NISSAY DOWA

Nissay Dowa General Insurance Co., Ltd.

Annual Report

For the year ended March 31, 2008

2008

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).

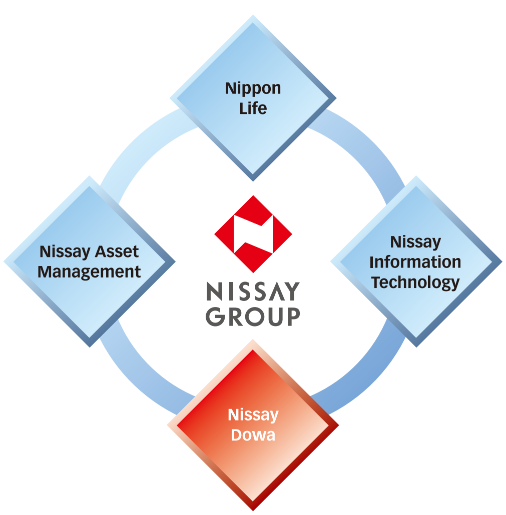
The new company commenced operations as the core non-life insurance arm of the Nissay Group, which is centered on Nippon Life Insurance Company, Japan's leading life insurer.

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



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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.

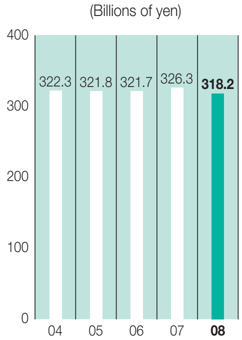
Financial Highlights

Nissay Dowa General Insurance Co., Ltd.
For the years ended March 31, 2007 and 2008

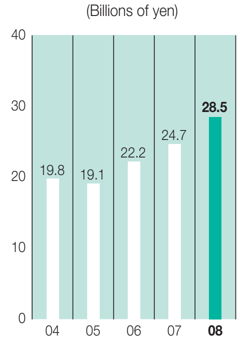
	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
For the year:			
Net premiums written	¥ 326,341	**¥ 318,249**	**$ 3,176,454**
Interest and dividends received	24,717	**28,577**	**285,228**
Net income	6,259	**6,450**	**64,378**
At year-end:			
Total assets	¥1,364,571	**¥1,214,111**	**$12,118,086**
Total equity	368,556	**273,308**	**2,727,897**
		Yen	U.S. dollars
Per share of common stock:			
Net income	¥16.47	**¥16.98**	**$0.169**
Cash dividends paid	8.00	**8.00**	**0.079**
		%	
Ratios:			
Net loss ratio	62.0%	**66.4%**	
Net business expense ratio	32.3	**33.5**	
Net combined ratio	94.3	**100.0**	
Net balance ratio	5.7	**0.0**	
ROE	3.9	**2.4**	
Equity ratio	27.0	**22.5**	

Notes: 1. Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥100.19=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.

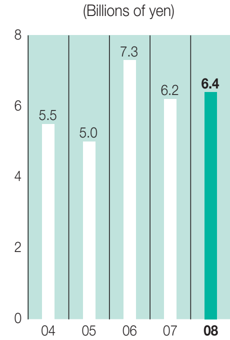
Net Premiums Written
(Billions of yen)



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*

In the year ended March 31, 2008, Nissay Dowa worked tirelessly to improve the quality of its operations. Guided by our slogan, "all efforts targeted at regaining the trust of our customers," we adopted a customer-oriented approach in an effort to enhance the quality of insurance soliciting activities, improve insurance claim payment services, and reassess product and service systems.

During the year, we emphasized efforts to verify the appropriateness of insurance contracts and targeted steady improvements in product and administrative quality. In this context, it was a very difficult year with respect to our business performance. Nevertheless, we earned the confidence of customers by meeting their demands at an advanced level. We also strengthened the competitiveness of our services, with a strong emphasis on quality. Therefore, we believe we are now on a path toward growth.

Fiscal 2008 is the final year of our medium-term management plan, which began in April 2006. As we approach the end of the plan's period, we will continue working to improve operational quality by adhering to the aforementioned slogan. Through these efforts, we will harness our groupwide resources in our quest to remain "the true company of choice for our customers."

Business Performance

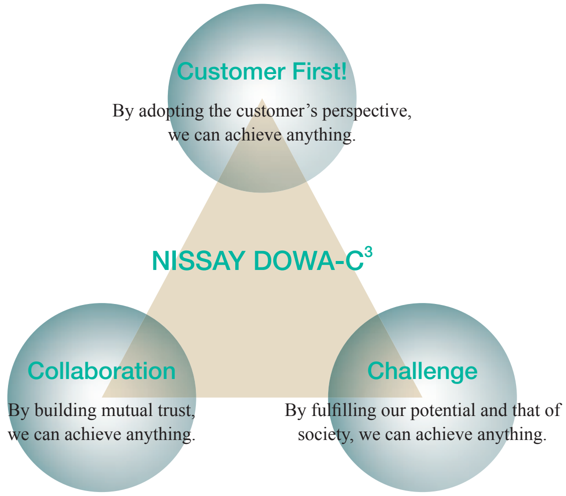
In fiscal 2007, the Japanese economy slowed down in the face of various uncertainties. These included an economic down turn in the United States due to the subprime loan crisis, volatile share and foreign exchange markets, soaring prices of raw materials, and weakness in both personal consumption and private sector capital expenditures.

In the non-life insurance industry, revenues from premiums declined amid falling unit sales of automobiles and lower housing starts, mirroring the trend of the overall economy.

In response, Nissay Dowa emphasized initiatives that reflect its "Customer First" principle. Under our slogan, "all efforts targeted at regaining the trust of our customers," we placed top priority on "business quality reforms" in a companywide effort to raise the quality of our operations from the customer's perspective across all domains, from initial solicitation to payment of insurance claims.

Seeking to reinforce corporate governance, we set up the Management Quality Improvement Committee in April 2007. Chaired by the president of Nissay Dowa, the Committee undertook a drastic reassessment of our overall operations in the integrated areas of solicitation, administration and claims payment. In these ways, we strove to enhance business quality based on the opinions of people inside and outside the Company.

NISSAY DOWA-C³



Becoming the Insurance Company of Choice

With respect to raising the quality of insurance claim payment services, we strengthened the organization of the Non-Marine Claims Department and significantly increased the number of personnel, thus reinforcing our system for ensuring appropriate insurance claim payments. At the same time, we adopted a more proactive explanatory approach to insurance claim payments, including the issuing of a new document outlining all procedures, from making claims to receiving insurance payments, upon receiving an accident report.

To boost the quality of solicitation activities, we upgraded and reorganized the Agency Administration Department, renaming it the Solicitation Quality Innovation Department, in an effort to reinforce our system for promoting and controlling improvements in solicitation quality. In April 2007, we started examining the content of all contracts, beginning with fire insurance. We also stepped up efforts to strengthen our explanatory approach to customers, including the systematizing training for our insurance agents and uploading training materials onto the web. In these ways, we strove to understand the opinions of customers and confirm the appropriateness of contract details and insurance premiums.

During the year, we worked to strengthen compliance with laws and other regulations. To this end, we established the Legal & Compliance Department, splitting it from the Compliance & Risk Control Department as an independent entity, with the aim of creating a specialized framework for ensuring compliance with laws and other regulations. We also modified our performance and personnel evaluation systems with a stronger emphasis on compliance and worked rigorously in other ways to foster a corporate culture with a strong compliance awareness.

Consistent with our "business quality reform" initiatives and our medium-term management plan, we endeavored to realize Corporate Social Responsibility (CSR)-oriented operations with a view to maximizing corporate value by raising customer satisfaction. We also further strengthened our comprehensive strategic alliance with Nippon Life Insurance Company, in order to reliably deliver "unparalleled comprehensive insurance services."

On the product side, we launched and heavily promoted Tosho Wide, an automobile passenger insurance product featuring speedy payments on a daily basis depending on the part of body and injury sustained. In the fire insurance segment, we modified our services to enable customers to take out specific combinations of coverage, including wind, hail and snow disasters.

