laws:	—	638	7
Reserve for price fluctuation	—	638	7
Loss on reduction of fixed assets	—	98	1
Other extraordinary losses	—	5,788	62
<b>Income (loss) before income taxes</b>	(10,720)	3,592	39
<b>Income taxes—current</b>	51	1,578	17
<b>Income taxes—deferred</b>	(4,034)	(1,045)	(11)
<b>Total income taxes</b>	(3,982)	532	6
<b>Net income (loss)</b>	¥ (6,738)	¥ 3,060	\$ 33



# CORPORATE INFORMATION

## CONTENTS

- 104 Subsidiaries and Affiliates
- 106 Overseas Network
- 110 History
- 112 Company Data

# SUBSIDIARIES AND AFFILIATES

As of March 31, 2010

## 1. OVERVIEW OF SUBSIDIARIES

Company	Capital (¥ million)	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiary (%)	Year of Establishment	Business Line
Mitsui Sumitomo Insurance Company, Limited	139,595	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
Mitsui Sumitomo MetLife Insurance Company, Limited	41,060	51.0	—	2001	Life insurance (Annuity insurance specialist)

## 2. OVERVIEW OF SUBSIDIARIES OF MITSUI SUMITOMO INSURANCE COMPANY, LIMITED (MSI)

### (1) Domestic

Company	Capital (¥ million)	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiary (%)	Establishment	Business Line
Sumitomo Mitsui Asset Management Company, Limited	2,000	27.5	—	1985	Investment advisory services, investment trust entrustment services
MSK Information Service Company, Limited	30	100.0	—	1974	Computer system management services, agency education and training services, etc.
MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited	100	100.0	—	1975	Voluntary automobile insurance loss adjustment services
MSK Building Service Company, Limited	10	100.0	—	1981	Real estate management services
MITSUI SUMITOMO INSURANCE Agency Service Company, Limited	100	100.0	—	1985	Agency operation consulting, education and training services
Mitsui Sumitomo Insurance Systems Company, Limited	100	100.0	—	1986	Software development services
MITSUI SUMITOMO INSURANCE Staffing Service Company, Limited	100	100.0	—	1987	Temporary employment agency, administrative outsourcing services
MITSUI SUMITOMO INSURANCE Venture Capital Company, Limited	1,000	100.0	—	1990	Venture capital business
MITSUI SUMITOMO INSURANCE Care Network Company, Limited	490	100.0	—	1990	Nursing home management and senior welfare services
MSK Shoji Company, Limited	30	10.0	90.0	1950	Health and welfare services, administrative outsourcing services
MITSUI SUMITOMO INSURANCE Loan Service Company, Limited	186	20.0	80.0	1976	Outsourcing of administrative services for mortgage guarantee insurance, etc., trust guarantee services, private loan services
InterRisk Research Institute & Consulting, Inc.	330	42.0	58.0	1993	Investigative research and consulting services regarding risk management, etc., and related program development services, etc.

## (2) Overseas

Company	Capital	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
Mitsui Sumitomo Seguros S.A.	R\$221,368 thousand	98.9	0.1	1965	Insurance
MSIG Holdings (Europe) Limited	£391,843 thousand	100.0	—	2000	Management control services of subsidiaries as a holding company
Mitsui Sumitomo Insurance (London Management) Ltd	£35,960 thousand	—	100.0	2000	Business management services
Mitsui Sumitomo Insurance Company (Europe), Limited	£66,900 thousand	—	100.0	1972	Insurance
Mitsui Sumitomo Insurance (London) Limited	£379,107 thousand	—	100.0	1975	Insurance
MSI Corporate Capital Limited	£5.2 million	—	100.0	2000	Insurance
Mitsui Sumitomo Reinsurance Limited	€20 million	—	100.0	1999	Reinsurance
MS Frontier Reinsurance Limited	US\$294,588 thousand	100.0	—	1997	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\$263,442 thousand	—	100.0	2004	Insurance
Mitsui Sumitomo Insurance (Singapore) Pte. Ltd.	S\$25,000 thousand	—	100.0	1990	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
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.	MYR212,000 thousand	43.5	50.0 [2.1]	1979	Insurance
MSIG Insurance (Lao) Co., Ltd.	US\$2 million	—	51.0	2009	Guarantees for obligations relating to reinsurance policies
MSC Corporation*	US\$1,000	—	[100.0]	2006	Guarantees for obligations relating to reinsurance policies

Note: Figures in [ ] represent percentage of voting rights belonging to closely allied entities or entities who are in agreement with MS&AD on voting issues.

