Annual Report

For the year ended March 31, 2009

2009

Nissay Dowa General Insurance Co., Ltd.

Profile

Nissay Dowa General Insurance Co., Ltd., was established in April 2001 as a result of the merger between The Dowa Fire and Marine Insurance Co., Ltd., and Nissay General Insurance Co., Ltd. (NGI).

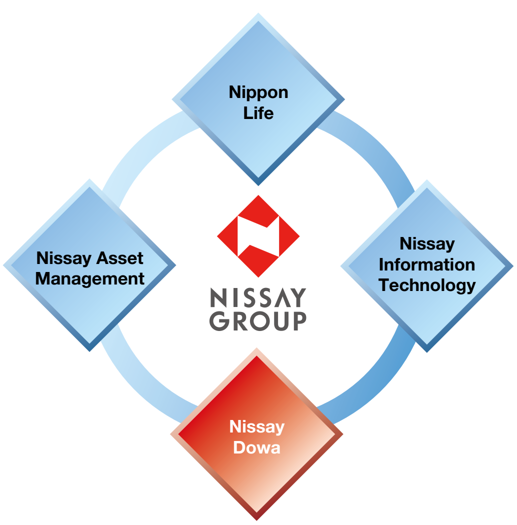
The new company commenced operations as the core non-life insurance arm of the Nissay Group, which is centered on Nippon Life Insurance Company, Japan's leading life insurer.

The Dowa Fire and Marine Insurance Co., Ltd., known for its specialization and sound management, was formed in 1944 through the consolidation of four insurance companies, the oldest of which was established in 1897. NGI, a fast-growing company renowned for innovation, was founded in 1996 as a wholly owned subsidiary of Nippon Life.

Nissay Dowa is a member of the Nissay Group, which aims to provide comprehensive insurance services.Our quest is to develop and provide innovative products and services suited to customer needs, drawing on the multifaceted strengths of Nippon Life.

Reflecting our substantial financial base, Nissay Dowa enjoys an A+ credit rating from Standard & Poor's. In the future, we seek to become a company that is selected and trusted by customers and agents and highly valued by shareholders, as we have done since our foundation.

Four Core Group Companies



Contents

Forward-Looking Statements

This Annual Report contains forward-looking statements, including information about business plans, earnings forecasts and strategies. Such statements are based on the assumptions and conclusions of Nissay Dowa management at the time this report was written. Due to changing circumstances, actual results and achievements may differ from those anticipated in these statements.

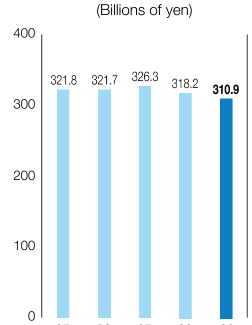
Financial Highlights

Nissay Dowa General Insurance Co., Ltd.
For the years ended March 31, 2008 and 2009

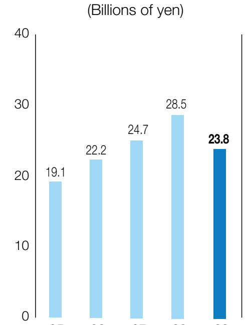
	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
For the year:			
Net premiums written	¥ 318,249	**¥ 310,918**	**$ 3,165,208**
Interest and dividends received	28,577	**23,897**	**243,281**
Net income	6,450	**(6,738)**	**(68,594)**
At year-end:			
Total assets	¥1,214,111	**¥1,100,172**	**$ 11,199,966**
Total equity	273,308	**184,364**	**1,876,864**
		Yen	U.S. dollars
Per share of common stock:			
Net income	¥16.98	**¥(17.74)**	**$(0.180)**
Cash dividends paid	8.00	**8.00**	**0.081**
		%	
Ratios:			
Net loss ratio	66.4%	**67.4%**	
Net business expense ratio	33.5	**34.6**	
Net combined ratio	100.0	**102.0**	
Net balance ratio	0.0	**(2.0)**	
ROE	3.9	**(4.2)**	
Equity ratio	22.5	**16.8**	

Notes: 1. Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥98.23=U.S.$1.
2. Amounts per share are based on the weighted average number of shares outstanding during each period.
3. Amounts of less than one million yen and one thousand U.S. dollars have been omitted.

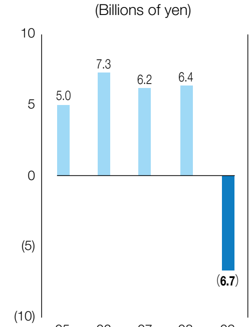
Net Premiums Written
(Billions of yen)



Interest and Dividends Received
(Billions of yen)



Net Income
(Billions of yen)



Disclaimer
Information on the most current rating available at www.standardandpoors.com

To Our Shareholders

Ichiro Tateyama, *President*

Business Performance

Due primarily to the effects of the worsening global financial crisis which began with the sub-prime loan problem in the United States, the worldwide economic slowdown and the large fluctuations in the stock and currency markets, the Japanese economy during the fiscal year ended March 31, 2009 saw difficult economic conditions in general, including large reductions in corporate incomes and rapid deterioration of the employment situation.

In addition to the economic slowdown and depressed consumer mindset, other factors affecting the non-life insurance industry included a decline in the number of automobiles sold due to the rapid deterioration of the economic environment and the lowering of premiums for compulsory automobile liability insurance. As a result, income from premiums written decreased.

Against this overall economic background, the year ended March 31, 2009 was the final year of the Medium-Term Management Plan which we launched in 2006. Under the slogan "Everything to restore customer confidence", we continued to strengthen our dedication to business quality improvements. We have been carrying out programs for achieving CSR management, and have also been making company-wide efforts to enhance our business performance and productivity, all with the objective of increasing the level of satisfaction among shareholders, customers and other stakeholders, and maximizing our corporate value.

Our management quality improvement efforts, in which we endeavored to make further quality improvements, include:

- Comprehensive re-evaluation of all business operations in the flow of solicitation, administration and payment processes from the perspective of the customers,
- Greater efforts to make effective use of customer feedback,
- Strengthening of the organization and staff training in the Non-Marine Claims Department,
- Improvement of claim payment services by enhancing the post-claim verification system in our claim payment operations,
- Establishment of the "Customer First! Quality Standard" as a standard for the quality of agent solicitations, and
- Enhancement of training for staff and agents aimed at promoting effective use of agent online systems.

With regards to our sales operation, in order to better position ourselves to adapt to changes in the business environment and to the conditions of growth markets, we reorganized our sales force, enhanced our sales efforts targeting small- and medium-sized businesses in the Tokyo Metropolitan Area, and took other steps to further strengthen our comprehensive strategic alliance with Nippon Life Insurance Company.

In terms of product development, we continue to focus on providing customers with the coverage they truly need and products that they can easily understand. To this end, we introduced simplified automobile insurance products and a new product called "Business PITATTO," which provides comprehensive coverage for a variety of business-related risks, including property damage, damages due to temporary business closure and general liability, under a single contract. In terms of customer services, we continue to take steps to improve the manner in which we explain our products, for example, by providing our customers who are renewing their automobile insurance contracts with information about their new insurance policies in larger, easy-to-read print and by enhancing our customer service functions for making recommendations regarding insurance coverage. In addition, we continue to expand our easy-to-understand customer service tools, including "PR Assist-kun", a visual program created to provide information on "Business PITATTO".

In the IT systems area, we continue to take steps to improve our operation processes. By further improving our agent online system functions, we have expanded the range of products for which the contracting process — from premium calculation to contracting — can be completed online. We also continue to support programs and initiatives to contribute to society and protect the environment. For example, through our management of The Phoenix Hall, we provide support for art and cultural activities. We have also implemented environmental management systems, for which we have received ISO14001. In addition, we have provided financial support to the Nissay Planting and Nurturing Forests for Future Generations program and donations to help victims of natural disasters.

On January 23, 2009, we entered into an agreement with Aioi Insurance Company, Limited, Mitsui Sumitomo Insurance Group Holdings, Inc. and Mitsui Sumitomo Insurance Company, Limited, to commence discussions on a possible business combination and business alliance among the parties and a possible merger between us and Aioi Insurance Company, with the aim of achieving 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.

For the fiscal year ended March 31, 2009, insurance underwriting income was ¥351.2 billion, investment income was ¥31.5 billion, and other ordinary income was ¥0.8 billion, resulting in ordinary revenue of ¥383.6 billion, down ¥24.2 billion from the previous fiscal year.

Insurance underwriting expenses were ¥306.0 billion, investment expenses were ¥34.9 billion, and operating and general administrative expenses were ¥58.4 billion, resulting in ordinary expenses of ¥400.4 billion, up ¥5.0 billion from the previous fiscal year.

As a result of the above, we recorded an ordinary loss of ¥16.8 billion.

After extraordinary items and income taxes, we recorded a net loss of ¥6.738 billion.

Concerning the Planned Business Combination

We are currently in discussions with Aioi Insurance Company and the Mitsui Sumitomo Insurance Group, aiming to implement the businesses combination in April 2010. Through the business combination, we aim to leverage the respective strong operational bases of the three companies to form a world leading insurance and finance group with global operations.

From left to right:
Tadashi Kodama (President of Aioi Insurance Co., Ltd.),
Ichiro Tateyama (President of Nissay Dowa General Insurance Co., Ltd.),
Toshiaki Egashira (President of Mitsui Sumitomo Insurance Group Holdings, Inc. and Mitsui Sumitomo Insurance Co., Ltd.)

Aioi Insurance Co., Ltd.

- The strong operational base of the Toyota group
- A high level of profitability from automobile insurance centering on the Toyota market
- Ability to develop retail market on local basis and high quality claim services

Nissay Dowa General Insurance Co.,Ltd.

- The strong operational base of the Nippon Life Insurance group
- Growth ability that is among the top in the industry through the cultivation of business with individuals and small & medium-sized companies through Nippon Life Insurance Company's sales staff, as well as through development of business with large companies, financial institutions, and government agencies through collaboration with Nippon Life Insurance Company.

MSIG Mitsui Sumitomo Insurance Group Holdings, Inc.

- The strong operational base centered on the Mitsui Group and the Sumitomo Group
- Wide-ranging domestic and overseas businesses centering on the domestic non-life insurance business (life insurance, overseas, financial services, risk-related businesses, etc.)
- A business foundation that leverages the overall capabilities of the Group

FY2009 Business Plan

Basic Policy	■ We aim to construct a system for the planned business combination, and aim to achieve growth and quality improvements
Business Combination and Merger	■ **System creation to maximize synergy through** — Intensive discussions at special committees in each business area — Business model construction which utilizes the sales power and customer base of the “Nissay channels” that are Nissay Dowa’s strengths — Redevelopment of products, operations, and systems to give top priority to improve customer satisfaction
Business Combination and Merger	■ **Aim to maintain the No. 1 growth in the industry** — Deploy resources toward growth areas (Nissay market and wholesale market) — Enhance sales promotion and development functions for each agent channel ■ **Implementation of quality improvements** — Sales: Complete quality improvement program for agents — Operations: Complete operational quality improvement program and enhance claim payment system **Improved profitability**

We intend to complete preparations in order to achieve maximum synergy from the planned business combination and merger in April 2010. In addition, we are aiming to achieve the following two goals. First, we aim to maintain the No. 1 growth in the industry. Second, we aim to complete our operational quality improvement program. By achieving these two goals, we intend to recover our profitability.