We also worked to strengthen customer services. During the year, for example, we augmented our website with easy-to-understand product description tools, including a video explanation of Tosho Wide. Reflecting customer feedback, we provided visual depictions of our fire insurance policies, changed the design of envelopes containing insurance policy documents, and otherwise strove to make our services easier to understand.

During the year, we sought to improve our information systems to raise convenience for customers. For instance, we launched a web-based system enabling customers to take out new group automobile insurance policies or modify existing ones from their PCs, 24 hours a day.

In addition, we pursued a range of social contribution activities. These included donating to the "Nissay Planting and Nurturing Forests for Future Generations" campaign and fund-raising for disaster relief.

In the year under review, insurance underwriting income totaled ¥359.1 billion, and investment income amounted to ¥47.6 billion. Ordinary revenue totaled ¥407.8 billion, up ¥14.5 billion from the previous fiscal year.

Insurance underwriting expenses came to ¥319.0 billion, investment expenses were ¥17.4 billion, and selling, general and administrative expenses totaled ¥57.4 billion. For the year, ordinary expenses increased ¥11.7 billion, to ¥395.4 billion.

Consequently, ordinary profit increased ¥2.8 billion, to ¥12.4 billion. After accounting for extraordinary items and income taxes, net income reached ¥6,450 million, up ¥190 million from the previous year.

Fundamental Policies for FY2008

Capping measures for mid-term management plan	■ Establish a solid status as the nonlife insurance arm of the Nippon Life Group ■ Institute policy checking activities and quality innovations to improve performance and productivity

Growth		■ Strengthen the specialized channel in which the Company has an advantage: Nippon Life sales staff and professional agents — Reconstruct a system of cross selling by Nippon Life sales staff — Further develop a market for small and medium businesses — Promote a collaborative approach with NLI for large companies
Profitability	Loss ratio	■ Decrease claims payments by concluding special factors ■ Ramp up efforts to pay claims fairly
	Business expense ratio	■ Trim expenses without exception and invest in quality
Soundness		■ Transfer amounts for reserves deliberately

Properly deploy and train employees	Strengthen the ability to develop products	Improve clerical operations and infrastructure	Incorporate incentives in the evaluation system

Practice "plan, do, check, act" (PDCA) from the perspective of customers and agents

Fiscal 2008, ending March 31, 2009, is the third and final year of our medium-term management plan, which began in April 2006. As we approach the plan's conclusion, we will fulfill our role as the non-life insurance arm of the Nissay Group by earning the unwavering confidence of customers. We will also strive to ensure that business quality enhancement activities pursued to date, which are aimed at restoring people's trust, are translated into improved financial results and higher productivity.

To this end, we will expand our growth potential by stepping up efforts to deploy our two largest sales channels—Nippon Life sales staff and professional agents—which also represent the Company's key strengths.

In the market for customers for Nippon Life, traditionally the driver of our Company's business, we will reinforce our sales approach. Here, we will work in partnership with Nippon Life to cultivate all relationships, including with individuals, small and medium-sized companies, and large corporations.

In the professional agency channel, we will open new agents to handle our products for the first time, while strengthening and improving the quality of our existing agency network.

With respect to earnings, we will strive to improve the loss ratio for automobile insurance and continue cutting business expenses, in order to achieve a recovery in the net combined ratio.

To maintain sound operations, we will make various provisions as originally planned, including the establishment of catastrophe loss reserves.

Key Performance Targets

			Fiscal Mar. '07		Fiscal Mar. '08		Fiscal Mar. '09 (est.)	
				change		change		change
Sales	Net premiums written	Billions of yen, %	326.3	1.4	318.2	(2.5)	319.0	0.2
Improve business efficiency	Net business expense ratio	%, p	32.3	(0.2)	33.5	1.2	34.5	1.0
	Net loss ratio	%, p	62.0	2.3	66.4	4.4	63.8	(2.6)
	Automobile loss ratio	%, p	69.2	2.8	74.9	5.7	68.9	(6.0)
	Net combined ratio	%, p	94.3	2.1	100.0	5.7	98.4	(1.6)
	Underwriting balance ratio	%, p	5.7	(2.1)	0.0	(5.7)	1.6	1.6
Enhance business soundness	Catastrophe loss reserves	Billions of yen, %	110.1	1.4	111.9	1.7	122.2	10.3
	Fire disaster	Billions of yen, %	43.5	5.0	51.0	7.5	58.5	7.5
	Solvency margin ratio	%, p	1,152.8	(2.4)	1,052.1		Approx. 1,100	
Earnings, capital	Net income	Billions of yen, %	6.2	(1.0)	6.4	0.1	7.0	0.5
	ROE (revised)	%, p	3.9	(0.7)	3.9	0.0	4.2	0.3
	Payout ratio	%	48.6		47.1		Over 40.0	

For the year ending March 2009, we forecast net premiums written of ¥319.0 billion, ordinary profit of ¥12.0 billion and net income of ¥7.0 billion.

We ask for the ongoing support of our shareholders and other stakeholders as we tackle the challenges ahead.

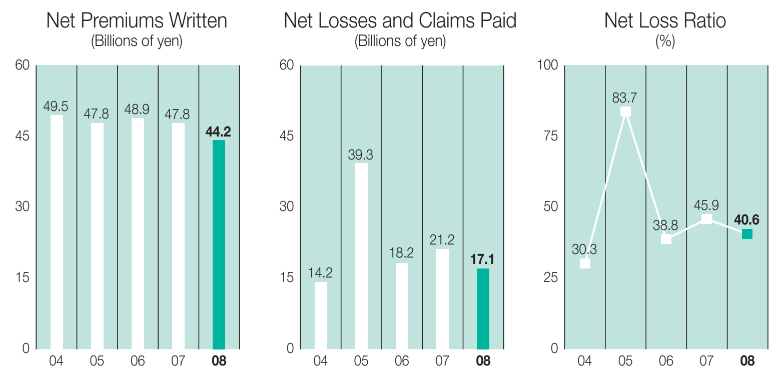
August 22, 2008

Ichiro Tateyama

Ichiro Tateyama, President

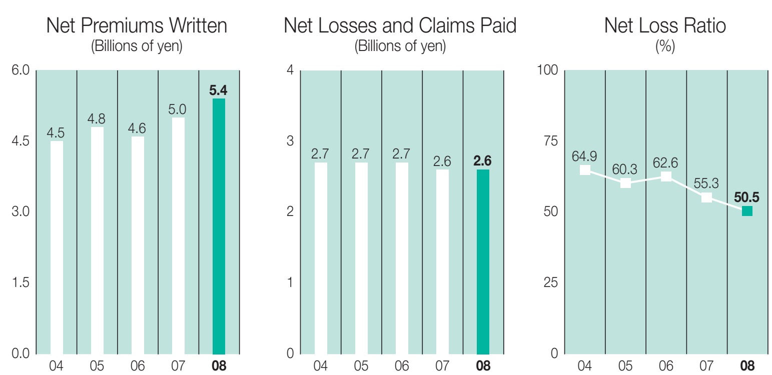
Review of Operations

Fire Insurance



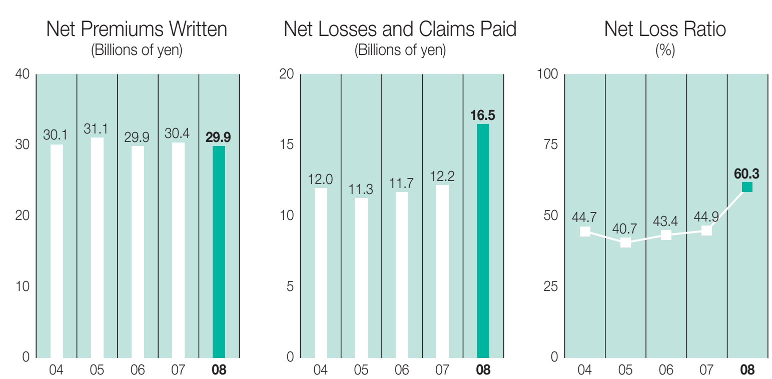
Net premiums for fire insurance declined 7.5% from the previous year, due to lower revenues from long-term policies. The net loss ratio for fire insurance fell 5.3 percentage points, to 40.6%, owing to a decrease in insurance claim payments stemming from typhoons and other natural disasters.

