Ernst & Young Chartered Accountants

Independent Auditor's Report

To the Shareholders of Aioi Nissay Dowa Insurance Co., Ltd

Report on the Financial Statements

We have audited the financial statements of the New Zealand branch of Aioi Nissay Dowa Insurance Co., Ltd on pages 4 to 30, which comprise the statement of financial position of the New Zealand branch of Aioi Nissay Dowa Insurance Co., Ltd as at 31 March 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 19(3) of the Financial Reporting Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the New Zealand branch of the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements, in accordance with generally accepted accounting practice in New Zealand, and that give a true and fair view of the matters to which they relate and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the New Zealand branch of the company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the New Zealand branch of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Ernst & Young provides taxation services to the New Zealand branch of the company.

Partners and employees of our firm may deal with the New Zealand branch of the company on normal terms within the ordinary course of trading activities of the business of the New Zealand branch of the company.

Opinion

In our opinion, the financial statements on pages 4 to 30:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the New Zealand branch of the company as at 31 March 2012 and its financial performance and cash flows for the year then ended.

Emphasis of Matter

In arriving at our opinion, we have considered the adequacy of the disclosures made in the financial statements regarding the reliance on the shareholder to provide additional capital. As stated in note 2, the financial statements have been prepared on the going concern basis, the validity of which depends upon the ability to obtain additional capital and funding. The financial statements do not include any adjustments that would result from a failure to obtain additional capital and funding. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by the New Zealand branch of Aioi Nissay Dowa Insurance Co., Ltd as far as appears from our examination of those records.

Ernst & Young

9 August 2012
Auckland

Taylor Fry

Appointed actuary's report to the Directors of Aioi Nissay Dowa Insurance Co., Ltd. – New Zealand Branch

Report in respect of a review of actuarial information in, or used in the preparation of, financial statements

This report is provided under section 78 of the Insurance (Prudential Supervision) Act 2010 ("the Insurance Act"), and relates to a review of the actuarial information in, or used in the preparation of, the financial statements of the New Zealand branch of Aioi Nissay Dowa Insurance Company Limited ("ADINZ") for the year ended 31 March 2012.

The financial statements were authorised for issue by the Board of Directors of Aioi Nissay Dowa Management New Zealand Limited ("ADMNZ") on 9 August 2012 and the accompanying independent auditors' report was issued on 9 August 2012.

Name of appointed actuary conducting the review

I, Daniel Smith, an employee of Taylor Fry Consulting Actuaries ("Taylor Fry") am a Fellow of the New Zealand Society of Actuaries. This review has been conducted by me in my role as appointed actuary to ADINZ.

Other than the role of appointed actuary, I confirm that I have no relationship with, or any other interests in, ADINZ.

Exemption from solvency standard

ADINZ has been granted a Section 59 exemption under the Insurance Act, which applies to overseas insurers of approved jurisdictions. This provides an exemption from compliance with the New Zealand Solvency Standard for Non-life Insurance Business dated 16 January 2012. I understand that under this exemption, the Reserve Bank of New Zealand considers the solvency of ADINZ based on the solvency ratio of Aioi Nissay Dowa Insurance Company Limited ("ADI") under the Japanese Financial Services Agency ("FSA") requirements. I have been provided with ADI's solvency margin, calculated under FSA requirements, which I note comfortably exceeds the Japanese regulatory minimum. I have not reviewed these calculations but have relied on their accuracy, noting that they have been provided to the FSA in Japan.

Work done in relation to actuarial information used in the financial statements

The actuarial information used in the financial statements comprises the outstanding claims liability as at 31 March 2012 shown in the statement of financial position. This amount was determined in accordance with the New Zealand Equivalent to International Financial Reporting Standard 4 ("NZ IFRS 4"), and represents the net central estimate plus a risk margin to provide a 75% probability of sufficiency. I confirm that this amount was calculated by me and advised to ADINZ in an Insurance Liability Valuation Report ("ILVR") dated 19 June 2012.

I have carried out a Liability Adequacy Test, and confirm that the unearned premium in the accounts have been reduced such that the adjusted figure less deferred acquisition costs is not less than my actuarial estimate of the net premium liability.

In carrying out this review, I confirm that I have been provided with all required information and explanations from ADINZ.

Opinion

In my opinion:

- The actuarial information contained in the financial statements for ADINZ has been appropriately included in those statements; and,
- The actuarial information used in the preparation of the financial statements for ADINZ has been used appropriately.

Scope and limitations of review

This report is prepared for the Directors of ADMNZ, solely for the purposes set out in section 78 of the Insurance Act and for no other purpose.