As part of our growth strategy, we plan to further increase our efforts at developing our two primary specialized business channels — Nippon life sales staff and professional agents — that are one of our defining characteristics and strengths.

We intend to enhance our efforts to expanding the Nissay markets, which have been the driving force behind our performance in the past. We also plan to promote cross-selling in close cooperation with Nippon Life in the retail market and the small, medium and large corporate markets.

As for professional agents, we intend to focus both on expanding our agent network and on strengthening and improving the quality of our existing agent network.

As part of our operational quality improvement program, we have implemented a variety of measures based on our re-evaluation of the processes for solicitation, underwriting and payment operations from the perspectives of our customers. We are reviewing the effectiveness of these measures on a PDCA cycle and will implement necessary improvements. In addition, we aim to provide high-quality services to our customers by improving the operational quality of our agents with a focus on increasing their knowledge level and improving their business efficiency.

Summary of Key Financial Projections

Summary of Key Financial Projections (FY 2009)

			Fiscal Mar. '08		Fiscal Mar. '09		Fiscal Mar. '10 (est.)	
				change		change		change
Sales	Direct premiums written	Billions of yen, %	340.1	(2.0)	346.3	1.8	352.5	1.8
	Net premiums written	Billions of yen, %	318.2	(2.5)	310.9	(2.3)	312.5	0.5
Business Efficiency	Loss ratio	%, p	66.4	4.4	67.4	1.0	65.8	(1.6)
	Voluntary Automobile	%, p	74.9	5.7	73.2	(1.7)	70.1	(3.1)
	Expense ratio	%, p	33.5	1.2	34.6	1.1	34.2	(0.4)
	Combined ratio	%, p	100.0	5.7	102.0	2.0	100.0	(2.0)
Earnings and Capital	Underwriting profit	Billions of yen	(13.1)	(3.7)	(8.7)	4.4	0.0	8.7
	Net investment income	Billions of yen	30.1	7.3	(3.4)	(33.5)	15.2	18.6
	Ordinary profit	Billions of yen	12.4	2.8	(16.8)	(29.3)	11.0	27.8
	Net income	Billions of yen	6.4	0.1	(6.7)	(13.1)	4.5	11.2
	ROE (adjusted)	%, p	3.9	0.0	(4.2)	(8.1)	2.9	7.1
	Dividend ratio	%	47.1	—	—	—	67.5	—

Our current financial targets for the fiscal year ending March 31, 2010, include ¥312.5 billion of net premiums written, ¥11.0 billion of ordinary profit and ¥4.5 billion yen of net income.

We ask for continued and further support, as well as guidance, from our shareholders and other stakeholders.

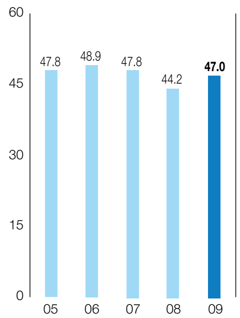
August 22, 2009

Ichiro Tateyama

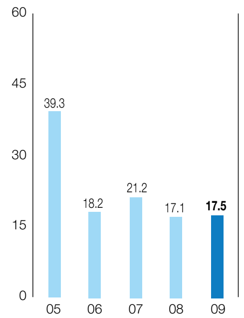
Ichiro Tateyama, President

Fire Insurance

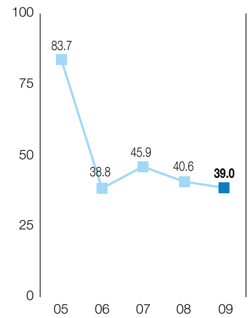
Net Premiums Written
(Billions of yen)



Net Losses and Claims Paid
(Billions of yen)



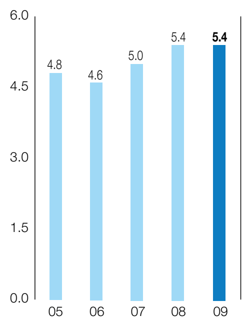
Net Loss Ratio
(%)



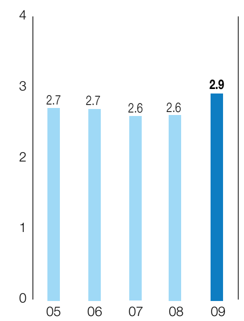
Net premiums written for fire insurance increased by 6.5% from the previous year, primarily as a result of increased premiums written under corporate contracts. The net loss ratio decreased by 1.6 points to 39.0%. The decrease was due primarily to a decrease in claims arising from typhoons and other natural disasters, more than offsetting an increase in claim payments for large-value contracts.

Marine Insurance

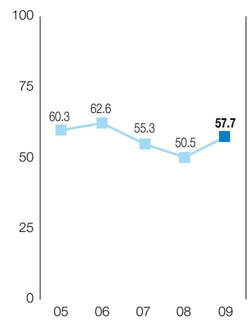
Net Premiums Written
(Billions of yen)



Net Losses and Claims Paid
(Billions of yen)



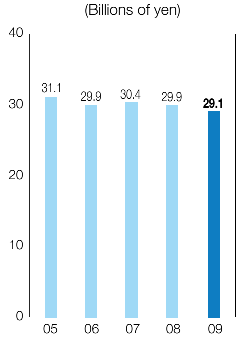
Net Loss Ratio
(%)



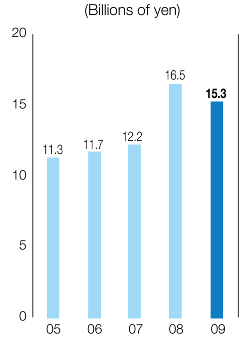
Net premiums written for marine insurance were down 1.3% from the previous year. This decrease was due primarily to a decline in freight insurance, which in turn was caused by lower freight volumes resulting from the sudden deterioration of the global economy, more than offsetting an increase in vessel insurance. The net loss ratio rose 7.2 points to 57.7% due mainly to an increase in claim payments for freight insurance.

Personal Accident Insurance

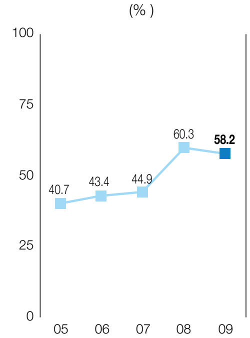
Net Premiums Written
(Billions of yen)



Net Losses and Claims Paid
(Billions of yen)



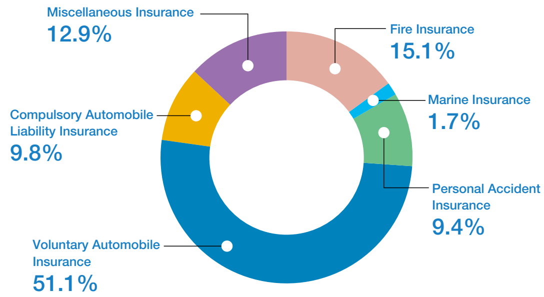
Net Loss Ratio
(%)



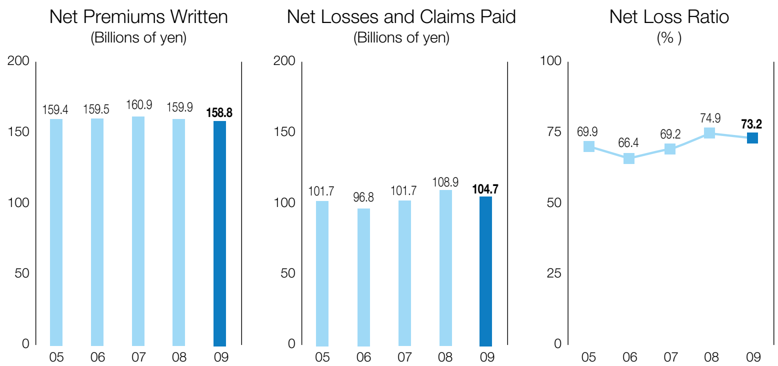
Net premiums written for personal accident insurance were down 2.7% from the previous year primarily due to a decrease in savings-type insurance contracts sold. The net loss ratio fell by 2.1 points from the previous year to 58.2% owing mainly to a decrease in additional claim payments.

Breakdown of Net Premiums Written

Total ¥310.9 billion

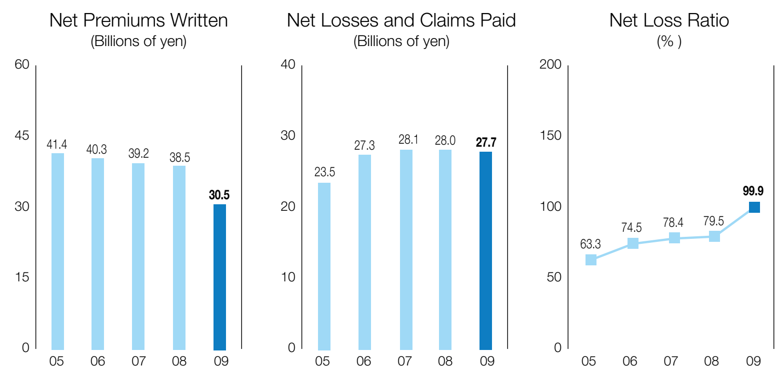


Voluntary Automobile Insurance



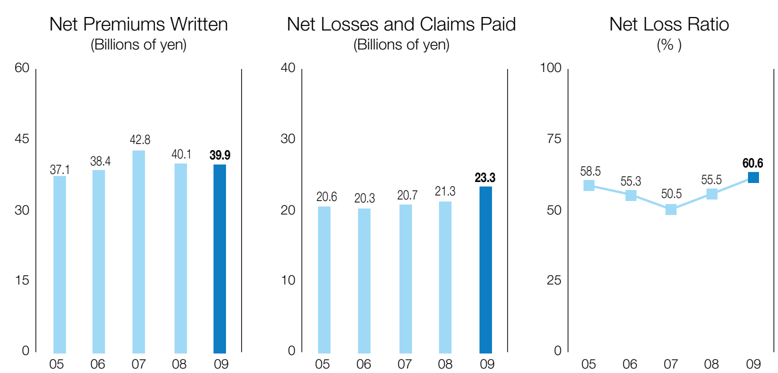
Net premiums written for voluntary automobile insurance decreased by 0.7% from the previous year. Despite a year-on-year increase in the number of vehicles covered by our voluntary automobile insurance policies, this decrease was due mainly to a decline in the applicable premium rates. The net loss ratio declined by 1.7 points to 73.2% due mainly to a decrease in the number of major accidents.

Compulsory Automobile Liability Insurance



Net premiums written for compulsory automobile liability insurance declined by 21.0% from the previous year due primarily to a reduction in the premium rates. The net loss ratio rose by 20.4 points to 99.9%.

Miscellaneous Insurance



Our products in the miscellaneous insurance category include general liability, aviation, workers' accident comprehensive, movables comprehensive and transport insurance. Net premiums written for all miscellaneous insurance declined by 0.3% from the previous year. The net loss ratio rose by 5.1 points to 60.6%.