Marine Insurance



Net premiums written for marine insurance rose 9.5%, due to increases in both vessel insurance and freight insurance. The net loss ratio for marine insurance fell 4.9 percentage points, to 50.5%.

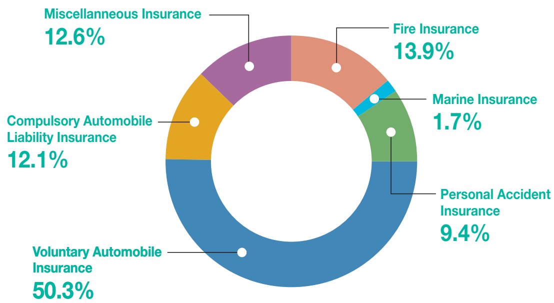
Personal Accident Insurance



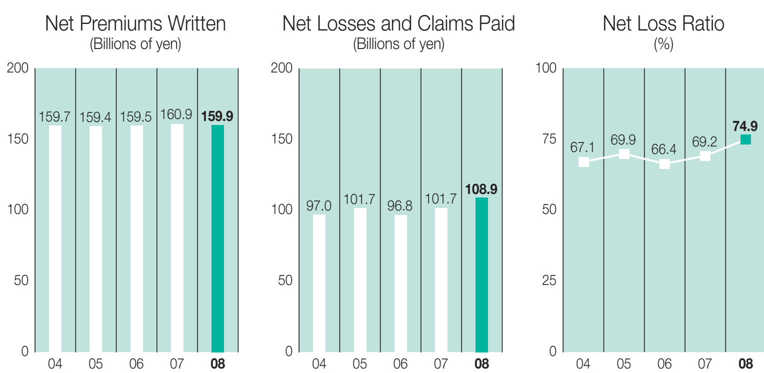
In our personal accident insurance business, net premiums written were down 1.7% from the previous year. The net loss ratio rose 15.4 percentage points, to 60.3%, due to additional insurance claim payments and an increase in claim payments stemming from a rise in the number of major accidents.

Breakdown of Net Premiums Written

Total ¥318.2 billion

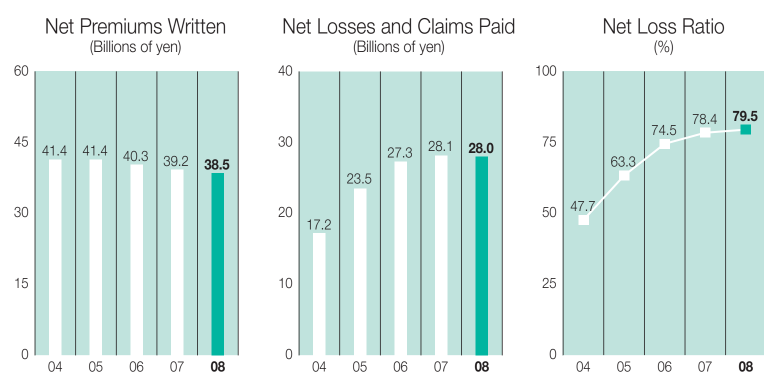


Voluntary Automobile Insurance



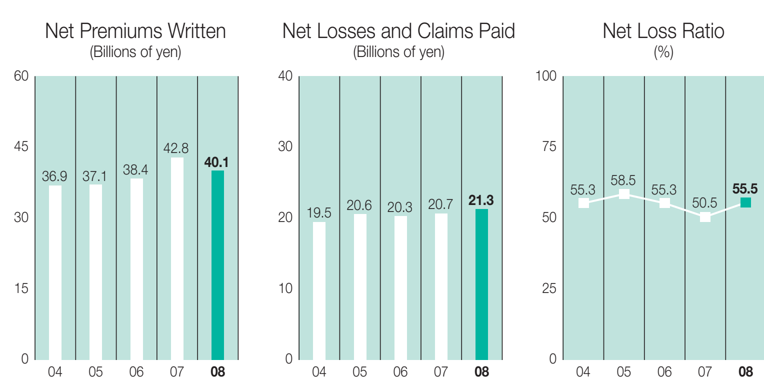
In the area of voluntary automobile insurance, net premiums written edged down 0.7%. The net loss ratio rose 5.7 percentage points, to 74.9%, due largely to additional payments of expense claims.

Compulsory Automobile Liability Insurance



Net premiums written for compulsory automobile liability insurance decreased 1.6%. The net loss ratio rose 1.1 percentage points, to 79.5%.

Miscellaneous Insurance



Nissay Dowa's products in the miscellaneous insurance category include general liability, aviation, movables comprehensive, workers' accident compensation and transit insurance. Despite efforts to cultivate demand for each of these products, net premiums written for this category slipped 6.4%. The net loss ratio increased 5.0 percentage points, to 55.5%.

Corporate Governance

Basic Policy

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.

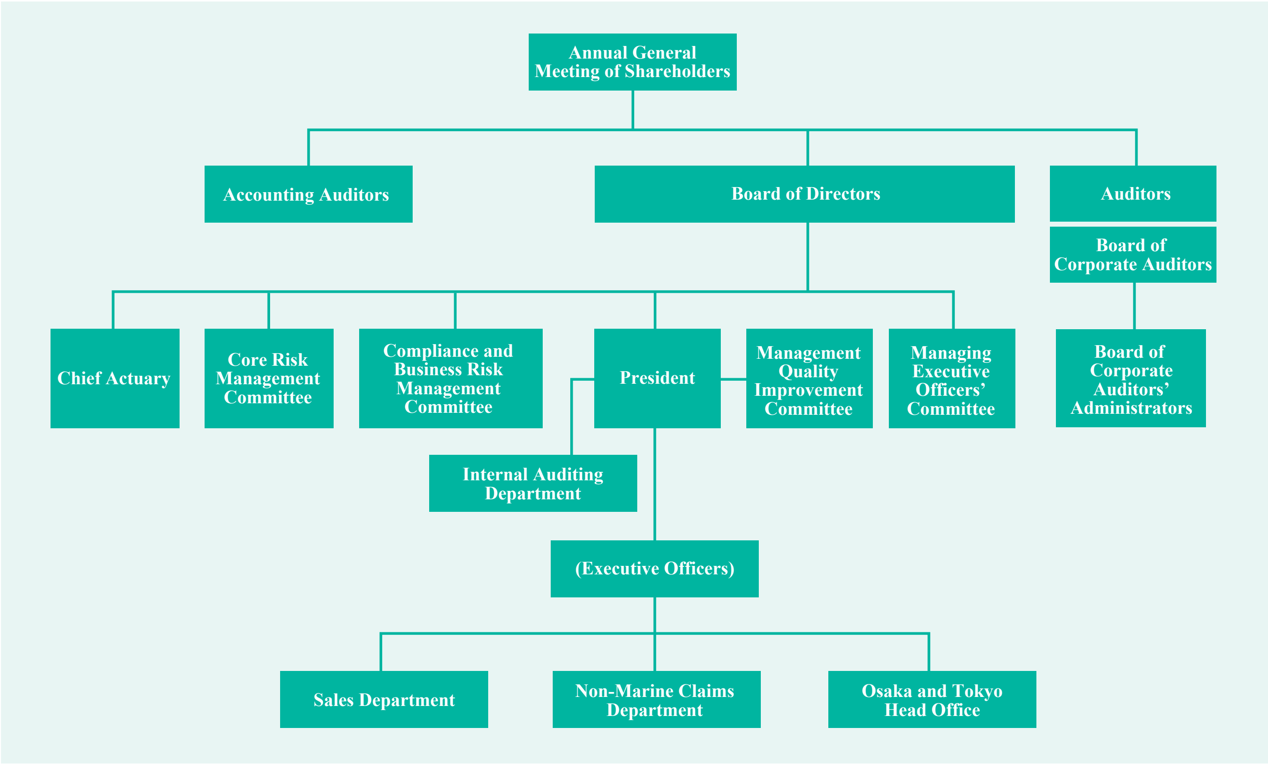
Corporate Governance System

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 Managing Executive Officers' Committee, as well as other important internal gatherings to improve management oversight.