Companies marked with \* are included as subsidiaries because in reality MS&AD exercises control over them, but at the same time has a holding of less than 50%.

# OVERSEAS NETWORK

(As of July 31, 2010)

- 
- ☆ Overseas Branches
  - ★ Overseas Offices
  - Overseas Subsidiaries and Affiliates
  - △ Branches or Offices of Overseas Subsidiaries and Affiliates
  - Underwriting Agents for Head Office
- 

## ASIA AND OCEANIA

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### SINGAPORE

#### <MSI>

- MSIG Holdings (Asia) Pte. Ltd.
- MSIG Insurance (Singapore) Pte. Ltd.
- Interisk Asia 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) Co., Ltd.
- Calm Sea Service Company Limited
- MBTS Broking Services Company Limited
- MBTS Life Insurance Broker Co., Ltd.
- Ueang Mai Co., Ltd.
- Yardhimar Company Limited

#### <AIOI>

- ★ Bangkok Representative Office
- Aioi Bangkok Insurance Company, Limited
- Bangkok Chayoratr Company, Limited
- Bangkok Chayolife Company, Limited

#### <NISSAY DOWA>

- ★ Bangkok Representative Office
- ★ Kawasaki-Dowa Agency Ltd.

### MALAYSIA

#### <MSI>

- MSIG Insurance (Malaysia) Bhd.
- MSI Risk Consultancy Services (Malaysia) Sdn Bhd
- △ Mitsui Sumitomo Reinsurance Limited Labuan Branch
- Labuan Branch Kuala Lumpur Marketing Office

### PHILIPPINES

#### <MSI>

- BPI/MS Insurance Corporation
- FLT Prime Insurance Corporation

### INDONESIA

#### <MSI>

- PT. Asuransi MSIG Indonesia
- PT. Auto Management Services

#### <AIOI>

- PT. Asuransi Aioi Indonesia

### REPUBLIC OF KOREA

#### <MSI>

- ☆ Korea Branch

#### <AIOI>

- ★ Lotte Insurance Co., Ltd.\*
- \*Liaison office

### PEOPLE'S REPUBLIC OF CHINA

#### <MSI>

- Mitsui Sumitomo Insurance (China) Company Limited
- △ Guangdong Branch
- △ Beijing Branch
- ★ China General Representative Office
- ★ Shenzhen Representative Office
- ★ Dalian Representative Office
- ★ Chengdu Representative Office
- ★ Suzhou Representative Office
- ★ Hangzhou Representative Office
- ★ Qingdao Representative Office
- InterRisk Consulting (Shanghai) Co., Ltd

#### <AIOI>

- ★ Beijing Representative Office
- ★ Guangzhou Representative Office
- Aioi Insurance Company (China) Limited
- 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>

- ★ Hong Kong Representative Office

### TAIWAN

#### <MSI>

- MSIG Mingtai Insurance Co., Ltd.

#### <AIOI>

- ★ Taipei Representative Office

### VIETNAM

#### <MSI>

- MSIG Insurance (Vietnam) Company Limited
- ★ Hanoi Representative Office
- ★ Ho Chi Minh Representative Office

#### <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>

- ☆ Australia Branch
- ★ Sydney Representative Office
- ★ Melbourne Representative Office
- Aioi Management Australia Pty. Limited

### NEW ZEALAND

#### <MSI>

- ☆ New Zealand Branch
- ★ New Zealand Representative Office

#### <AIOI>

- Aioi Management New Zealand Limited

### PAPUA NEW GUINEA

#### <MSI>

- ☆ Papua New Guinea Branch
- ★ Papua New Guinea Representative Office

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**THE AMERICAS**


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**U.S.A.**

## &lt;MSI&gt;

- 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
- △ San Francisco 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

## &lt;AIOI&gt;

- ★ New York Representative Office
- ★ Chicago Representative Office
- ★ Kentucky Representative Office
- ★ Los Angeles Representative Office
- ★ Honolulu Representative Office
- Aioi Insurance Company of America
- △ Chicago Branch
- △ Kentucky Branch
- △ Los Angeles Branch
- △ Detroit Branch
- DTRIC Insurance Company, Limited
- DTRIC Insurance Underwriters, Limited

## &lt;NISSAY DOWA&gt;

- ★ New York Representative Office
- ★ Los Angeles Representative Office

**GUAM (U.S.A.)**

## &lt;MSI&gt;

- Cassidy's Associated Insurers Inc.
- Aon Insurance Micronesia (GUAM) Inc.