Corporate Governance

Basic Policy on Corporate Governance

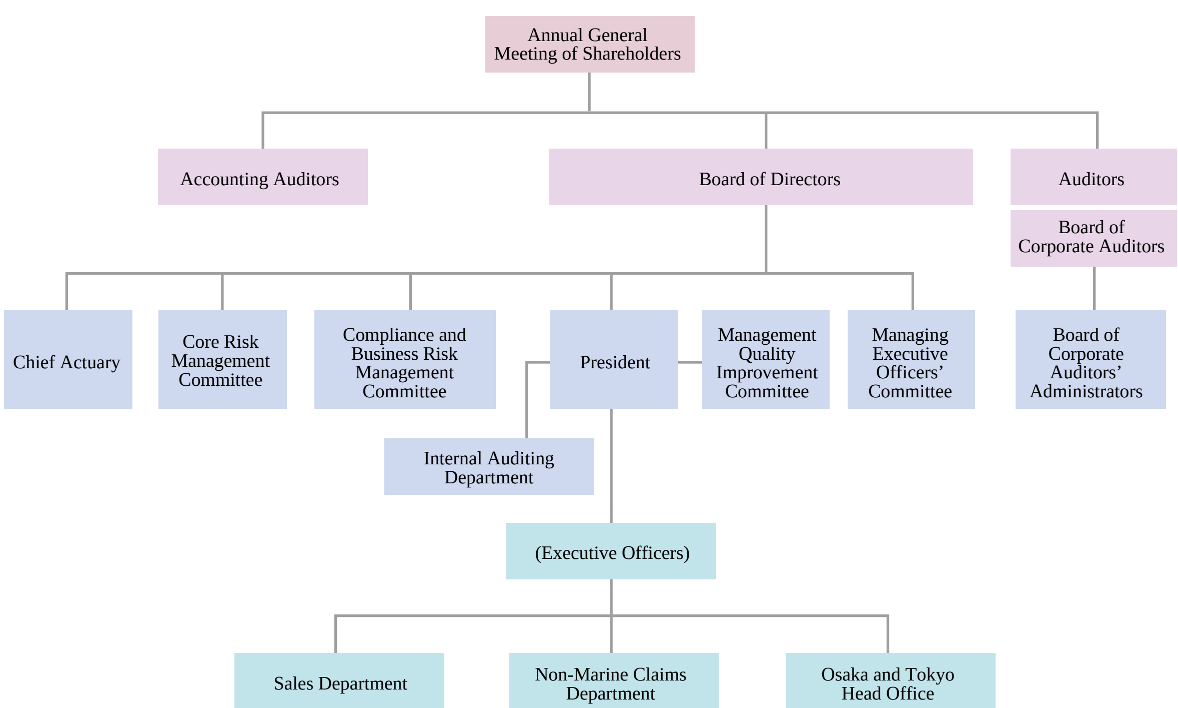
In seeking to be a CSR-oriented company, we place high priority on ensuring strict adherence to business ethics and on comprehensive legal compliance. To this end, we are pursuing strategies aimed at improving satisfaction levels among all stakeholders—including customers, agencies, shareholders and other investors—in our quest to maximize corporate value. Therefore, we are establishing an internal control system and strengthening our auditing approach as part of our ongoing efforts to reinforce and upgrade our corporate governance system.

Corporate Governance System

Nissay Dowa has adopted a corporate governance framework based on a system of audits. The Board of Directors is responsible for making decisions on important corporate matters and supervising the implementation of those decisions. Consisting of 10 members, including one external director, the Board met 13 times during the year under review. The Board of Corporate Auditors has five members, including three external auditors. Corporate auditors attend meetings of the Board of Directors and the Executive Officers' Committee, as well as other important internal gatherings to improve management oversight.

Executive

The Company has adopted an executive officer system, with the aim of separating the decision-making and oversight functions from the business execution function. By clarifying the separation of duties of directors and executive officers as well as decision-making criteria, we are working to build a system that will enable directors to perform their duties efficiently.



Establishment of an Internal Control System

Pursuant to the Company Law of Japan and Regulations for Enforcement of the Company Law, Nissay Dowa has formulated the basic internal control policy outlined below.

Basic Internal Control Policy

Based on its commitment to "realizing future happiness for all" as part of its corporate philosophy, Nissay Dowa seeks to ensure the happiness of customers, shareholders, agencies, employees, society and the planet.
By establishing a framework that ensures the legal and proper execution of business duties, we aim to gain the trust of society and ensure happiness for all, as enshrined in our corporate philosophy.

(1) System to Ensure Compliance of Directors and Employees with Laws, Regulations and the Articles of Incorporation

1) Compliance regulations are to set out fundamental principles and a code of conduct to be followed by all executives and employees at all times.
2) A committee is to be established to formulate companywide measures and policies concerning compliance and the appropriateness of business systems, and matters discussed by the committee are to be reported to the Board of Directors on a regular basis.
3) A department is to be established to oversee companywide compliance initiatives. That department is to monitor the implementation of compliance in collaboration with the Internal Auditing Department and is independent of all departments subject to audit.
4) A reporting channel is to be established for situations in which a Company executive or employee suspects violation of a law, internal rule or other regulation. In addition to the regular reporting channel, an internal reporting system is to be established enabling suspected violations to be reported to the Compliance Department or to an external solicitor's office. The internal reporting system is to encompass subsidiaries and affiliates ("Group Companies").
5) Antisocial behavior that could threaten order and safety of civil society is to be addressed in an assertive, organized manner in cooperation with lawyers, the police and others, as necessary.

(2) System for the Storage and Management of Information Related to Directors' Duties

1) Representative directors are to record and store documents (including documents recorded electronically) related to the execution of their duties in accordance with regulations on document management.
2) Directors and corporate auditors are to be able to peruse these documents in accordance with regulations on document management.

(3) Regulations Concerning the Management of the Risk of Loss and Other Systems

1) Regulations are to be established to manage risk across the Company, and basic measures are to be established concerning risks that can have a serious impact on business operations.
2) To ensure the effectiveness of risk management, a committee is to be established to deliberate important matters relating to the integrated control and management of various risks.
3) The Board of Directors is to decide on measures for controlling the various risks, taking into account the discussions of the aforementioned committee.
4) Concerning risks, such as serious natural disasters, that can have a major impact on the Company's ability to continue its business, regulations concerning risk management are to be established and a management system, covering both times of normal business and emergencies, is to be put in place.

(4) System to Ensure the Efficient Execution of Duties by Directors

1) Under the executive officer system, there is to be a clear separation between the business execution function and the important decision-making and supervisory function, and the responsibilities of directors are to be clearly defined.
2) A management committee is to be established to discuss matters relating to the execution of duties requiring multifaceted examination.
3) Regulations governing the Board of Directors, management committee and lines of authority are to be established. In addition to clearly defining standards for decision-making and the responsibilities of directors and executives, such regulations are to ensure the efficient execution of duties by directors through the reasonable delegation of authority to various departments.
4) The efficient execution of duties is to be verified at Board of Directors' meetings held once a month, in principle.

(5) System to Ensure Appropriate and Reliable Financial Reporting

Representative directors are to establish a system to ensure appropriate and reliable financial reporting and a system to enable proper disclosure of information as determined by legal, regulatory and other requirements.

(6) System to Ensure the Adequacy of Operations of the Nissay Dowa Group

1) The compliance and management systems are to encompass all Group Companies to ensure the adequacy of operations of a unified Nissay Dowa Group.
2) Management regulations and clearly defined management systems are to be established for the various Group Companies.
3) The appropriateness and effectiveness of internal control and risk management systems of the various Group Companies are to be

verified and evaluated, and guidance provided on their improvement.

(7) Matters Concerning Support Personnel Requested by Corporate Auditors

Representative directors are to assign appropriate employees as “Board of Corporate Auditors’ Administrators” to support the work of corporate auditors when so requested.

(8) Matters Concerning the Independence of Board of Corporate Auditors’ Administrators from Directors

1) The Board of Corporate Auditors’ Administration Office is to facilitate the appropriate execution of duties by corporate auditors as directed by the Board of Corporate Auditors.
2) Corporate auditors and directors are to decide on matters concerning Board of Corporate Auditors’ Administration Office personnel, including performance reviews and personnel transfers.

(9) System for Reporting by Directors and Employees to Corporate Auditors and Other Systems Concerning Reporting to Corporate Auditors

1) Executives and employees are to respond without delay when requested by corporate auditors to report about matters concerning the execution of duties.
2) Directors are to report immediately to the Board of Corporate Auditors as soon as they become aware of any fact that may result in a major loss to the Company.
3) A system is to be established for reporting discussion topics and operational status of the internal reporting system to corporate auditors in a timely manner.
4) In addition to the above, corporate auditors are to be able to attend management committee meetings and any other important meetings to obtain important information in a timely and appropriate manner.

(10) Other Systems to Ensure Effective Auditing by Corporate Auditors

1) Representative directors and corporate auditors are to maintain mutual communication through holding regular meetings.
2) When deemed necessary by the corporate auditors, representative directors are to facilitate the services of external professionals, such as solicitors and certified public accountants.
3) Representative directors are to facilitate regular meetings between the corporate auditors, the Internal Auditing Department and the independent accounting auditor.

Internal Audit

In addition to corporate auditors’ monitoring of the performance of directors in accordance with the Company Law of Japan, Nissay Dowa has an Internal Auditing Department that conducts audits from perspectives described below. Corporate auditors and the Internal Auditing Department work together to share audit information in an effort to improve the quality of audits. The Claims Payment Management Department examines and verifies the status of insurance claim payments. Based on the results of its analyses, that department communicates with and checks the practices of other relevant departments. In these ways, the Company is stepping up efforts to ensure that payment of insurance claims is handled appropriately.

(1) Purpose of Internal Audits

The Internal Auditing Department, established as an entity independent of business execution, is responsible for conducting internal audits. Such audits are conducted to determine whether or not departments, branches, affiliates and other Group entities are working in an efficient, legally compliant and rational manner as they strive to achieve their respective performance targets.

The Internal Auditing Department also verifies and evaluates the appropriateness and effectiveness of internal control systems and risk management practices. As necessary, it provides advice and recommendations on ways to improve and correct problematic areas.

The Internal Auditing Department monitors the status of measures to address problems identified via internal audits, based on reports and other feedback from departments that are audited. The department also collects and analyzes the results of internal audits, requests improvements to the Company’s administrative division as necessary, and makes regular reports to the Board of Directors.

(2) Overview of Internal Audits

The Internal Auditing Department conducts audits of all relevant departments, including those related to sales and Non-Marine Claims, as well as the Company’s administrative division. Effective the year under review, it will conduct annual audits of all operations of the sales and Non-Marine Claims departments, with a focus on clarifying “solicitation management practices” and “claim payment status”.

The Internal Auditing Department also formulates annual “Internal Audit Plans” for the Company’s administrative division based on various risk profile evaluations, and ensures that those plans are successively implemented. In addition, the Internal Auditing Department conducts audits to evaluate the effectiveness of internal control procedures for financial reporting, as well as to determine the status of the Company’s assets with respect to self-assessment, amortization and provision of reserves. The Company continues to strengthen its internal control system. As of April 1, 2009, there were 29 employees involved in internal audits.

Compliance

Ensuring Strict Compliance

Earning the trust of the general public is a fundamental part of the insurance business. Therefore, it is particularly important for insurance companies to achieve a high level of compliance. At Nissay Dowa, all managers and employees maintain high ethical standards and respect for the law, which ensures fair and proper behavior. Having prioritized the trust of customers above everything else, we are making concerted efforts to promote strict compliance.

Companywide Compliance System

We established the Compliance and Business Risk Management Committee and are taking various measures to promote compliance throughout the Company. The Legal and Compliance Department, which was created to coordinate these measures, cooperates with the Compliance and Business Risk Management Committee.