In the previous fiscal year, the Company 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 will 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 to 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 other legal regulations.

(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 damage services, 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 damage services 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, 2008, there were 28 employees involved in internal audits, an increase of 11 over the past two years.

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.

Compliance Policy

We adopted a new compliance policy to coincide with the start of our new medium-term management plan, which began in April 2006. Through this step, we have confirmed the need for compliance in every kind of business activity.

Nissay Dowa Compliance Policy

Preparing for the next phase of our development

In April 2006—five years after beginning operations—Nissay Dowa launched its new medium-term management plan, outlining its goal of maximizing corporate value by enhancing stakeholder satisfaction. The implementation of the new plan will require a firm set of corporate ethics and strict compliance, both of which are fundamental to Nissay Group operations.

The Company's business environment is continuously changing, due to dramatic advances in information technology, increasing globalization and a growing trend toward liberalization and deregulation. Such changes have created a greater need for corporate ethics and compliance. As a pioneering and constantly evolving company, we will endeavor to build stronger bonds of trust with investors, customers, agents and other stakeholders.

Our compliance policy is to promote sufficient awareness of such issues among all managers and employees; pursue our social mission as an insurance company that maintains high ethical standards; and prioritize compliance in all business activities.

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 & 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 attached to the Legal & Compliance Department to monitor the status of compliance-related initiatives in each branch.

Pocket Compliance Guide card

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.

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 jurisdiction 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.

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.

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.

Massive Risk

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

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.

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.

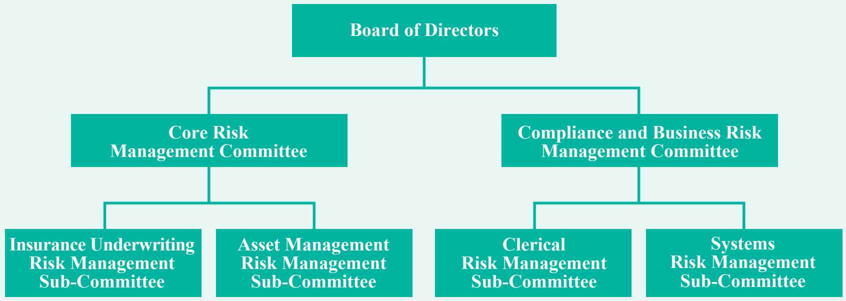
Market Risk

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 to quantify and manage portfolio risks and prevent excessive risk exposure.

*VaR: Method of measuring the maximum possible loss of an investment portfolio over a certain time period, based on certain assumptions.

Risk Management System



JQA–IM0414
Nishinomiya Information Processing Center
Host accounts system

ISO/IEC 27001 certification

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 companywide, 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. The Company rigorously monitors credit for each transaction and conducts strict self-assessments to maintain asset health.

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 ample 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.

The Company has obtained ISO/IEC 27001:2005* accreditation for part of the services of its main center, in an effort to maintain and improve information security.

*ISO/IEC 27001:2005 is an information security management system (ISMS) standard recognized by the International Organization for Standardization. Its domestic version is JISQ 27001:2006.

*An ISMS is a management system based on an organized approach to establishing, implementing, operating, monitoring, reviewing, maintaining and improving information security (ensuring the confidentiality, integrity and availability of information and information systems).

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.

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 system for students, including overseas exchange 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 other aspects of medical welfare and healthcare management.

Under this scholarship system, we award scholarships to students recommended by the university up to their graduation. We have already awarded a total of ¥20 million in scholarships for the year ending March 2009.

Since the system was established in 1997, a total of 69 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 fund-raising 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, 2008, we made donations to help people in Ishikawa Prefecture (Noto Peninsula Earthquake), Kumamoto Prefecture (damage caused by heavy rain), Akita Prefecture (2007 Niigata Chuetsu Earthquake), and Toyama Prefecture (damage caused by a low-pressure system).

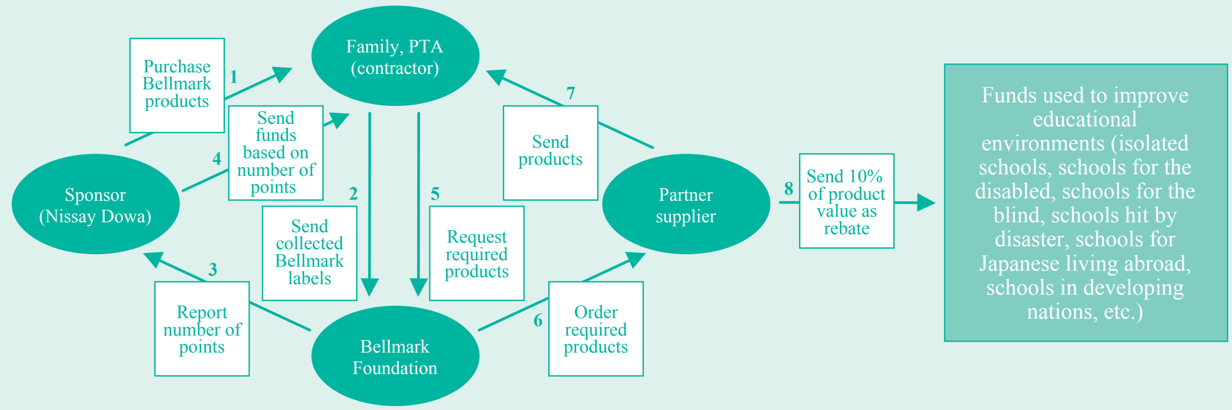
The Phoenix Hall

Ceremony to announce the awarding of Nissay Dowa scholarships to students of the International University of Health and Welfare

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) to corporations and organizations with management systems that minimize environmental impact or help improve 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


Akinao Tokuda


Takashi Matsukubo


Shigeo Kotani


Masanori Yoneda


Hiroshi Sakamoto


Nobuharu Ogata


Yoshihiro Omura


Toshihiko Tanaka

Board of Directors

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

Standing Corporate Auditors

Yasusuke Miyazaki
Hirotaka Masamori

Corporate Auditors

Hideo Yamada*
Hiroyuki Tezuka*
Takeshi Furuichi*

Corporate Officers

Chairman
Shuichiro Sudo

President
Ichiro Tateyama

Executive Vice President
Masahiro Yamada

Senior Managing Executive Officers
Akinao Tokuda
Takashi Matsukubo

Managing Executive Officers
Shigeo Kotani
Masanori Yoneda
Hiroshi Sakamoto
Nobuharu Ogata
Yoshihiro Omura
Toshihiko Tanaka

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

*External

Financial Section

Contents

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

Nonconsolidated Performance

Insurance Underwriting

In fiscal 2007, ended March 31, 2008, net premiums written amounted to ¥318.2 billion, down 2.5% from the previous fiscal year. However, net losses and claims increased 4.2%, to ¥194.7 billion. As a result, the net loss ratio grew 4.5 percentage points, to 66.4%.

Underwriting-related operating and general expenses increased 6.6%, to ¥53.4 billion, as the Company made active investments to raise the quality of its operations. This was despite ongoing efforts to streamline overall operations and enhance spending efficiency. The net business expense ratio rose 1.2 percentage points, to 33.5%.

The underwriting loss was ¥13.1 billion, up ¥3.7 billion from the previous fiscal year. This was the result of the above factors, and of increases in accumulated premiums of savings-type insurance and reversal of underwriting reserves, as well as reductions in net maturity funds and provision for reserves for reported and estimated losses and claims.