## &lt;AIOI&gt;

- Takagi & Associates, Inc.

**NORTHERN MARIANAS (U.S.A.)**

## &lt;MSI&gt;

- Associated Insurance Underwriters of the Pacific Inc.
- Aon Insurance Micronesia (SAIPAN) Inc.

## &lt;AIOI&gt;

- Takagi & Associates, Inc. Saipan Branch

**CANADA**

## &lt;MSI&gt;

- ★ Toronto Representative Office  
c/o Chubb Insurance of Canada
- Chubb Insurance Company of Canada

**BERMUDA**

## &lt;MSI&gt;

- MS Frontier Reinsurance Limited
- SPAC Insurance (Bermuda) Limited
- MSI GuaranteedWeather Trading Limited
- Interisk Global Management (Bermuda) Limited

**MEXICO**

## &lt;MSI&gt;

- △ MSIG Holdings (Americas), Inc.  
Mexican Representative Office

**PANAMA**

## &lt;MSI&gt;

- ★ Panama Representative Office

**BRAZIL**

## &lt;MSI&gt;

- Mitsui Sumitomo Seguros S.A.
- Mitsui Sumitomo Insurance Company Limited-Escritório de Representação no Brasil Ltda.
- ★ São Paulo Representative Office

**COLOMBIA**

## &lt;MSI&gt;

- ★ Bogotá Representative Office

**PERU**

## &lt;MSI&gt;

- ★ Lima Representative Office

**ARGENTINA**

## &lt;MSI&gt;

- ★ Buenos Aires Representative Office

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**EUROPE AND MIDDLE EAST**


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**UNITED KINGDOM**

## &lt;MSI&gt;

- MSIG Holdings (Europe) Limited
- Mitsui Sumitomo Insurance Company (Europe), Limited
- △ UK Branch
- △ Derby Branch
- 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

## &lt;AIOI&gt;

- ★ London Representative Office
- Aioi Motor and General Insurance Company of Europe Limited
- Aioi Insurance Management Limited
- Toyota Insurance Management Limited

## &lt;NISSAY DOWA&gt;

- ★ London Representative Office
- Dowa Insurance Co., (Europe) Ltd.

**IRELAND**

## &lt;MSI&gt;

- Mitsui Sumitomo Reinsurance Limited

**GERMANY**

## &lt;MSI&gt;

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
- German Branch
- MSIG German Services GmbH

## &lt;AIOI&gt;

- △ Aioi Motor and General Insurance Company of Europe Limited
- German Branch
- △ Toyota Insurance Management Limited
- German Branch
- Aioi Life Insurance of Europe AG

**THE NETHERLANDS**

## &lt;MSI&gt;

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
- The Netherlands Branch

## &lt;AIOI&gt;

- Aioi Motor and General Insurance Company of Europe Limited c/o W.A. Hienfeld B.V.

**FRANCE**

## &lt;MSI&gt;

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
- France Branch

## &lt;AIOI&gt;

- ★ Paris Representative Office
- △ Aioi Motor and General Insurance Company of Europe Limited
- French Branch
- △ Toyota Insurance Management Limited
- French Branch

**BELGIUM**

## &lt;MSI&gt;

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
- Belgium Branch

## &lt;AIOI&gt;

- ★ Brussels Representative Office
- △ Aioi Motor and General Insurance Company of Europe Limited
- Belgian Branch

**SWITZERLAND**

## &lt;MSI&gt;

- △ MS Frontier Reinsurance Limited
- Switzerland Branch

**SPAIN**

## &lt;MSI&gt;

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
- Spain Branch

## &lt;AIOI&gt;

- △ Aioi Motor and General Insurance Company of Europe Limited
- Spanish Branch
- △ Toyota Insurance Management Limited
- Spanish Branch