To ensure strict compliance throughout the Company, we have allocated compliance responsibilities to employees in each branch. We also have a Compliance Officer overseeing the Legal and Compliance Department's monitoring of the status of compliance-related initiatives in each branch.

Compliance Programs

In seeking to nurture a corporate culture that prioritizes compliance, the Compliance and Business Risk Management Committee has formulated a compliance program. In addition, branches have developed their own programs incorporating branch-specific imperatives to ensure better compliance.

Pocket Compliance Guide card

Risk Management

Amid ever-changing market conditions, characterized by ongoing advances in the IT sector and rapidly progressing deregulation and liberalization, the needs of customers are becoming increasingly diversified and sophisticated. Accordingly, the risks affecting insurance companies have become more and more complex.

In this business environment, the Company has positioned risk management as an important corporate priority from the perspective of properly fulfilling its responsibilities to customers and securing and maintaining sound operations. The Board of Directors formulated its Business Risk Management Policy, with the aim of accurately grasping and controlling the various risks that could have a major impact on the Company's operations, in order to ensure sound and appropriate business activities. Based on this policy, we have sought to build and reinforce a rigorous risk management system, headed by the Board of Directors.

We have established two committees under the supervision of the Board of Directors to handle specific types of risk: the Core Risk Management Committee, which focuses on risk from the perspective of financial soundness, and the Compliance and Business Risk Management Committee, which controls risk from the perspective of appropriate business practices. Under the two committees, we have set up four sub-committees to rigorously assess and audit various risks and thus enhance overall risk management effectiveness. The Board of Directors determines management policies and processes for each risk category following discussions with the Core Risk Management Committee and the Compliance and Business Risk Management Committee. The Core Risk Management Committee manages "comprehensive risk" (a combination of risks, including underwriting risk and asset management risk) in cooperation with the relevant sub-committees. That committee also works to strengthen and improve risk management by establishing and raising the standards of economic value assessments and asset liability management systems.

Risk Factors

(1) Insurance Underwriting Risk

Insurance underwriting risk refers to the risk of sustaining losses due to unexpected changes in economic conditions, the frequency of insured events and other factors. Major risks in this category include general insurance risk, natural disaster risk, massive risk, reinsurance risk and interest rate prediction risk.

1. General Insurance Risk

The non-life insurance business entails exposure to uncertainties for paying claims given that the business is about covering losses from unexpected events. The Company regularly assesses loss ratios on each of its products and analyzes rates that exceed assumed value.

Where necessary, the Company revises or discontinues products and takes steps to alter its underwriting standards and sales policies.

2. Natural Disaster Risk

Japan is highly vulnerable to natural disasters, particularly earthquakes and typhoons. Such disasters can damage broad areas of Japan, triggering massive losses from simultaneous claims payments on many policies. The Company takes various measures to lessen the impact of natural disasters on its business. These include maintaining an extraordinary underwriting reserve and utilizing appropriate reinsurance.

3. Massive Risk

For policies with large potential payouts, the Company seeks to keep claims loss exposure per event below a certain level by arranging the proper reinsurance where necessary.

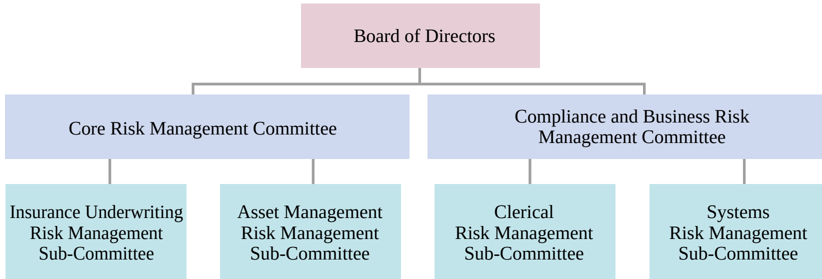
4. Reinsurance Risk

Although the Company uses reinsurance to spread its insurance liabilities, it may not always be able to obtain the payout it anticipates as the result of a reinsurance company becoming bankrupt or suffering other troubles. The Company carefully selects each reinsurance company based on credit ratings from global rating agencies and other factors.

5. Interest Rate Prediction Risk

The Company discounts anticipated asset gains on some of the products it sells. It may be impossible to achieve the required asset gains if actual interest rates are less than anticipated or if economic conditions deteriorate.

The Company proactively reviews policies for selling savings-type insurance and predicts interest rates in line with such factors as performance and market trends. ALM is used to minimize mismatches between assets and liabilities. This entails predicting cash flows from assets and liabilities and maintaining appropriate controls of risks and gains to achieve required returns.



(2) Asset Management Risk

The Company classifies asset management risk into three categories: market risk, credit risk and real estate investment risk. Control of each risk is conducted in a unified manner, based on a system in which the risk management departments keep close watch on the activities of departments performing transactions.

1. Market Risk

Market risk refers to losses that could result from declines in asset values due to fluctuations in interest rates, marketable securities prices or exchange rates.

The Company uses the Value-at-Risk (VaR)* method and other measures to comprehensively quantify and manage portfolio risks and prevent excessive risk exposure.

* VaR: A method of measuring the maximum possible loss of an investment portfolio over a time period based on certain historical market data and other assumptions.

2. Credit Risk

Credit risk is the risk of losses resulting from declines in asset values due to deterioration in the financial positions of parties to which the Company provides credit. Nissay Dowa maintains a company-wide, integrated credit risk management structure in which it measurers credit VaR and determines credit limits based on the credit ratings of each party to which it furnishes credit and other relevant factors. The Company rigorously monitors credit for each transaction and conducts strict self-assessments to maintain asset health.

3. Real Estate Investment Risk

This is the risk of losses stemming from fluctuations in rents or declines in return from property, due to the demand and supply of tenants, or market changes that would reduce real estate values. The Company regularly checks its real estate investments by using “alarm points” for property values and by setting minimum returns on investment.

(3) Liquidity Risk

The Company may have to pay substantial claims following a massive disaster or be forced to sell assets at significantly less than normal market prices due to market turmoil or other factors. The Company strives to ensure sufficient liquidity so it can pay insurance claims for earthquakes, typhoons and other major disasters.

(4) Clerical Risk

Any neglect of clerical duties, mishaps or fraud involving executives, employees or solicitors could cause trouble for customers and impact the Company’s business performance.

The Company has formulated a Clerical Risk Management Policy aimed at accurately identifying and controlling clerical risk. It has allocated responsibility for each type of clerical risk, including risk associated with processing insurance agreements, to different departments and is taking steps to minimize such risks. The Clerical Risk Management Sub-Committee is in charge of managing overall clerical risk.

(5) Systems Risk

Reporting directly to the Compliance and Business Risk Management Committee is the Systems Risk Management Sub-Committee, which comprehensively manages risks associated with the Company’s business systems. To address risk related to improper operation of computers, the Company has established internal rules and minimizes fraudulent use through various measures, including access right restrictions. To address risk of system failure due to earthquakes or other major natural disasters, the Company maintains a backup center and has created a structure to ensure recovery of systems following such disasters.

Contributing to Society and Conserving the Environment

Nissay Dowa makes every effort to promote a range of social contribution initiatives and to address environmental issues. Below is an outline of some of our activities.

Arts and Cultural Activities at The Phoenix Hall

Nissay Dowa uses The Phoenix Hall of its Osaka Head Office for activities relating to corporate support of the arts. The hall provides a space for a variety of creative musical events, mostly classical concerts, including outstanding performances by Japanese and overseas artists, that harmonize well with the hall's unique design.

The Phoenix Hall

International University of Health and Welfare

As part of our contribution to address the aging of Japan's population, we have endeavored to improve nursing services as well as businesses catering to senior citizens. To cite one example, we introduced a scholarship program for students at the International University of Health and Welfare. The university, which is located in Tochigi Prefecture, trains students in senior care and rehabilitation, as well as in otherwise providing support in the medical welfare and healthcare areas.

Under this scholarship program, we award scholarships to students recommended by the university generally from enrollment through graduation. We have already awarded a total of ¥20 million in scholarships for the year ending March 31, 2010.

Since the system was established in 1997, a total of 78 scholarship students have either progressed to graduate school or entered the workforce, where they serve as experts in supporting the health and welfare sector.

Disaster Relief Donations

The Company's executives and employees, as well as its agencies, conduct fundraising for people in regions designated under Japan's Disaster Relief Act. We donate these funds and contributions to local governments and other organizations in the affected regions.

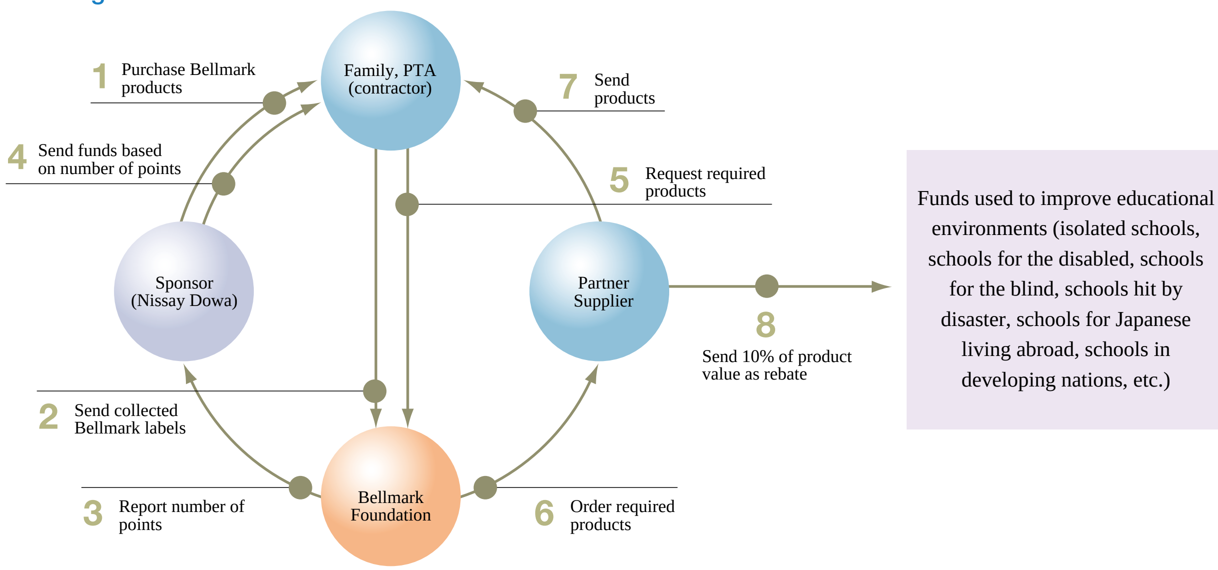
In the year ended March 31, 2009, we made donations to help people in Sichuan Province in China (Sichuan Earthquake), in the Iwate-Miyagi Nairiku area (Earthquake in Iwate Prefecture and Miyagi Prefecture), and in Toyama Prefecture and Ishikawa Prefecture (rain and flood disaster).

Bellmark Program

In April 2000, we became the first company in the financial services industry to participate in the Bellmark Program as a sponsor.

Under this program, we issue “Bellmarks” (point coupons) with insurance products that we offer mainly to general households, in the fields of automobile insurance, fire insurance, casualty insurance and savings-type insurance. At present, more than 28,000 school PTAs nationwide participate in the Bellmark Program. Through its involvement, Nissay Dowa seeks to help improve the educational environments of students around Japan and abroad.