Asset Management

At fiscal year-end, total assets amounted to ¥1,214.1 billion, down 11.0% from a year earlier. Total investments declined 12.8%, to ¥1,123.4 billion.

To ensure asset liquidity and stable profits, we maintained our investments mainly in domestic and overseas bonds. We also sought to boost earnings through flexible diversification of investments, including foreign bonds in various currencies and adjustment of foreign exchange hedge ratios.

As a result, interest and dividends received rose ¥3.8 billion, to ¥28.5 billion.

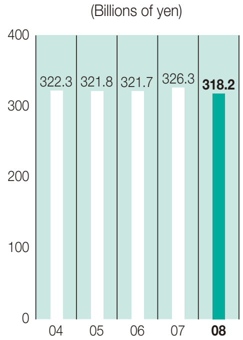
Owing to an increase in capital gains from sales of domestic and overseas bonds, investment income grew ¥17.2 billion, to ¥47.6 billion, while investment expenses rose ¥9.8 billion, to ¥17.4 billion.

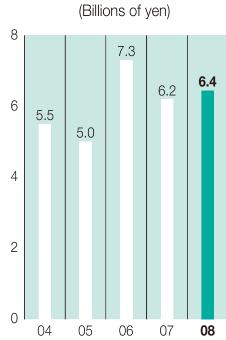
Income

Ordinary income increased ¥14.5 billion, to ¥407.8 billion, reflecting insurance underwriting income of ¥359.1 billion, investment income of ¥47.6 billion, and other ordinary revenue of ¥1.0 billion.

Ordinary expenses rose ¥11.7 billion, to ¥395.4 billion. This reflected insurance underwriting expenses of ¥319.0 billion, investment expenses of ¥17.4 billion, other operating and general administrative expenses of ¥57.4 billion, and other ordinary expenses of ¥1.4 billion.

As a result, ordinary profit climbed ¥2.8 billion, to ¥12.4 billion. After extraordinary items and income taxes, net income totaled ¥6,450 million, up ¥190 million.





Financial Position

Assets, Liabilities and Net Assets

As of March 31, 2008, total assets stood at ¥1,214.1 billion, down ¥150.4 billion from a year earlier.

Net assets declined ¥95.2 billion, to ¥273.3 billion, due mainly to a decrease in unrealized gains on available-for-sale securities.

As a consequence, the equity ratio was 22.5%, and net assets per share totaled ¥719.51.

Solvency Margin Ratio

The total solvency margin declined ¥123.6 billion, to ¥509.1 billion, reflecting a decrease in unrealized gains on securities.

The total amount of risk fell ¥12.9 billion, to ¥96.7 billion.

As a result, the solvency margin ratio was down 100.7 percentage points, to 1,052.1%.

Analysis of Sources of Capital and Capital Liquidity

Cash Flows

Net cash used in operating activities amounted to ¥10.0 billion, compared with ¥2.3 billion in net cash provided by operating activities in the previous year. This was due to an increase in net losses and claims.

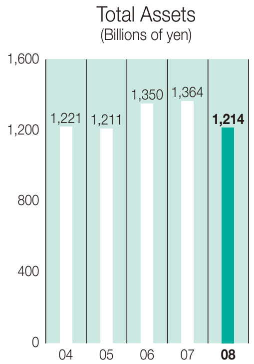
Net cash provided by investing activities totaled ¥11.4 billion, up ¥10.6 billion from the previous year, mostly due to an increase in proceeds from sales or maturity of securities.

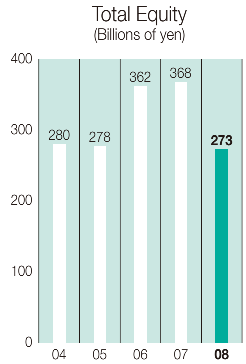
Net cash used in financing activities was ¥3.0 billion, down ¥195 million, mainly reflecting a decline in cash dividends paid.

Consequently, cash and cash equivalents at end of year stood at ¥78.7 billion, down ¥2.8 billion from a year earlier.

Capital Liquidity

By maintaining a certain level of cash and cash equivalents, the Company secures sufficient liquidity for claim payments and other expenses. This enables us to allocate funds for investment in securities to ensure financial stability, profitability and liquidity.





Nonconsolidated Balance Sheets

Nissay Dowa General Insurance Co., Ltd.
As of March 31, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2008	2008
ASSETS			
Cash in banks and time deposits (Note 3)	¥ 30,849	¥ 37,072	$ 370,022
Call loans (Note 3)	51,400	42,700	426,190
Monetary receivables bought	50	955	9,537
Securities (Note 4)	1,099,860	944,694	9,429,027
Loans (Note 5)	51,308	45,835	457,489
Property and equipment, net of accumulated depreciation (Notes 6 and 7)	58,641	56,581	564,746
Intangible fixed assets	241	238	2,384
Other assets			
Premiums receivable and agents' balances	17,677	16,533	165,022
Funds held by or deposited with ceding insurers	3,733	3,330	33,237
Reinsurance receivable on paid losses	11,190	11,530	115,085
Other insurance accounts receivable	1,681	1,608	16,051
Accrued investment income	3,972	4,574	45,659
Deposits	3,913	3,829	38,220
Fund deposited for earthquake insurance	17,168	18,147	181,127
Suspense payments	9,768	9,795	97,771
Receivables	3,513	3,310	33,045
Derivative products	98	5,757	57,468
Others	503	243	2,425
Total other assets	73,220	78,660	785,114
Deferred tax assets (Note 12)	—	8,389	83,736
Allowance for doubtful accounts	(1,000)	(1,017)	(10,156)
Total assets	¥1,364,571	¥1,214,111	$12,118,091

See accompanying Notes to Nonconsolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	**2008**	**2008**
LIABILITIES AND EQUITY			
LIABILITIES			
Underwriting fund			
Reserves for reported and estimated losses and claims (Note 8)	¥ 116,928	**¥ 123,930**	**$ 1,236,955**
Underwriting reserves (Note 9)	787,400	**775,563**	**7,740,926**
Total underwriting fund	904,329	**899,494**	**8,977,882**
Liability for retirement benefits (Note 10)	7,144	**2,724**	**27,190**
Reserve for fluctuation in value of investment	6,384	**7,050**	**70,375**
Other liabilities			
Reinsurance premiums payable	11,060	**9,869**	**98,505**
Other insurance accounts payable	1,323	**460**	**4,595**
Accrued expenses	1,085	**545**	**5,445**
Income taxes payable	820	**5,213**	**52,031**
Accounts payable	4,794	**6,335**	**63,233**
Suspense receipts	6,238	**7,134**	**71,207**
Derivative products	2,683	**1,013**	**10,112**
Others	1,509	**963**	**9,612**
Total other liabilities	29,515	**31,534**	**314,743**
Deferred tax liabilities (Note 12)	48,640	**—**	**—**
Total liabilities	996,014	**940,803**	**9,390,192**
EQUITY (Note 11)			
Common stock;			
authorized 700,000,000 shares;			
issued, 400,055,814 shares in 2007 and 390,055,814 shares in 2008	47,328	**47,328**	**472,390**
Capital surplus:			
Additional paid-in capital	40,303	**40,303**	**402,270**
Other capital surplus	2	**—**	**—**
Retained earnings:			
Legal reserve	7,492	**7,492**	**74,787**
Retained earnings—unappropriated	77,325	**76,065**	**759,212**
Unrealized gain on available-for-sale securities	205,521	**106,888**	**1,066,860**
Treasury stock—at cost:			
20,165,068 shares in 2007 and 10,205,072 shares in 2008	(9,418)	**(4,771)**	**(47,622)**
Total equity	368,556	**273,308**	**2,727,899**
Total liabilities and equity	¥1,364,571	**¥1,214,111**	**$12,118,091**