**ITALY**

## &lt;MSI&gt;

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
- Italy Branch

## &lt;AIOI&gt;

- △ Aioi Motor and General Insurance Company of Europe Limited
- Italian Branch
- △ Toyota Insurance Management Limited
- Italian Branch

**CZECH REPUBLIC**

## &lt;MSI&gt;

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
- Czech Branch

**SLOVAKIA**

## &lt;MSI&gt;

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
- Slovakia Branch

**RUSSIA**

## &lt;MSI&gt;

- ★ Moscow Representative Office
- ★ St. Petersburg Representative Office

## &lt;AIOI&gt;

- ★ Moscow Representative Office

**NORWAY**

&lt;MSI&gt;

- SMA MSI AS

&lt;AIOI&gt;

- Aioi Motor and General Insurance  
Company of Europe Limited c/o Tennant  
Forsikring NUF

**SAUDI ARABIA**

&lt;MSI&gt;

- ★ Al Khobar Representative Office

**UNITED ARAB EMIRATES**

&lt;MSI&gt;

- ★ Dubai Representative Office
- ★ Abu Dhabi Representative Office

**QATAR**

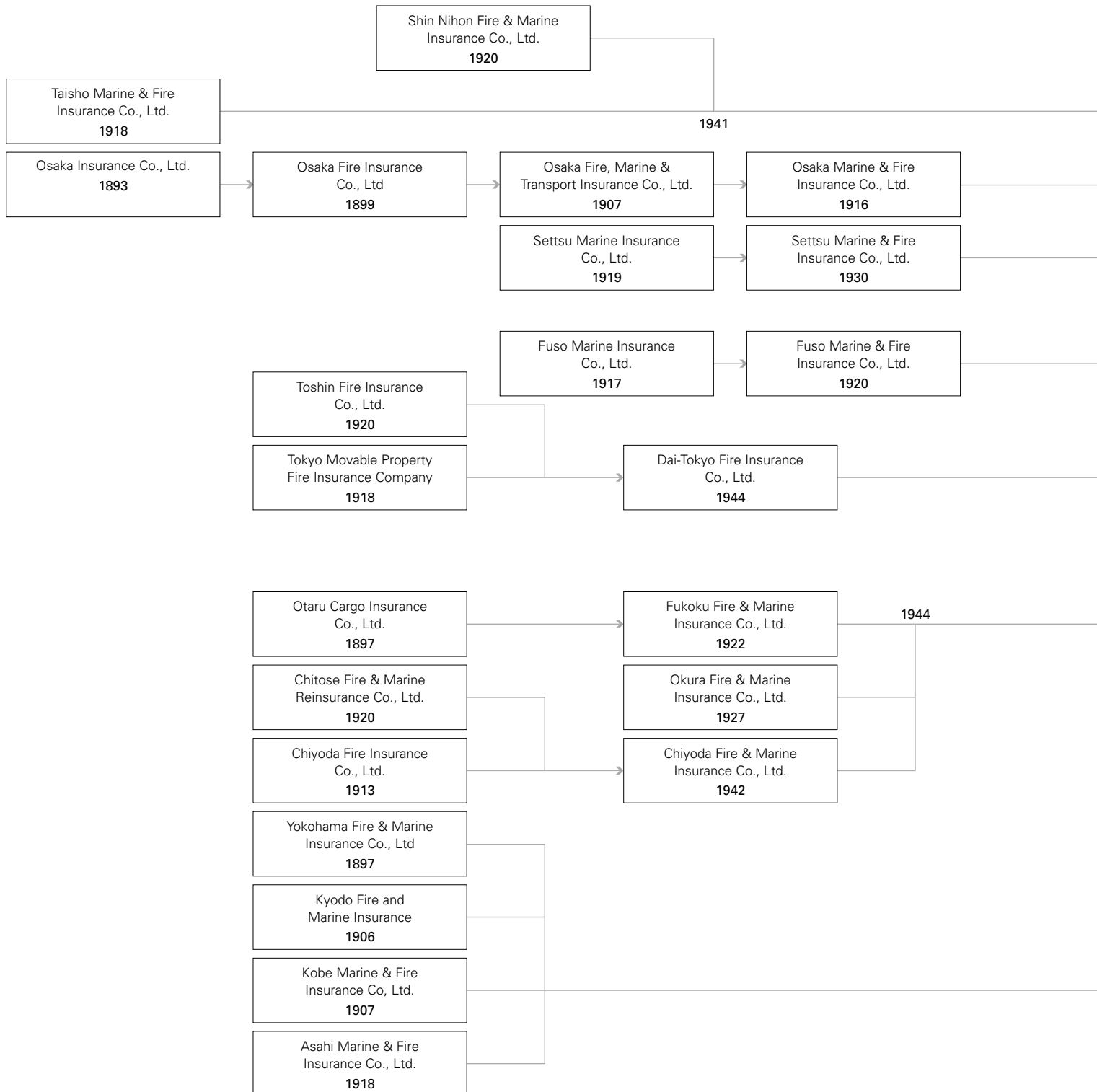
&lt;MSI&gt;