Bellmark Program Structure



Operation of Environmental Management System

We have set specific quantitative goals for minimizing the environmental impact of our operations, such as promoting the use of recycled paper in all printing materials and the conservation of energy and resources. As a member of the Nissay Group, we have actively sought to address environment-related issues.

One such example is our participation in the “Nissay Planting and Nurturing Forests for Future Generations” campaign. To further reinforce these efforts, we operate environmental management systems at our Nishinomiya Information Processing Center and our Tokyo Head Office in St. Luke’s Tower. Both have received ISO 14001 accreditation from the Japan Quality Assurance Organization.

JQA-EM4235
St. Luke's Tower
Nishinomiya Information Processing Center

ISO 14001 certification

* ISO 14001 is the international standard issued by the International Organization for Standardization (ISO) applicable to management systems designed to minimize and reduce the adverse impact of business activities on the environment.

* An environmental management system is a management approach that enables an enterprise to identify and monitor the environmental impact of its business activities and formulate, implement and review management policies, targets and action plans for minimizing environmental impact.

Board of Directors, Corporate Auditors and Corporate Officers


Shuichiro Sudo


Ichiro Tateyama


Masahiro Yamada


Takashi Matsukubo


Shigeo Kotani


Masanori Yoneda


Hiroshi Sakamoto


Nobuharu Ogata


Yoshihiro Omura


Toshihiko Tanaka


Hiroshi Kinoshita

Board of Directors

Shuichiro Sudo
Ichiro Tateyama
Masahiro Yamada
Takashi Matsukubo
Shigeo Kotani
Masanori Yoneda
Hiroshi Sakamoto
Toshihiko Tanaka
Kazuyuki Fujimoto
Mitsuhiro Umezu*

Standing Corporate Auditors

Hirotaka Masamori
Osamu Fujimoto

Corporate Auditors

Hiroyuki Tezuka*
Takeshi Furuichi*
Takeshi Noda*

*External

Corporate Officers

Chairman
Shuichiro Sudo

President
Ichiro Tateyama

Executive Vice President
Masahiro Yamada

Senior Managing Executive Officers
Takashi Matsukubo
Shigeo Kotani
Masanori Yoneda

Managing Executive Officers
Hiroshi Sakamoto
Nobuharu Ogata
Yoshihiro Omura
Toshihiko Tanaka
Hiroshi Kinoshita

Executive Officers
Toshikazu Shiratsuki
Minoru Morimoto
Kazuo Shimozaki
Shigeyuki Inoue
Masanori Muto
Daisuke Arimoto
Kazuyuki Fujimoto
Koji Yamazaki
Nampei Yanagawa
Kenzo Tsurumi
Kazuyoshi Ozeki

Financial Section

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Management 's Discussion and Analysis of Operating Results and Financial Position

Nonconsolidated Performance

Insurance Underwriting

For the fiscal year ended March 31, 2009, net premiums written were ¥310.9 billion, a decrease of 2.3% from the previous year. Net losses and claims paid were ¥191.8 billion, a decrease of 1.5% from the previous year. The net loss ratio rose 0.9 points to 67.4%.

Underwriting-related operating and general expenses increased by 1.8% from the previous year to ¥54.3 billion. This increase was due primarily to our continued investments in improving our operational quality, partially offset by our efforts to streamline overall operations and improve spending efficiency. The net business expense ratio rose by 1.1 percentage points to 34.6%.

As a result of the foregoing, as well as after accounting for accumulated premiums of savings-type insurance, maturity refund, provision for reserves for reported and estimated losses and claims, reversal of underwriting reserves, and other underwriting income and expense items, we recorded an underwriting loss of ¥8.7 billion.

Asset Management

As of March 31, 2009, total assets were ¥1,100.1 billion, and total investments were ¥959.2 billion. Total assets and total investments decreased by 9.4% and 14.6%, respectively, due primarily to the fall in the domestic stock market.

During the fiscal year ended March 31, 2009, we continued to maintain our investments primarily in bonds from the perspective of investment soundness, liquidity and stable profits. We took a conservative approach to investment as we reduced our holdings of overseas bonds and increased our holdings of domestic bonds, and sought to increase our foreign exchange hedging ratios.

As a result, interest and dividends received decreased by ¥4.6 billion from the previous year to ¥23.8 billion, due in part to a decrease in interests and dividends received on overseas bonds.

As a result of the foregoing and a decrease in gains on sales of overseas bonds, investment income decreased by ¥16.0 billion from the previous year to ¥31.5 billion. Investment expenses increased by ¥17.5 billion to ¥34.9 billion due primarily to an increase in valuation losses on trading securities.

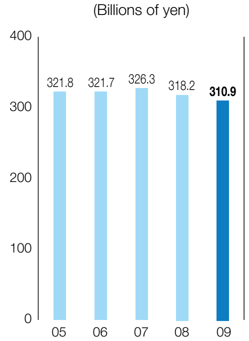
Income

For the fiscal year ended March 31, 2009, ordinary revenue decreased by ¥24.2 billion from the previous year to ¥383.6 billion, reflecting insurance underwriting income of ¥351.2 billion, investment income of ¥31.5 billion ,and other ordinary income of ¥0.8 billion.

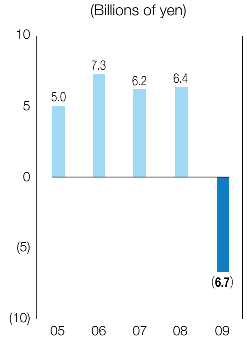
Ordinary expenses increased by ¥5.0 billion to ¥400.4 billion, reflecting insurance underwriting expenses of ¥306.0 billion, investment expenses of ¥34.9 billion, operating and general administrative expenses of ¥58.4 billion, and other ordinary expenses of ¥1.0 billion.

As a result, we recorded an ordinary loss of ¥16.8 billion. After adjustment for extraordinary items and income taxes, net income for the year was a loss of ¥6.738 billion.

Net Premiums Written
(Billions of yen)



Net Income
(Billions of yen)



Financial Position

Assets, Liabilities and Shareholders' Equity

At March 31, 2009, total assets were ¥1,100.1 billion, a decrease of ¥113.9 billion at the end of the previous fiscal year. Total equity also declined by ¥88.9 billion to ¥184.3 billion as of March 31, 2009, compared to the end of the previous fiscal year, owing primarily to a decrease in unrealized gains on available-for-sale securities.

As a result, the equity ratio was 16.8%, and net assets per share was ¥485.73.

Solvency Margin Ratio

As of March 31, 2009, total solvency margin, as calculated in accordance with applicable Japanese regulations, declined by ¥123.0 billion from the end of the previous fiscal year to ¥386.1 billion primarily to the decrease in unrealized gains on securities. Total amount of risk, as calculated in accordance with applicable Japanese regulations, decreased by ¥6.4 billion from the end of the previous fiscal year to ¥90.3 billion at March 31, 2009.

As a result, our solvency margin ratio at March 31, 2009, as calculated in accordance with applicable Japanese regulations, decreased by 197.0 points to 855.1% from the end of the previous fiscal year.

Analysis of Sources of Capital and Capital Liquidity

Cash Flows

For the fiscal year ended March 31, 2009, net cash used in operating activities was ¥8.6 billion, a decrease of ¥1.4 billion from the previous fiscal year. This decrease was due primarily to our recording net losses for the fiscal year ended March 31, 2009, partially offset by a decrease in net losses and claims paid.

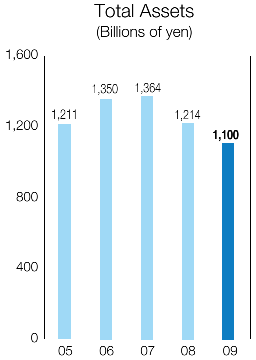
Net cash used in investing activities was ¥10.0 billion, compared to net cash provided by investing activities of ¥ 11.5 billion for the previous fiscal year. This was due mainly to a decrease in proceeds from sales or maturity of securities.

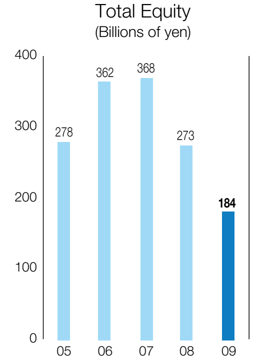
Net cash used in financing activities was ¥3.2 billion, an increase of ¥0.1 billion from the previous fiscal year. The increase was due primarily to a repurchase of shares of our common stock.

Consequently, Cash and cash equivalents at March 31, 2009 were ¥56.2 billion, a decrease of ¥22.5 billion from the end of the previous year.

Capital Liquidity

By maintaining our cash and cash equivalents at a certain level and diversifying investment securities to ensure financial stability, profitability and liquidity, we believe we currently have sufficient liquidity for payment of claims and other expenses.





Nonconsolidated Balance Sheets

Nissay Dowa General Insurance Co., Ltd.
As of March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	**2009**	**2009**
ASSETS			
Cash in banks and time deposits (Note 3)	¥ 37,072	¥ **32,803**	$ **333,950**
Call loans (Note 3)	42,700	**24,300**	**247,378**
Monetary receivables bought	955	**—**	**—**
Securities (Note 4)	944,694	**810,814**	**8,254,241**
Loans (Note 5)	45,835	**40,785**	**415,208**
Property and equipment, net of accumulated depreciation (Notes 6 and 7)	56,581	**56,778**	**578,014**
Intangible fixed assets	238	**236**	**2,411**
Other assets			
Premiums receivable and agents' balances	16,533	**16,844**	**171,477**
Funds held by or deposited with ceding insurers	3,330	**2,610**	**26,577**
Reinsurance receivable on paid losses	11,530	**13,257**	**134,967**
Other insurance accounts receivable	1,608	**2,936**	**29,898**
Accrued investment income	4,574	**3,871**	**39,413**
Deposits	3,829	**3,838**	**39,076**
Fund deposited for earthquake insurance	18,147	**19,143**	**194,888**
Suspense payments	9,795	**8,301**	**84,507**
Receivables	3,310	**6,678**	**67,993**
Derivative products	5,757	**240**	**2,450**
Others	243	**419**	**4,273**
Total other assets	78,660	**78,144**	**795,524**
Deferred tax assets (Note 12)	8,389	**57,153**	**581,832**
Allowance for doubtful accounts	(1,017)	**(844)**	**(8,596)**
Total assets	¥ 1,214,111	**¥ 1,100,172**	**$ 11,199,966**