Nonconsolidated Statements of Income

Nissay Dowa General Insurance Co., Ltd.
For the years ended March 31, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2008	2008
Operating income			
Net premiums written	¥326,341	**¥318,249**	**$3,176,454**
Accumulated premiums of savings-type insurance, net of maturity refund	(27,741)	**(26,859)**	**(268,089)**
Reversal of underwriting reserves	2,881	**11,837**	**118,149**
Interest and dividends received	24,717	**28,577**	**285,228**
Net gain on securities	11,632	**17,338**	**173,056**
Other income	1,436	**1,100**	**10,988**
Total operating income	339,267	**350,243**	**3,495,788**
Operating costs and expenses			
Net losses and claims paid	186,779	**194,708**	**1,943,388**
Loss adjustment expenses	15,449	**16,764**	**167,330**
Net commissions and brokerage	55,341	**53,233**	**531,325**
Operating and general administrative expenses	54,427	**57,493**	**573,849**
Provision for reserves for reported and estimated losses and claims	12,676	**7,002**	**69,889**
Net derivative financial instruments losses	2,224	**4,679**	**46,702**
Net loss on sales and disposal of property and equipment	99	**931**	**9,293**
Net loss on trading securities	312	**—**	**—**
Loss on impairment of long-lived assets (Note 7)	—	**122**	**1,217**
Foreign currency exchange loss	1,789	**1,764**	**17,612**
Other expenses	1,250	**2,811**	**28,066**
Total operating costs and expenses	330,351	**339,511**	**3,388,676**
Income before income taxes	8,916	**10,731**	**107,112**
Income taxes (Note 12)			
Current	2,000	**5,468**	**54,578**
Deferred	656	**(1,186)**	**(11,847)**
Total income taxes	2,657	**4,281**	**42,731**
Net income	¥ 6,259	**¥ 6,450**	**$ 64,380**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Note 2 (16))			
Net income	¥16.47	**¥16.98**	**$0.169**
Cash dividends applicable to the year	8.00	**8.00**	**0.079**

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, 2007 and 2008

	Thousands	Millions of yen							
			Capital surplus		Retained earnings				
	Outstanding number of shares 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, 2006	379,938	¥47,328	¥40,303	¥1	¥7,492	¥74,295	¥202,826	¥(9,382)	¥362,866
Net income	—	—	—	—	—	6,259	—	—	6,259
Cash dividends, ¥8.00 per share	—	—	—	—	—	(3,229)	—	—	(3,229)
Net increase in unrealized gain on available-for-sale securities	—	—	—	—	—	—	2,695	—	2,695
Purchase of treasury stock	(52)	—	—	—	—	—	—	(38)	(38)
Disposal of treasury stock	4	—	—	1	—	—	—	2	3
Balance, March 31, 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 increase 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, March 31, 2008	379,850	¥47,328	¥40,303	¥—	¥7,492	¥76,065	¥106,888	¥(4,771)	¥273,308

	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, 2007	$472,390	$402,270	$28	$74,787	$771,791	$2,051,318	$(94,006)	$3,678,579
Net income	—	—	—	—	64,380	—	—	64,380
Cash dividends, $0.07 per share	—	—	—	—	(30,333)	—	—	(30,333)
Net increase in unrealized gain on available-for-sale securities	—	—	—	—	—	(984,457)	—	(984,457)
Purchase of treasury stock	—	—	—	—	—	—	(314)	(314)
Disposal of treasury stock	—	—	11	—	—	—	33	45
Retirement of treasury stock	—	—	(39)	—	(46,625)	—	46,665	—
Balance, March 31, 2008	$472,390	$402,270	$—	$74,787	$759,212	$1,066,860	$(47,622)	$2,727,899

See accompanying Notes to Nonconsolidated Financial Statements.

Nonconsolidated Statements of Cash Flows

Nissay Dowa General Insurance Co., Ltd.
For the years ended March 31, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	**2008**	**2008**
Cash flows from operating activities			
Income before income taxes	¥ 8,916	**¥ 10,731**	**$ 107,112**
Adjustments to reconcile income before income taxes to net cash			
Payment of income taxes	(4,420)	**(365)**	**(3,645)**
Depreciation	3,347	**3,548**	**35,416**
Loss on impairment of long-lived assets	—	**122**	**1,217**
Increase in reserves for reported and estimated losses and claims	12,676	**7,002**	**69,889**
Decrease in underwriting reserves	(2,881)	**(11,837)**	**(118,149)**
(Reversal of) provision for allowance for doubtful accounts	(348)	**15**	**156**
Decrease in liability for retirement benefits	(3,771)	**(4,420)**	**(44,122)**
Decrease in accrued expenses	(10)	**(539)**	**(5,386)**
Provision for reserve for fluctuation in value of investment	631	**666**	**6,655**
Net realized gain on investments in securities	(11,217)	**(17,338)**	**(173,056)**
Net realized loss on sales and disposals of property and equipment	99	**966**	**9,644**
Foreign currency exchange loss	1,875	**1,647**	**16,440**
Net decrease in other assets	162	**169**	**1,695**
Net decrease in other liabilities	(215)	**(195)**	**(1,951)**
Others, net	(2,526)	**(261)**	**(2,614)**
Net cash provided by (used in) operating activities	2,317	**(10,088)**	**(100,697)**
Cash flows from investing activities			
Increase in short-term investments, net	(576)	**(1,305)**	**(13,026)**
Purchases of investment securities	(232,307)	**(406,427)**	**(4,056,562)**
Proceeds from sales or maturity of securities	221,712	**416,308**	**4,155,193**
Loans made	(6,646)	**(2,975)**	**(29,701)**
Collection of loans	20,852	**8,448**	**84,326**
Purchases of property and equipment	(2,551)	**(2,696)**	**(26,916)**
Proceeds from sales and disposals of property and equipment	320	**122**	**1,221**
Others, net	(0)	**(0)**	**(0)**
Net cash provided by investing activities	803	**11,475**	**114,533**
Cash flows from financing activities			
Purchases of treasury stock, net	(34)	**(27)**	**(269)**
Cash dividends paid	(3,229)	**(3,039)**	**(30,333)**
Others, net	(1)	**(4)**	**(43)**
Net cash used in financing activities	(3,265)	**(3,070)**	**(30,646)**
Foreign currency translation adjustments on cash and cash equivalents	(1,574)	**(1,184)**	**(11,821)**
Net decrease in cash and cash equivalents	(1,718)	**(2,868)**	**(28,632)**
Cash and cash equivalents at beginning of year	83,329	**81,611**	**814,563**
Cash and cash equivalents at end of year (Note 3)	¥ 81,611	**¥ 78,742**	**$ 785,931**

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 Corporate Law of Japan, 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 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 ¥100.19 = U.S.$1, the prevailing rate as of March 31, 2008.

The inclusion of such U.S. dollar amounts is solely for the convenience of the reader and is not intended to imply that 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 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 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 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 bases 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 depreciation 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 periodical 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 under-writing 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.

Retirement benefits to directors and corporate auditors were provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

Effective June 27, 2007, the Company terminated its unfunded retirement benefits to directors and corporate auditors. Consequently, the outstanding balance of retirement benefits to directors and corporate auditors as of March 31, 2008, amounting to ¥1,114 million ($11,127 thousand) in liability for retirement benefits was transferred to accounts payable.

(11) Reserve for Fluctuation in Value of Investment

This reserve covers losses from fluctuations in the Company’s investment securities holdings. It represents a certain percentage of assets and is prepared to offset unexpected investment assets transaction losses.

(12) Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006.

The balance of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the nonconsolidated statements of changes in equity.

(13) Leases

Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements. All other leases are accounted for as operating leases.

(14) 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 included in the statements of income for respective periods to the extent that they are not hedged by forward exchange contracts.