- △ 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.





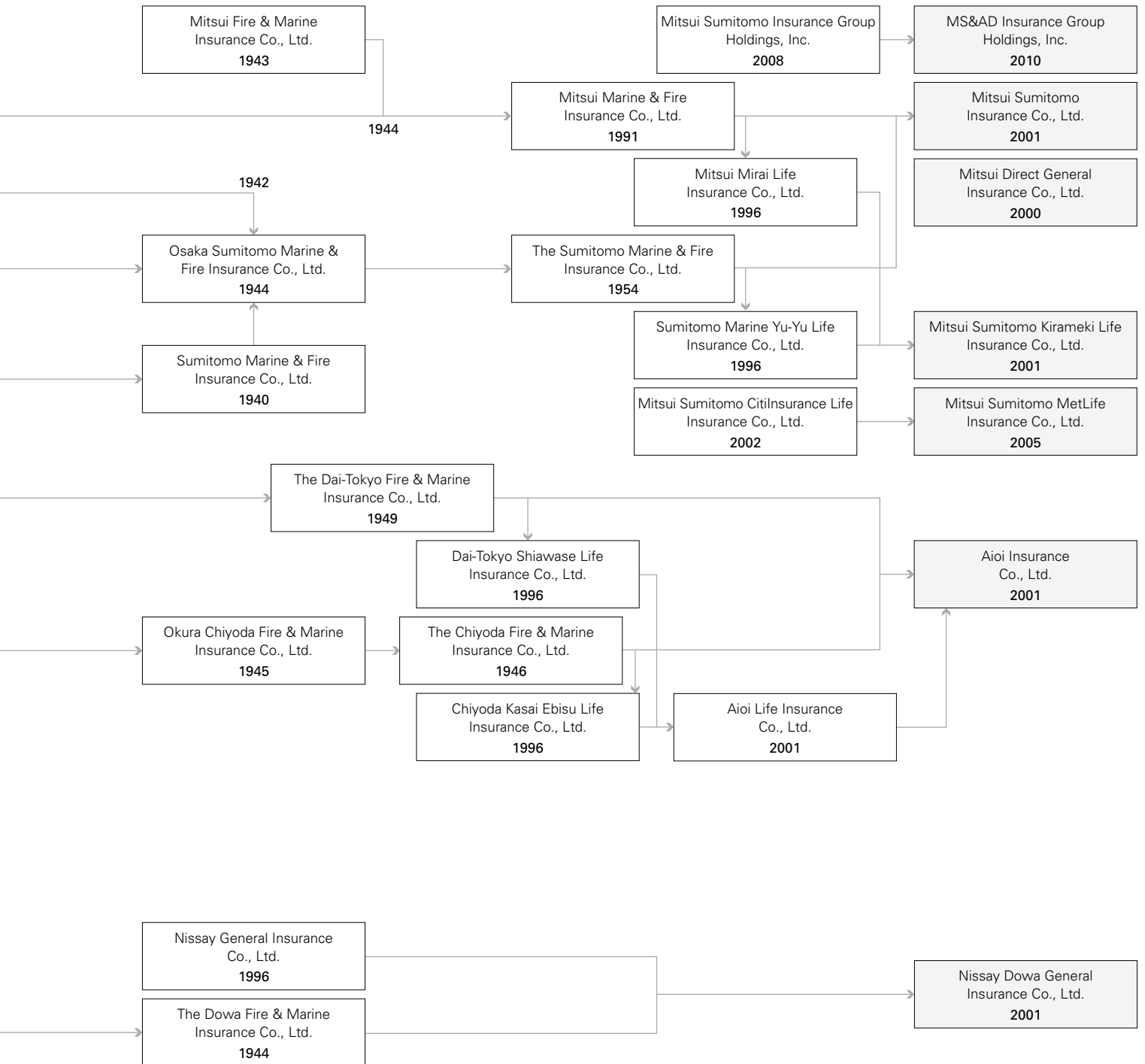
**SEPTEMBER 2009**

Aioi Insurance, Nissay Dowa General Insurance, and Mitsui Sumitomo Insurance Group reach basic agreement on business integration.

In conjunction, announced integration plan, presidents of the holding companies, addresses, descriptions and corporate name, etc.

**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 Aioi Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd., and Mitsui Sumitomo Insurance Group.

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

<b>CORPORATE NAME</b>	MS&AD Insurance Group Holdings, Inc. Abbrev.: MS&AD Holdings
<b>DATE ESTABLISHED</b>	April 1, 2008 (Name changed on April 1, 2010)
<b>HEADQUARTERS</b>	Yaesu First Financial Building, Yaesu 1-3-7, Chuo-ku, Tokyo, 103-0028, Japan
<b>REPRESENTATIVE</b>	Representative Director, President & CEO Toshiaki Egashira
<b>PAID-IN CAPITAL</b>	100,000,000,000 yen
<b>NUMBER OF EMPLOYEES</b>	87 (As of April 1, 2010)
<b>BUSINESS DESCRIPTION</b>	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.
<b>STOCK LISTING</b>	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section) Nagoya Stock Exchange (First Section)

## □ STOCK AND SHAREHOLDERS

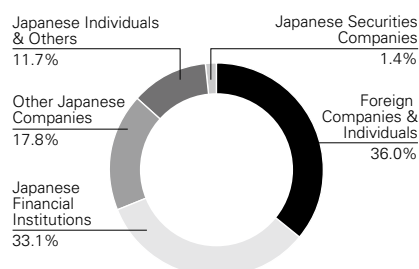