See accompanying Notes to Nonconsolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	**2009**	**2009**
LIABILITIES AND EQUITY			
LIABILITIES			
Underwriting fund			
Reserves for reported and estimated losses and claims (Note 8)	¥ 123,930	**¥ 125,808**	**$ 1,280,752**
Underwriting reserves (Note 9)	775,563	**758,795**	**7,724,686**
Total underwriting fund	899,494	**884,604**	**9,005,438**
Liability for retirement benefits (Note 10)	2,724	**337**	**3,436**
Reserve for fluctuation in value of investment	7,050	**607**	**6,188**
Other liabilities			
Reinsurance premiums payable	9,869	**10,147**	**103,304**
Other insurance accounts payable	460	**546**	**5,560**
Accrued expenses	545	**580**	**5,906**
Income taxes payable	5,213	**780**	**7,940**
Accounts payable	6,335	**5,803**	**59,084**
Suspense receipts	7,134	**5,167**	**52,608**
Derivative products	1,013	**6,079**	**61,890**
Others	963	**1,153**	**11,743**
Total other liabilities	31,534	**30,258**	**308,039**
Total liabilities	940,803	**915,808**	**9,323,102**
EQUITY (Note 11)			
Common stock;			
authorized 700,000,000 shares;			
issued, 390,055,814 shares in 2008 and 2009	47,328	**47,328**	**481,816**
Capital surplus:			
Additional paid-in capital	40,303	**40,303**	**410,296**
Other capital surplus	—	**3**	**38**
Retained earnings:			
Legal reserve	7,492	**7,492**	**76,280**
Retained earnings—unappropriated	76,065	**66,288**	**674,830**
Unrealized gain on available-for-sale securities	106,888	**27,885**	**283,874**
Treasury stock—at cost:			
10,205,072 shares in 2008 and 10,495,796 shares in 2009	(4,771)	**(4,938)**	**(50,273)**
Total equity	273,308	**184,364**	**1,876,864**
Total liabilities and equity	¥ 1,214,111	**¥ 1,100,172**	**$ 11,199,966**

Nonconsolidated Statements of Operations

Nissay Dowa General Insurance Co., Ltd.
For the years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Operating income			
Net premiums written	¥ 318,249	**¥ 310,918**	**$ 3,165,208**
Accumulated premiums of savings-type insurance, net of maturity refund	(26,859)	**(25,514)**	**(259,737)**
Reversal of underwriting reserves	11,837	**16,767**	**170,696**
Interest and dividends received	28,577	**23,897**	**243,281**
Net gain (loss) on securities	17,338	**(14,770)**	**(150,362)**
Other income	1,100	**7,255**	**73,857**
Reversal of reserve for price fluctuation	-	**6,443**	**65,591**
Others	1,100	**812**	**8,266**
Total operating income	350,243	**318,554**	**3,242,944**
Operating costs and expenses			
Net losses and claims paid	194,708	**191,808**	**1,952,646**
Loss adjustment expenses	16,764	**17,623**	**179,409**
Net commissions and brokerage	53,233	**53,311**	**542,720**
Operating and general administrative expenses	57,493	**58,410**	**594,628**
Provision for reserves for reported and estimated losses and claims	7,002	**1,877**	**19,115**
Net derivative financial instruments losses	4,679	**3,144**	**32,009**
Net loss on sales and disposal of property and equipment	931	**309**	**3,152**
Loss on impairment of long-lived assets (Note 7)	122	**12**	**122**
Foreign currency exchange loss	1,764	**645**	**6,572**
Other expenses	2,811	**2,131**	**21,702**
Total operating costs and expenses	339,511	**329,274**	**3,352,080**
Income (loss) before income taxes	10,731	**(10,720)**	**(109,135)**
Income taxes (Note 12)			
Current	5,468	**51**	**528**
Deferred	(1,186)	**(4,034)**	**(41,069)**
Total income taxes	4,281	**(3,982)**	**(40,540)**
Net income (loss)	¥ 6,450	**¥ (6,738)**	**$ (68,594)**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Note 2 (15))			
Net income (loss)	¥ 16.98	**¥ (17.74)**	**$ (0.180)**
Cash dividends applicable to the year	8.00	**8.00**	**0.081**

See accompanying Notes to Nonconsolidated Financial Statements.

Nonconsolidated Statements of Changes in Equity

Nissay Dowa General Insurance Co., Ltd.
For the years ended March 31, 2008 and 2009

	Thousands	Millions of yen							
			Capital surplus		Retained earnings				
	Outstanding number of share of common stock	Common stock	Additional paid-in capital	Other capital surplus	Legal reserve	Unappropriated	Unrealized gain on available-for-sale securities	Treasury stock, at cost	Total equity
Balance, April 1, 2007	379,890	¥47,328	¥40,303	¥2	¥7,492	¥77,325	¥205,521	¥(9,418)	¥368,556
Net income	—	—	—	—	—	6,450	—	—	6,450
Cash dividends, ¥8.00 per share	—	—	—	—	—	(3,039)	—	—	(3,039)
Net decrease in unrealized gain on available-for-sale securities	—	—	—	—	—	—	(98,632)	—	(98,632)
Purchase of treasury stock	(47)	—	—	—	—	—	—	(31)	(31)
Disposal of treasury stock	7	—	—	1	—	—	—	3	4
Retirement of treasury stock	—	—	—	(3)	—	(4,671)	—	4,675	—
Balance, April 1, 2008	379,850	47,328	40,303	—	7,492	76,065	106,888	(4,771)	273,308
Net loss	—	—	—	—	—	(6,738)	—	—	(6,738)
Cash dividends, ¥8.00 per share	—	—	—	—	—	(3,038)	—	—	(3,038)
Net decrease in unrealized gain on available-for-sale securities	—	—	—	—	—	—	(79,003)	—	(79,003)
Purchase of treasury stock	(373)	—	—	—	—	—	—	(206)	(206)
Disposal of treasury stock	82	—	—	3	—	—	—	39	42
Balance, March 31, 2009	379,560	¥47,328	¥40,303	¥3	¥7,492	¥66,288	¥27,885	¥(4,938)	¥184,364

	Thousands of U.S. dollars (Note 1)							
		Capital surplus		Retained earnings				
	Common stock	Additional paid-in capital	Other capital surplus	Legal reserve	Unappropriated	Unrealized gain on available-for-sale securities	Treasury stock, at cost	Total equity
Balance, March 31, 2008	$481,816	$410,296	$—	$76,280	$774,361	$1,088,148	$(48,572)	$2,782,329
Net loss	—	—	—	—	(68,594)	—	—	(68,594)
Cash dividends, $0.08 per share	—	—	—	—	(30,935)	—	—	(30,935)
Net decrease in unrealized gain on available-for-sale securities	—	—	—	—	—	(804,273)	—	(804,273)
Purchase of treasury stock	—	—	—	—	—	—	(2,097)	(2,097)
Disposal of treasury stock	—	—	38	—	—	—	397	435
Balance, March 31, 2009	$481,816	$410,296	$38	$76,280	$674,830	$283,874	$(50,273)	$1,876,864

See accompanying Notes to Nonconsolidated Financial Statements.

Nonconsolidated Statements of Cash Flows

Nissay Dowa General Insurance Co., Ltd.
For the years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Cash flows from operating activities			
Income (loss) before income taxes	¥ 10,731	¥ (10,720)	$ (109,135)
Adjustments to reconcile income before income taxes to net cash			
Payment of income taxes	(365)	(7,424)	(75,579)
Depreciation	3,548	3,758	38,261
Loss on impairment of long-lived assets	122	12	122
Increase in reserves for reported and estimated losses and claims	7,002	1,877	19,115
Decrease in underwriting reserves	(11,837)	(16,767)	(170,696)
Provision for (reversal of) allowance for doubtful accounts	15	(173)	(1,764)
Decrease in liability for retirement benefits	(4,420)	(2,386)	(24,296)
(Decrease) increase in accrued expenses	(539)	34	351
Provision for (reversal of) reserve for fluctuation in value of investment	666	(6,443)	(65,591)
Net realized (gain) loss on investments in securities	(17,338)	14,770	150,362
Net loss on sales and disposals of property and equipment	966	309	3,152
Foreign currency exchange loss	1,647	583	5,938
Net decrease (increase) in other assets	169	(2,675)	(27,235)
Net decrease in other liabilities	(195)	(1,931)	(19,658)
Others, net	(261)	18,524	188,584
Net cash used in operating activities	(10,088)	(8,651)	(88,069)
Cash flows from investing activities			
(Increase) decrease in short-term investments, net	(1,305)	1,098	11,179
Purchases of investment securities	(406,427)	(232,444)	(2,366,325)
Proceeds from sales or maturity of securities	416,308	220,532	2,245,063
Loans made	(2,975)	(7,539)	(76,756)
Collection of loans	8,448	12,589	128,165
Purchases of property and equipment	(2,696)	(4,608)	(46,914)
Proceeds from sales of property and equipment	122	333	3,399
Others, net	(0)	(0)	(2)
Net cash provided by (used in) investing activities	11,475	(10,038)	(102,190)
Cash flows from financing activities			
Purchases of treasury stock, net	(27)	(163)	(1,661)
Cash dividends paid	(3,039)	(3,038)	(30,935)
Others, net	(4)	(0)	(7)
Net cash used in financing activities	(3,070)	(3,202)	(32,604)
Foreign currency translation adjustments on cash and cash equivalents	(1,184)	(641)	(6,531)
Net decrease in cash and cash equivalents	(2,868)	(22,533)	(229,395)
Cash and cash equivalents at beginning of year	81,611	78,742	801,613
Cash and cash equivalents at end of year (Note 3)	¥ 78,742	¥ 56,208	$ 572,217

See accompanying Notes to Nonconsolidated Financial Statements.

Notes to Nonconsolidated Financial Statements

1. Basis of Presenting Nonconsolidated Financial Statements

The accompanying nonconsolidated financial statements have been prepared from the accounts maintained by Nissay Dowa General Insurance Co., Ltd. (the "Company"), in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the regulation issued under the Insurance Business Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing the accompanying nonconsolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

Amounts of less than one million Japanese yen and one thousand U.S. dollars have been omitted from the individual amounts on the financial statements. As a result, totals in Japanese yen and U.S. dollars shown herein do not necessarily agree with the sum of the individual amounts.

The Company maintains its accounting records in Japanese yen. U.S. dollar amounts included in the nonconsolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥98.23 = U.S.$1, the prevailing rate as of March 31, 2009.

The inclusion of such U.S. dollar amounts is solely for the convenience of the reader and is not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(1) Nonconsolidation

The nonconsolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost. (Consolidation of the Company's subsidiaries would not significantly change the total assets, net sales or net income reported in the accompanying nonconsolidated financial statements.)

(2) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and call loans, all of which mature or become due within three months of the date of acquisition.

(3) Securities

Securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost, ii) investments in subsidiaries and associated companies are stated at cost determined by the moving-average method, and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method or at amortized cost. For other than temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

(4) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is computed by the declining-balance method, except for buildings acquired on and after April 1, 1998, depreciation of which is computed by the straight-line method.

(5) Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the estimated net selling price at disposition.

(6) Income Taxes

The provision for income taxes is computed based on the pretax income included in the nonconsolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(7) Allowance for Doubtful Accounts

The allowance for doubtful accounts is calculated based on our standard for self-assessment of assets and the policy for write-off and provision.

For loans to debtors who are in bankruptcy or reorganization or whose notes are under suspension at clearinghouses and loans to debtors who are substantially deemed to be experiencing financial difficulties, the allowance is provided for based on the amount remaining after deducting the resale value of any collateral and amounts collectible through guarantees.

For loans to debtors for which there is probability of financial difficulties in the future, the allowance is provided for based on the amount remaining after deducting the resale value of any collateral and amounts collectible from guarantees considering debtors' abilities to repay the entire outstanding debt.

For loans other than those mentioned above, the allowance is provided for by multiplying actual bad debt ratios computed based on the actual bad debt amounts during past periods against outstanding balances.

All assets of the Company are subject to periodic self-assessments conducted by the departments that manage their respective portfolios of assets. In addition, an inspection department, independent of each department conducting self-assessments, reviews the results of the self-assessments.