(15) Derivatives and Hedge Accounting

The Companies use a variety of derivative financial instruments, including foreign currency forward contracts, currency options, interest rate swaps, and stock index futures as a means of hedging exposure to foreign exchange, interest rates and reducing market risks associated with some securities. The Company also enters into agreements for certain derivative financial instruments as a part of their trading activities, not for speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives, except those which quality for hedge accounting, are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures certain deposit in holding. Deposits denominated in foreign currencies are translated at the contracted rate if the forward contracts qualify for hedge accounting.

Foreign currency forward contracts utilized to hedge foreign currency exposures in holding of certain available-for-sale securities as well as hedged available-for-sale securities are measured at fair value. Net unrealized gains or losses are recognized in net derivative financial instruments gains or losses.

Interest rate swaps are utilized to hedge interest rate exposures of loans. These swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets. This type of contract finished in 2007 and no gains or losses were deferred as of March 31, 2007 and 2008.

(16) 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, 2007 and 2008.

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

(17) New Accounting Pronouncements

Lease Accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease 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 existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are 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 shall be capitalized recognizing lease assets and lease obligations in the balance sheets.

Asset Retirement Obligations

On March 31, 2008, the ASBJ published a new 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 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, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Items on the nonconsolidated balance sheets:			
Cash in banks and time deposits	¥30,849	**¥37,072**	**$370,022**
Call loans	51,400	**42,700**	**426,190**
Less:			
Time deposits with maturities over three months	(638)	**(1,030)**	**(10,280)**
Cash and cash equivalents	¥81,611	**¥78,742**	**$785,931**

4. Securities

Securities as of March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Government and municipal bonds	¥ 182,603	**¥142,008**	**$1,417,391**
Domestic corporate bonds	142,525	**154,195**	**1,539,032**
Domestic equity securities	509,226	**377,894**	**3,771,775**
Foreign securities	247,120	**253,705**	**2,532,246**
Others	18,384	**16,890**	**168,581**
Total	¥1,099,860	**¥944,694**	**$9,429,027**

Securities loaned for which the borrowers have a right to sell or pledge of ¥1,431 million and ¥1,420 million ($14,173 thousand) as of March 31, 2007 and 2008, respectively, were included in "Government and municipal bonds."

The carrying amounts and aggregate fair values of securities at March 31, 2007 and 2008 were as follows:

	Millions of yen			
March 31, 2007	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Domestic bonds	¥326,264	¥ 978	¥2,370	¥ 324,872
Domestic equity securities	195,845	308,263	442	503,666
Foreign securities	224,147	12,712	710	236,149
Others	14,801	3,682	101	18,382
Total	¥761,058	¥325,636	¥3,624	¥1,083,071

	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**

March 31, 2008	Thousands of U.S. dollars Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Domestic bonds	**$2,908,644**	**$ 51,544**	**$ 4,990**	**$2,955,198**
Domestic equity securities	**2,056,299**	**1,659,880**	**12,290**	**3,703,889**
Foreign securities	**2,444,801**	**44,035**	**65,663**	**2,423,173**
Others	**178,039**	**15,595**	**16,032**	**177,602**
Total	**$7,587,785**	**$1,771,056**	**$98,976**	**$9,259,865**

Other available-for-sale securities as of March 31, 2007 and 2008 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.

An impairment loss on available-for-sale securities amounted to ¥706 million ($7,049 thousand) at March 31, 2008.

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, 2007 and 2008 were as follows:

	Carrying amounts: Millions of yen 2007	Millions of yen **2008**	Thousands of U.S. dollars **2008**
Available-for-sale:			
Domestic equity securities	¥ 5,317	**¥ 6,408**	**$63,964**
Foreign securities	7,899	**7,856**	**78,415**
Others	51	**51**	**515**
Held-to-maturity:			
Domestic bonds	256	**122**	**1,225**
Investment securities in subsidiaries and associated companies:			
Stocks	242	**392**	**3,921**
Foreign securities	3,071	**3,071**	**30,657**
Total	¥16,839	**¥17,903**	**$178,699**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2008 were ¥178,755 million and ¥395,054 million ($3,943,056 thousand), respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥14,806 million and ¥2,678 million respectively for the year ended March 31, 2007 and ¥28,114 ($280,608 thousand) and ¥9,982 million ($99,636 thousand) respectively for the year ended March 31, 2008.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2008 were as follows:

	Millions of yen Domestic bonds	Foreign securities	Others	Total
Due in one year or less	**¥ 10,277**	**¥ 9,420**	**¥ 98**	**¥ 19,796**
Due after one year through five years	**121,036**	**205,775**	**2,592**	**329,404**
Due after five years through ten years	**128,674**	**25,745**	**2,737**	**157,157**
Due after ten years	**36,216**	**1,836**	**—**	**38,052**
Total	**¥296,204**	**¥242,777**	**¥5,428**	**¥544,410**

	Thousands of U.S. dollars			
	Domestic bonds	Foreign securities	Others	Total
Due in one year or less	**$ 102,576**	**$ 94,027**	**$ 984**	**$ 197,588**
Due after one year through five years	**1,208,069**	**2,053,855**	**25,874**	**3,287,798**
Due after five years through ten years	**1,284,305**	**256,964**	**27,326**	**1,568,597**
Due after ten years	**361,473**	**18,326**	**—**	**379,800**
Total	**$2,956,424**	**$2,432,173**	**$54,185**	**$5,433,783**

The carrying amounts of securities pledged as collateral amounted to ¥3,933 million and ¥3,951 million ($39,443 thousand) as of March 31, 2007 and 2008, respectively.

5. Loans

Loans as of March 31, 2007 and 2008 included the following:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Defaulted loans	¥ 33	**¥ —**	**$ —**
Delinquent loans	241	**277**	**2,771**
Past due loans (over three months)	—	**—**	**—**
Loans under mitigating conditions	—	**—**	**—**
Total	¥274	**¥277**	**$2,771**

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, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Land	¥ 24,705	**¥ 24,855**	**$ 248,088**
Buildings	77,120	**75,614**	**754,709**
Others	14,618	**15,605**	**155,761**
Construction in progress	0	**0**	**7**
Total	¥116,445	**¥116,076**	**$1,158,567**
Less accumulated depreciation	¥ 57,803	**¥ 59,494**	**$ 593,820**
Property and equipment, net of accumulated depreciation	¥ 58,641	**¥ 56,581**	**$ 564,746**

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 ¥5,293 million and ¥5,282 million ($52,727 thousand) for the years ended March 31, 2007 and 2008, respectively.

7. Impairment of Long-Lived Assets

The Company reviewed its long-lived assets for impairment as of March 31, 2008 and, as a result, recognized an impairment loss of ¥122 million ($1,217 thousand) for certain rent and idle land.

The carrying amount of that rent and idle land was written down to the recoverable amount for the year ended March 31, 2008. The recoverable amount of that rent and idle land was measured at its net selling price determined by using an appraised value based on real estate appraisal standards. No impairment loss was recognized in 2007.

8. Reserves for Reported and Estimated Losses and Claims

Reserves for reported and estimated losses and claims as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Reserves for reported and estimated losses and claims (except for (b) below)	¥122,399	**¥126,739**	**$1,264,988**
Less: Reserves for reported and estimated losses and claims of reinsurance	15,733	**12,948**	**129,241**
(a) Net of reserves for reported and estimated losses and claims	106,666	**113,790**	**1,135,747**
(b) Reserves for reported and estimated losses and claims of earthquake insurance and compulsory automobile liability insurance	10,261	**10,140**	**101,208**
Total (a) + (b)	¥116,928	**¥123,930**	**$1,236,955**

Provision for reserves for reported and estimated losses and claims for the year ended March 31, 2008 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)	**¥ 4,339**	**$ 43,314**
Less: Provision for reserves for reported and estimated losses and claims of reinsurance	**(2,784)**	**(27,790)**
(a) Net of provision for reserves for reported and estimated losses and claims	**7,123**	**71,104**
(b) Provision for reserves for reported and estimated losses and claims of earthquake insurance and compulsory automobile liability insurance	**(121)**	**(1,215)**
Total (a) + (b)	**¥ 7,002**	**$ 69,889**