### SUMMARY OF ISSUED SHARES (As of April 1, 2010)

<b>CLASS OF STOCK</b>	Common stock
<b>AUTHORIZED SHARES</b>	900,000,000 shares
<b>ISSUED SHARES</b>	633,291,754 shares

### SHAREHOLDING PROFILE (As of April 1, 2010)

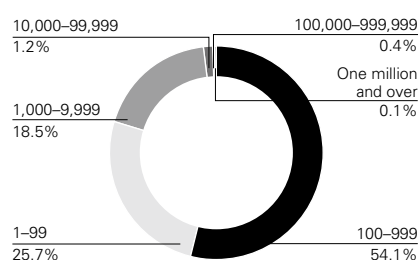
#### BREAKDOWN BY SECTOR

(Percentage of shares issued)



#### BREAKDOWN BY NUMBER OF SHARES HELD

(Percentage of all shareholders)



### KEY INFORMATION

<b>FISCAL YEAR</b>	Apr. 1 to Mar. 31 of the following year
<b>ANNUAL SHAREHOLDERS' MEETING</b>	Within 3 months of the end of each fiscal year
<b>DATE OF RECORD FOR DIVIDENDS</b>	Sep. 30 for interim dividends Mar. 31 for year-end dividends
<b>CONTACT</b>	The Sumitomo Trust and Banking Co., Ltd., Stock Transfer Agency Dept. (Nikko-cho 1-10, Fuchu-shi, Tokyo 183-8701, Japan)
<b>ADMINISTRATOR OF SHAREHOLDERS' REGISTRY</b>	The Sumitomo Trust and Banking Co., Ltd. (Kitahama 4-5-33 Chuo-ku, Osaka-shi, Japan)
<b>PLACE OF BUSINESS OF ADMINISTRATOR OF SHAREHOLDERS' REGISTRY</b>	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.  
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Facsimile: +81-3-6202-6882  
E-mail: [ms\\_ad\\_ir@ms-ad-hd.com](mailto:ms_ad_ir@ms-ad-hd.com)  
URL: <http://www.ms-ad-hd.com/ir/index.html>