(8) Reserves for Reported and Estimated Losses and Claims

Outstanding claims for reported losses are required to be set aside by lines of insurance pursuant to the provisions of a regulation issued under the Insurance Business Law. In addition, outstanding claims for the losses incurred but not reported (IBNR) are required to be calculated based on past experience.

The Company estimates the "IBNR" reserve for certain lines of insurance using statistical methods based on our own long-term experience data.

(9) Underwriting Reserves

Underwriting reserves are required to be set aside by lines of insurance pursuant to the provisions of the Insurance Business Law. Underwriting reserves can be classified further into the following items:

i) Ordinary underwriting reserve
   This reserve is based on the unearned premium (calculated by the 1/12 method) at the end of the year or the underwriting balance at the end of the year of business written during the year, whichever is greater, by lines of insurance.

ii) Extraordinary underwriting reserve
   This is the reserve set aside to prepare for possible losses resulting from catastrophes. The amount is accumulated each year at a fixed percentage of net premiums written by lines of insurance.

iii) Reserve for future refunds
   This is the reserve for future refunds as previously promised to policyholders in savings-type insurance policies. In the case of long-term comprehensive insurance, the investment income based on a fixed rate arising from this fund is also added to the reserve for future refunds.

iv) Reserve for dividends to policyholders
Interest surplus arising from the reserve for future refunds of the above long-term insurance is reserved under this title.
v) Underwriting reserve for compulsory automobile liability insurance
The method of calculation used for this reserve is different from those of other lines of insurance. As compulsory automobile liability insurance is operated on a no-profit/no-loss basis, all underwriting balances are carried forward as reserves, and investment income earned on this account is also set aside for contribution to the Japan Red Cross Society and other institutions.
vi) Underwriting reserve for earthquake insurance
Earthquake insurance for homeowners is operated on a no-profit/no-loss basis, and reinsurance capacity is supplemented by the Japanese government by way of excess of loss reinsurance. The Company must set aside all underwriting balances plus investment income as a reserve.

(10) Liability for Retirement Benefits

Under most circumstances, employees terminating their employment are entitled to lump-sum payments determined by reference to the basic rate of pay at the time of termination, length of service and other conditions under which the termination occurs. If the termination is involuntary, employees are usually entitled to greater payments than in the case of voluntary termination.
The Company provides for liability for retirement benefits based on the net value of the projected benefit obligations and plan assets at the balance sheet date.

(11) Reserve for Fluctuation in Value of Investment

Insurance companies are required to establish the reserve for fluctuation in value of investment in conformity with the Insurance Business Law. This reserve covers losses from fluctuations in the Company's investment assets holdings. The reserve is calculated using percentages set forth in the Insurance Business Law for type of assets.

(12) Leases

In March 2007, the Accounting Standards Boards of Japan (the "ASBJ") issued ASBJ Statement No.13, "Accounting Standard for Leases Transactions", which revised the previous accounting standard for leases transactions issued in June 1993. The revised accounting standard for leases transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet.

In addition, the revised accounting standard permits certain exceptions. It permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's financial statements. Also, it permits leases whose contract amount is ¥3 million or less to be accounted for as operating lease transactions without any information disclosed in the notes.

The Company applied the revised accounting standard effective April 1, 2008. Since each contract amount is ¥3 million or less, all finance lease are accounted for as operating lease transactions and "as if capitalized" information is omitted.

(13) Foreign Currency Translation

All accounts receivable and payable denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. The resulting exchange gains or losses are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

(14) Derivatives and Hedge Accounting

The Company uses foreign currency forward contracts as a means of hedging exposure to foreign currency risk. The Company also enters into agreements for weather derivatives as a part of its trading activities, not for speculative purposes.

Derivatives, except those which qualify for hedge accounting, are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the income statement.

Currency forward contracts employed to hedge foreign exchange exposures for available-for-sale securities which qualify for hedge accounting are accounted for using fair value hedge accounting. Net unrealized gains or losses are recognized in net derivative financial instruments gains or losses.

In addition, certain foreign currency forward contracts are utilized to hedge foreign currency exposures in certain deposits. Deposits denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

(15) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because there were no potential common shares for the years ended March 31, 2008 and 2009.

Cash dividends per share presented in the accompanying nonconsolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of year.

(16) New Accounting Pronouncements

Business Combinations

On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, “Accounting Standard for Business Combinations”. Major accounting changes under this accounting standard are as follows;
(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard an in-process research and development (IPR&D) acquired by the business combination are capitalized as an intangible asset.
(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.
This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No.21 “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Items on the nonconsolidated balance sheets:			
Cash in banks and time deposits	¥ 37,072	**¥ 32,803**	**$ 333,950**
Call loans	42,700	**24,300**	**247,378**
Less:			
Time deposits with maturities over three months	(1,030)	**(895)**	**(9,111)**
Cash and cash equivalents	¥ 78,742	**¥ 56,208**	**$ 572,217**

4. Securities

Securities as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Government and municipal bonds	¥ 142,008	**¥ 111,421**	**$ 1,134,297**
Domestic corporate bonds	154,195	**234,222**	**2,384,429**
Domestic equity securities	377,894	**270,479**	**2,753,535**
Foreign securities:	253,705	**180,283**	**1,835,324**
Others	16,890	**14,405**	**146,654**
Total	¥ 944,694	**¥ 810,814**	**$ 8,254,241**

Securities loaned for which the borrowers have a right to sell or pledge of ¥1,420 million ($14,173 thousand) as of March 31, 2008, were included in "Government and municipal bonds."

The carrying amounts and aggregate fair values of securities at March 31, 2008 and 2009 were as follows:

	Millions of yen			
March 31, 2008	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Domestic bonds	¥ 291,417	¥ 5,164	¥ 500	¥ 296,081
Domestic equity securities	206,020	166,303	1,231	371,092
Foreign securities	244,944	4,411	6,578	242,777
Others	17,837	1,562	1,606	17,794
Total	¥ 760,220	¥ 177,442	¥ 9,916	¥ 927,745

	Millions of yen			
March 31, 2009	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Domestic bonds	**¥ 343,912**	**¥ 3,631**	**¥ 1,942**	**¥ 345,601**
Domestic equity securities	**205,900**	**65,830**	**7,833**	**263,897**
Foreign securities	**186,739**	**1,493**	**18,294**	**169,938**
Others	**13,445**	**1,452**	**493**	**14,404**
Total	**¥ 749,998**	**¥ 72,407**	**¥ 28,564**	**¥ 793,841**

March 31, 2009	Thousands of U.S. dollars Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Domestic bonds	**$ 3,501,094**	**$ 36,966**	**$ 19,771**	**$ 3,518,289**
Domestic equity securities	**2,096,108**	**670,163**	**79,746**	**2,686,525**
Foreign securities	**1,901,045**	**15,203**	**186,246**	**1,730,002**
Others	**136,880**	**14,784**	**5,026**	**146,638**
Total	**$ 7,635,128**	**$ 737,117**	**$ 290,790**	**$ 8,081,456**

Other available-for-sale securities as of March 31, 2008 and 2009 mainly consisted of investment trusts. The Company has the policy that securities whose fair value fall more than 30% below cost are considered to be impaired.

Impairment losses on available-for-sale securities amounted to ¥706 million and ¥18,737 million ($190,752 thousand) at March 31, 2008 and 2009.

Available-for-sale securities, held-to-maturity securities and investment securities in subsidiaries and associated companies whose fair value was not readily determinable as of March 31, 2008 and 2009 were as follows:

	Carrying amounts		
	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Available-for-sale:			
Domestic equity securities	¥ 6,408	**¥ 6,347**	**$ 64,613**
Foreign securities	7,856	**7,805**	**79,466**
Others	51	**1**	**16**
Held-to-maturity:			
Domestic bonds	122	**42**	**436**
Investment securities in subsidiaries and associated companies:			
Domestic equity securities	392	**235**	**2,395**
Foreign securities	3,071	**2,539**	**25,856**
Total	¥ 17,903	**¥ 16,972**	**$ 172,785**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2009 were ¥395,054 million and ¥195,645 million ($1,991,707 thousand), respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥28,114 million and ¥9,982 million, respectively, for the year ended March 31, 2008 and ¥16,014 ($163,031 thousand) and ¥10,254 million ($104,392 thousand), respectively, for the year ended March 31, 2009.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2009 were as follows:

	Millions of yen Domestic bonds	Foreign securities	Others	Total
Due in one year or less	**¥ 18,855**	**¥ 24,035**	**¥ 487**	**¥ 43,378**
Due after one year through five years	**167,827**	**120,718**	**823**	**289,369**
Due after five years through ten years	**132,138**	**23,797**	**2,489**	**158,425**
Due after ten years	**26,823**	**1,021**	**—**	**27,844**
Total	**¥ 345,644**	**¥ 169,573**	**¥ 3,801**	**¥ 519,018**

	Thousands of U.S. dollars			
	Domestic bonds	Foreign securities	Others	Total
Due in one year or less	**$ 191,949**	**$ 244,689**	**$ 4,965**	**$ 441,604**
Due after one year through five years	**1,708,516**	**1,228,938**	**8,386**	**2,945,841**
Due after five years through ten years	**1,345,190**	**242,266**	**25,344**	**1,612,801**
Due after ten years	**273,070**	**10,393**	**—**	**283,464**
Total	**$ 3,518,726**	**$ 1,726,288**	**$ 38,696**	**$ 5,283,711**

The carrying amounts of securities pledged as collateral amounted to ¥3,951 million and ¥5,300 million ($53,963 thousand) as of March 31, 2008 and 2009, respectively.

5. Loans

Loans as of March 31, 2008 and 2009 included the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Defaulted loans	¥ —	**¥ —**	**$ —**
Delinquent loans	277	**286**	**2,914**
Past due loans (over three months)	—	**—**	**—**
Loans under mitigating conditions	—	**—**	**—**
Total	¥ 277	**¥ 286**	**$ 2,914**

Defaulted loans represent loans for which the Company assumes that there are no prospects for recovery or repayment of principal or payment of interest and, therefore, the Company does not accrue interest income.

Delinquent loans represent loans for which the Company assumes that there are very few prospects for recovery or repayment of principal or interest and, therefore, the Company does not accrue interest income. For delinquent loans, management does not mitigate conditions of loans on behalf of the recovery of the counterparties as mentioned in the definition of loans under mitigating conditions below.

Past due loans (over three months) represent loans in which the repayment of principal or payment of interest incurred are past due over three months from the due date set forth in the loan agreements, not falling into either the categories of defaulted loans or delinquent loans.

Loans under mitigating conditions represent loans to counterparties in which the Company has accepted a reduction in interest rates and/or revised repayment schedule of principal or interest, or waived certain amounts owed in order to provide financial support to facilitate the recovery of the counterparties, not falling into the categories of defaulted loans, delinquent loans or past due loans (over three months).

6. Property and Equipment

Property and equipment as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Land	¥ 24,855	**¥ 24,713**	**$ 251,587**
Buildings	75,614	**75,048**	**764,004**
Others	15,605	**13,481**	**137,240**
Construction in progress	0	**2,688**	**27,364**
Total	¥ 116,076	**¥ 115,930**	**$ 1,180,196**
Less accumulated depreciation	¥ 59,494	**¥ 59,152**	**$ 602,181**
Property and equipment, net of accumulated depreciation	¥ 56,581	**¥ 56,778**	**$ 578,014**

Under certain conditions, such as the exchange of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section.