9. Underwriting Reserves

Underwriting reserves as of March 31, 2007 and 2008 were as follows:

	Millions of yen
	2007
Underwriting reserves for specific insurance contracts	¥267,251
Less: Underwriting reserves for specific insurance contracts of reinsurance	16,311
(a) Net of underwriting reserves for specific insurance contracts	250,940
(b) Other underwriting reserves	536,460
Total (a) + (b)	¥787,400

	Millions of yen	Thousands of U.S. dollars
	2008	2008
Underwriting reserves for specific insurance contracts	¥270,210	$2,696,977
Less: Underwriting reserves for specific insurance contracts of reinsurance	17,429	173,969
(a) Net of underwriting reserves for specific insurance contracts	252,780	2,523,007
Reserve for future refunds	306,920	3,063,388
Less: Reserve for future refunds of reinsurance	3	39
(b) Net of reserve for future refunds	306,916	3,063,348
(c) Other underwriting reserves	215,866	2,154,569
Total (a)+(b)+(c)	¥775,563	$7,740,926

Provision for (reversal of) underwriting reserves for specific insurance contracts for the year ended March 31, 2008 was as follows:

	Millions of yen	Thousands of U.S. dollars
Provision for underwriting reserves for specific insurance contracts	¥ 2,958	$ 29,530
Less: Provision for underwriting reserves for specific insurance contracts of reinsurance	1,118	11,163
(a) Net of provision for underwriting reserves for specific insurance contracts	1,840	18,366
Reversal of reserve for future refunds	(20,332)	(202,936)
Less: Reversal of reserve for future refunds of reinsurance	3	39
(b) Net of reversal of reserve for future refunds	(20,336)	(202,976)
(c) Other underwriting reserves	6,658	66,460
Total (a)+(b)+(c)	¥(11,837)	$(118,149)

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, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Projected benefit obligation	¥(51,662)	¥(51,672)	$(515,741)
Fair value of plan assets	53,355	48,835	487,429
Net projected benefit obligation	1,693	(2,836)	(28,312)
Unrecognized actuarial loss	(7,494)	112	1,122
Liability for retirement benefits	¥ (5,801)	¥ (2,724)	$ (27,190)

The liability for retirement benefits to directors and corporate auditors included in liability for retirement benefits at March 31, 2007 were ¥1,343 million.

The components of net periodic benefit costs for the years ended March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Service cost	¥1,917	**¥1,999**	**$19,955**
Interest cost	1,018	**1,028**	**10,261**
Expected return on plan assets	(434)	**(470)**	**(4,697)**
Recognized actuarial loss	(681)	**(636)**	**(6,354)**
Net periodic benefit costs	¥1,819	**¥1,920**	**$19,165**

Assumptions used for the years ended March 31, 2007 and 2008 are set forth as follows:

	2007	**2008**
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	**13 years**

11. Equity

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the " Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

(a) *Dividends*

Under the Corporate Law, 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 the Board of Directors, (2) having independent auditors, (3) having the 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 Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

The Corporate Law 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 Corporate Law 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 Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law 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, 2007 and 2008.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Deferred tax assets:			
Underwriting reserves	¥ 44,640	**¥ 44,909**	**$448,243**
Impairment loss on investment securities	7,127	**4,973**	**49,643**
Liability for retirement benefits	5,219	**3,699**	**36,922**
Excess depreciation	2,570	**3,007**	**30,022**
Reserves for fluctuation in value of investment	2,307	**2,548**	**25,440**
Reserves for reported and estimated losses and claims	1,907	**3,996**	**39,887**
Allowance for doubtful accounts	323	**325**	**3,250**
Others	4,309	**5,087**	**50,781**
Less valuation allowance	—	**(1,296)**	**(12,940)**
Total	¥ 68,406	**¥ 67,252**	**$ 671,251**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥(116,360)	**¥(58,218)**	**$(581,079)**
Others	(687)	**(644)**	**(6,435)**
Total	¥(117,047)	**¥(58,863)**	**$(587,514)**
Net deferred tax assets (liabilities)	¥ (48,640)	**¥ 8,389**	**$ 83,736**

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, 2007 and 2008 is as follows:

	2007	**2008**
Normal effective statutory tax rate	36.15%	**36.15%**
Tax-exempt dividend income	(12.31)	**(12.16)**
Valuation allowance	—	**12.08**
Expenses not deductible for income tax purposes	3.19	**2.53**
Inhabitant taxes—per capita levy	1.88	**1.58**
Others	0.89	**(0.29)**
Actual effective tax rate	29.80%	**39.89%**

13. Derivatives

The Company utilizes derivative financial instruments such as foreign currency forward contracts, currency options, interest rate swaps, stock index futures 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 interest rates and foreign exchange rates. It also enters into derivative instruments to control and protect the value on investment income.

Derivatives are subject to market risk and weather risk. Since most of the Company's derivative transactions are related to qualified hedges of owned assets, market risk and weather risk inherent in the hedging derivative instruments is basically offset by opposite movements in the value of hedged assets. Some 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 has reported derivatives to the Board of Directors and centrally controled the related risks.

Fair value of derivative financial instruments

The fair value of the Company's derivative financial instruments at March 31, 2007 and 2008 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2007			2008			2008		
	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$	¥16,093	¥17,134	¥(1,041)	**¥44,013**	**¥41,424**	**¥2,589**	**$439,301**	**$413,455**	**$25,846**
Euro	23,335	24,555	(1,220)	**40,859**	**41,546**	**(686)**	**407,817**	**414,673**	**(6,855)**
Pound	10,661	10,959	(298)	**20,985**	**18,697**	**2,288**	**209,461**	**186,621**	**22,839**
Canadian$	10,746	10,717	29	**8,075**	**7,522**	**553**	**80,604**	**75,078**	**5,526**
Australian$	1,652	1,706	(54)	**—**	**—**	**—**	**—**	**—**	**—**
Total			¥(2,584)			**¥4,744**			**$47,356**

All foreign currency forward contracts are applied hedge accounting.

	Millions of yen						Thousands of U.S. dollars		
	2007			2008			2008		
	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	¥8	¥1	¥ 0	**¥0**	**¥0**	**¥ 0**	**$4**	**$1**	**$ 0**
options premiums	1			**0**			**1**		
purchased	8	1	—	**0**	**0**	**—**	**4**	**1**	**—**
options premiums	1			**0**			**1**		
Total			¥ 0			**¥ 0**			**$ 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, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Accounts receivable	¥1,585	**¥1,593**	**$15,908**
Accounts payable	2,098	**2,076**	**20,720**

Transactions of the Company with subsidiaries and associated companies for the years ended March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Revenues	¥ 1,035	**¥ 1,095**	**$ 10,938**
Expenses	29,727	**28,694**	**286,403**

15. Subsequent Events

Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2008 was approved by shareholders at the shareholders meeting held on June 26, 2008:

	Millions of yen	Thousands of U.S. dollars
Appropriations		
Year-end cash dividends (¥8.00 per share)	**¥3,038**	**$30,330**

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nissay Dowa General Insurance Co., Ltd.:

We have audited the accompanying nonconsolidated balance sheets of Nissay Dowa General Insurance Co., Ltd. (the "Company") as of March 31, 2007 and 2008, and the related nonconsolidated statements of income, 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 Co., Ltd. as of March 31, 2007 and 2008, 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 26, 2008

Member of
Deloitte Touche Tohmatsu

Overseas Network

As of March 31, 2008

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Corporate Data

As of March 31, 2008

COMPANY NAME
Nissay Dowa General Insurance Co., Ltd.

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PAID-IN CAPITAL
¥47,328,827,152

NUMBER OF EMPLOYEES
4,183

Investor Information

As of March 31, 2008

FISCAL YEAR-END
March 31

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

NUMBER OF SHAREHOLDERS
10,901

SECURITIES EXCHANGE LISTINGS
Tokyo and Osaka

SECURITIES CODE
8759

Nissay Dowa General Insurance Co.,Ltd.