Property and equipment were stated at cost less deferred gains of ¥5,282 million and ¥5,229 million ($53,238 thousand) for the years ended March 31, 2008 and 2009, respectively.

7. Impairment of Long-Lived Assets

The Company reviewed its long-lived assets for impairment as of March 31, 2008 and 2009. As a result, for the year ended March 31, 2008, the Company recognized an impairment loss of ¥ 122 million for certain rent and idle land. For the year ended March 31, 2009, the Company recognized an impairment loss of ¥ 12 million ($122 thousand) for certain idle land and buildings.

The carrying amounts of the assets were written down to the recoverable amounts. The recoverable amount of each asset was measured at its net selling price determined by using an appraised value based on real estate appraisal standards.

8. Reserves for Reported and Estimated Losses and Claims

Reserves for reported and estimated losses and claims as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Reserves for reported and estimated losses and claims (except for (b) below)	¥ 126,739	**¥ 130,295**	**$ 1,326,432**
Less: Reserves for reported and estimated losses and claims of reinsurance	12,948	**14,410**	**146,698**
a) Net of reserves for reported and estimated losses and claims	113,790	**115,885**	**1,179,734**
b) Reserves for reported and estimated losses and claims of earthquake insurance and compulsory automobile liability insurance	10,140	**9,922**	**101,017**
Total (a) + (b)	¥ 123,930	**¥ 125,808**	**$ 1,280,752**

Provision for reserves for reported and estimated losses and claims for the year ended March 31, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
Provision for reserves for reported and estimated losses and claims (except for (b) below)	**¥ 3,556**	**$ 36,203**
Less: Provision for reserves for reported and estimated losses and claims of reinsurance	**1,461**	**14,877**
(a) Net of provision for reserves for reported and estimated losses and claims	**2,094**	**21,325**
(b) Provision for reserves for reported and estimated losses and claims of earthquake insurance and compulsory automobile liability insurance	**(217)**	**(2,210)**
Total (a) + (b)	**¥ 1,877**	**$ 19,115**

9. Underwriting Reserves

Underwriting reserves as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Underwriting reserves for specific insurance contracts	¥ 270,210	¥ 278,536	$ 2,835,554
Less: Underwriting reserves for specific insurance contracts of reinsurance	17,429	21,500	218,883
(a) Net of underwriting reserves for specific insurance contracts	252,780	257,035	2,616,670
Reserve for future refunds	306,920	287,646	2,928,291
Less: Reserve for future refunds of reinsurance	3	0	9
(b) Net of reserve for future refunds	306,916	287,645	2,928,282
(c) Other underwriting reserves	215,866	214,115	2,179,733
Total (a)+(b)+(c)	¥ 775,563	¥ 758,795	$ 7,724,686

Provision for (reversal of) underwriting reserves for specific insurance contracts for the year ended March 31, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
Provision for underwriting reserves for specific insurance contracts	¥ 8,326	$ 84,764
Less: Provision for underwriting reserves for specific insurance contracts of reinsurance	4,070	41,443
(a) Net of provision for underwriting reserves for specific insurance contracts	4,255	43,320
Reversal of reserve for future refunds	(19,274)	(196,221)
Less: Reversal of reserve for future refunds of reinsurance	(3)	(31)
(b) Net of reversal of reserve for future refunds	(19,271)	(196,190)
(c) Other underwriting reserves	(1,751)	(17,826)
Total (a)+(b)+(c)	¥ (16,767)	$ (170,696)

10. Retirement Pension Plan

The Company has an unfunded lump-sum benefit plan and a funded pension plan that has been made available for almost all employees. The benefit plan covers approximately 50% of the amount of the severance payment, and the remaining 50% is covered by the pension plan.

Under the terms of the lump-sum benefit plan, eligible employees who reach mandatory retirement age or earlier voluntary termination are under most circumstances entitled to a lump-sum severance payment based on compensation at the time of severance and years of service.

Liability for retirement benefits for employees as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Projected benefit obligation	¥ (51,672)	¥ (52,147)	$ (530,872)
Fair value of plan assets	48,835	45,883	467,099
Net projected benefit obligation	(2,836)	(6,264)	(63,773)
Unrecognized actuarial loss	112	5,926	60,337
Liability for retirement benefits	¥ (2,724)	¥ (337)	$ (3,436)

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

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Service cost	¥ 1,999	¥ 1,965	$ 20,010
Interest cost	1,028	1,026	10,451
Expected return on plan assets	(470)	(476)	(4,855)
Recognized actuarial loss	(636)	(148)	(1,508)
Net periodic retirement benefit costs	¥ 1,920	¥ 2,367	$ 24,097

Assumptions used for the years ended March 31, 2008 and 2009 are set forth as follows:

	2008	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets		
Defined benefit pension plan assets	1.5%	1.5%
Trust for retirement benefits	0.0%	0.0%
Recognition period of actuarial loss	13 years	11 years

11. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

The Companies Act also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) *Increases/decreases and transfer of common stock, reserve and surplus*

The Insurance Business Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals that of the common stock. Under the former Insurance Business Law, the aggregate amount of additional paid-in capital and legal reserve that exceeds the common stock may be made available for dividends by resolution of the shareholders. Under the revised Insurance Business Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.

(c) *Treasury stock and treasury stock acquisition rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. Income Taxes

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 36.15% for the years ended March 31, 2008 and 2009.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Deferred tax assets:			
Underwriting reserves	¥ 44,909	**¥ 46,310**	**$ 471,445**
Impairment loss on investment securities	4,973	**11,194**	**113,963**
Tax loss carryforwards	—	**3,867**	**39,367**
Liability for retirement benefits	3,699	**2,905**	**29,575**
Excess depreciation	3,007	**3,557**	**36,218**
Reserves for fluctuation in value of investment	2,548	**219**	**2,237**
Reserves for reported and estimated losses and claims	3,996	**2,445**	**24,894**
Allowance for doubtful accounts	325	**282**	**2,874**
Others	5,087	**4,501**	**45,831**
Less valuation allowance	(1,296)	**(2,295)**	**(23,369)**
Total	¥ 67,252	**¥ 72,988**	**$ 743,036**
Deferred tax liabilities:			
Unrealiezed gain on available-for-sale securities	¥ (58,218)	**¥ (15,203)**	**$ (154,770)**
Others	(644)	**(631)**	**(6,433)**
Total	¥ (58,863)	**¥ (15,835)**	**$ (161,204)**
Net deferred tax assets	¥ 8,389	**¥ 57,153**	**$ 581,832**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying statements of income for the year ended March 31, 2008 was as follows:

	2008
Normal effective statutory tax rate	36.15%
Tax-exempt dividend income	(12.16)
Valuation allowance	12.08
Expenses not deductible for income tax purposes	2.53
Inhabitant taxes—per capita levy	1.58
Others	(0.29)
Actual effective tax rate	39.89%

In 2009, the reconciliation is not disclosed because the difference is lower than 5% of the normal effective statutory tax rate.

At March 31, 2009, the Company has tax loss carryforwards aggregating approximately ¥3,867million ($39,367thousand) which are available to be offset against taxable income of the Company in future years. These tax loss carryforwards, if not utilized, will expire as follows :

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 3,867	$ 39,367

13. Derivatives

The Company utilizes derivative financial instruments such as foreign currency forward contracts and weather derivatives. The Company does not enter into derivatives for speculative purposes.

The Company enters into derivative instruments to reduce its exposures to fluctuations in foreign exchange rates mainly. It also enters into derivative instruments to control and protect the value on investment income.

Derivatives are subject to foreign currency risk and weather risk. Since most of the Company's derivative transactions are related to qualified hedges of owned assets and foreign currency risk inherent in the hedging derivative instruments is basically offset by opposite movements in the value of hedged assets. Weather derivative transactions for trading purposes have occurred in limited amounts. As the counterparties to all derivatives are limited to exchanges or major financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies. A back-office has made the execution and control of derivative transactions daily for internal check. Each derivative transaction is periodically reported to management, where evaluation and analysis of derivatives are made. In addition to the above control, the risk management department reports derivatives activity to the Board of Directors and centrally controls the related risks.

Fair value of derivative financial instruments

The fair value of the Company's derivative financial instruments at March 31, 2008 and 2009 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2008			**2009**			**2009**		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts—									
Selling:									
US$	¥ 44,013	¥ 41,424	¥ 2,589	**¥ 53,100**	**¥ 55,383**	**¥ (2,282)**	**$ 540,575**	**$ 563,814**	**$ (23,239)**
Euro	40,859	41,546	(686)	**30,708**	**33,277**	**(2,569)**	**312,620**	**338,773**	**(26,153)**
Pound	20,985	18,697	2,288	**7,342**	**7,615**	**(273)**	**74,748**	**77,532**	**(2,783)**
Canadian$	8,075	7,522	553	**4,271**	**4,456**	**(185)**	**43,479**	**45,367**	**(1,888)**
Australian$	—	—	—	**7,628**	**7,953**	**(325)**	**77,657**	**80,968**	**(3,310)**
Denmark Krone	—	—	—	**1,512**	**1,715**	**(202)**	**15,398**	**17,463**	**(2,065)**
Total			¥ 4,744			**¥ (5,838)**			**$ (59,440)**

All foreign currency forward contracts are applied hedge accounting.

	Millions of yen						Thousands of U.S. dollars		
	2008			**2009**			**2009**		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Others—Weather derivatives									
written	¥0	¥0	¥0	**—**	**—**	**—**	**—**	**—**	**—**
options premiums	0			**—**			**—**		
purchased	0	0	—	**—**	**—**	**—**	**—**	**—**	**—**
options premiums	0			**—**			**—**		
Total			¥ 0			**—**			**—**

Note: Fair values are based on the indicated option premium prices from financial institutions.

14. Related Party Transactions

The balances due to or from subsidiaries and associated companies as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Accounts receivable	¥ 1,593	**¥ 1,634**	**$ 16,638**
Accounts payable	2,076	**2,197**	**22,374**

Transactions of the Company with subsidiaries and associated companies for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Revenues	¥ 1,095	**¥ 965**	**$ 9,830**
Expenses	28,694	**29,319**	**298,478**

15. Subsequent Events

Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2009 was approved by shareholders at the shareholders meeting held on June 25, 2009.

	Millions of yen	Thousands of U.S. dollars
Appropriations		
Year-end cash dividends (¥8.00 per share)	**¥ 3,036**	**$ 30,911**

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nissay Dowa General Insurance Company, Limited:

We have audited the accompanying nonconsolidated balance sheets of Nissay Dowa General Insurance Company, Limited (the "Company") as of March 31, 2008 and 2009, and the related nonconsolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These nonconsolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of Nissay Dowa General Insurance Company, Limited as of March 31, 2008 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 25, 2009

Member of
Deloitte Touche Tohmatsu

Overseas Network

As of March 31, 2009

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Corporate Data

As of March 31, 2009

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PAID-IN CAPITAL
¥47,328,827,152

NUMBER OF EMPLOYEES
4,385

Investor Information

As of March 31, 2009

FISCAL YEAR-END
March 31

ISSUED SHARES
390,055,814
(Authorized shares: 700,000,000)

NUMBER OF SHAREHOLDERS
9,849

SECURITIES EXCHANGE LISTINGS
Tokyo and Osaka

SECURITIES CODE
8759

Nissay Dowa General Insurance Co., Ltd.

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