Daniel Smith
Fellow of the New Zealand Society of Actuaries

3 October 2012

Aioi Nissay Dowa Insurance Co., Ltd
New Zealand Branch

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

CONTENTS

BRANCH DIRECTORY

AS AT 31 MARCH 2012

Nature of Business Aioi Nissay Dowa Insurance Co., Limited – New Zealand Branch
Fire and General Insurers

Registered Office L1, Building C, 602 Great South Road
Greenlane, Auckland, New Zealand

Directors of Aioi Nissay Dowa Insurance Co. Limited

Full legal name: **Satoshi OZAWA**
Residential Address: 12-21 Hoshigaokamotocho, Chikusa-ku, Nagoya-sh, Aichi, Japan
Appointment Date: 1 July 2011

Full legal name: **Tadashi KODAMA**
Residential Address: 2-7-1-3104 Fujimi, Chiyoda-ku, Tokyo, Japan
Appointment Date: 21 May 2009

Full legal name: **Hisahito SUZUKI**
Residential Address: 11-1-215 Hachiyamacho, Shibuya-ku, Tokyo, Japan
Appointment Date: 21 May 2009

Full legal name: **Hiroaki NAGASUE**
Residential Address: 13-12-510 Ohara-cho, Itabashi-ku, Tokyo, Japan
Appointment Date: 21 May 2009

Full legal name: **Mitsuhiro SONODA**
Residential Address: 2-2205 Goshikien, Nisshin-shi, Aichi, Japan
Appointment Date: 1 July 2011

Full legal name: **Takeshi SUZUKI**
Residential Address: 3-201 Uedayama, Tenpaku-ku, Nagoya-shi, Aichi, Japan
Appointment Date: 1 July 2011

Full legal name: **Mitsuhiro TSUCHIYA**
Residential Address: 357-6 Tsuchiya, Nishiku, Saitama-shi, Saitama, Japan
Appointment Date: 1 July 2011

Full legal name: **Takao SHIDA**
Residential Address: 3-31-9-506 Kitazakae Urayasu, Chiba, Japan
Appointment Date: 25 Jun 2009

BRANCH DIRECTORY (continued)

AS AT 31 MARCH 2012

Directors of Aioi Nissay Dowa Insurance Co. Limited (continued)

Full legal name: **Sadao KATO**
Residential Address: 2-10-76 Mita, Meguro-ku, Tokyo, 153-0062, Japan
Appointment Date: 01 Oct 2010

Full legal name: **Hiroshi ISHIMURA**
Residential Address: 4-8-14-306 Kitashinagawa, Shinagawa-ku, Tokyo, Japan
Appointment Date: 1 July 2011

Full legal name: **Toshihiko TANAKA**
Residential Address: 13-10-2806 Nakamaruko, Kawasaki-shi, Kanagawa, 2110012, Japan
Appointment Date: 01 Oct 2010

Full legal name: **Ichiro TATEYAMA**
Residential Address: 1-42-3 Denenchofu, Ota-ku, Tokyo, 145-0071, Japan
Appointment Date: 01 Oct 2010

Full legal name: **Masanori YONEDA**
Residential Address: 1-37-13 Asagayakita, Suginami-ku, Tokyo, Japan
Appointment Date: 01 Oct 2010

Auditor Ernst & Young
Auckland, New Zealand

Bankers ANZ part of ANZ National Bank Ltd
Westpac

Actuary Taylor Fry Consulting Actuaries
Melbourne, Australia

Business Location New Zealand

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 $	2011 restated $
Gross written premiums		**8,256,465**	**7,051,950**
Movements in unearned premiums	6	(1,299,811)	(161,948)
Gross earned premium		**6,956,654**	**6,890,002**
Reinsurance expense		(502,666)	(376,988)
Net premium revenue		**6,453,988**	**6,513,014**
Claims expense	7	(3,310,909)	(3,847,485)
Reinsurance recoveries		(179,632)	179,632
Net claims expense		(3,490,541)	**(3,667,853)**
Acquisition costs	8	(1,465,485)	(1,662,647)
Underwriting result		**1,497,962**	**1,182,514**
Operating expenses	9	(1,374,496)	(1,323,874)
Investment income		65,994	36,549
Profit/(Loss) before tax		**189,460**	**(104,811)**
Tax (expense)/credit	10	(91,361)	10,701
Profit/(loss) after tax and total comprehensive income for the year attributable to the parent		**98,099**	**(94,110)**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Head Office Account $	Accumulated Deficit $	Total $
Balance at 1 April 2010 – as originally reported	**568,867**	**(2,388,429)**	**(1,819,562)**
Impact of change in accounting policy	-	65,916	65,916
Balance at 1 April 2010 - restated	**568,867**	**(2,322,513)**	**(1,753,646)**
Total comprehensive income	-	(94,110)	(94,110)
Balance at 31 March 2011 - restated	**568,867**	**(2,416,623)**	**(1,847,756)**
Balance at 1 April 2011	**568,867**	**(2,416,623)**	**(1,847,756)**
Total comprehensive income	-	98,099	98,099
Balance at 31 March 2012	**568,867**	**(2,318,524)**	**(1,749,657)**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Notes	2012	2011 restated	2010 restated
		$	$	$
Assets				
Cash	11	926,860	1,344,102	1,400,315
Investments	12	1,512,352	523,595	534,808
Accrued interest		32,818	14,874	14,875
Premium receivables	13	2,085,667	1,661,536	1,529,533
Deferred acquisition costs	14	1,534,401	1,097,512	1,060,017
Current taxation receivable	15(i)	12,064	188,750	24,740
Other assets		-	27,568	17,263
Total assets		**6,104,162**	**4,857,937**	**4,581,551**
Liabilities				
Accounts payable	16	268,000	190,526	157,064
Reinsurance payable	17	463,110	207,021	233,083
Outstanding claims liability	18	781,211	1,495,478	1,285,914
Unearned premium reserve	20	5,783,409	4,483,596	4,321,648
Other current liabilities	22	128,456	21,768	19,483
Deferred tax liability	15(ii)	429,633	307,304	318,005
Total liabilities		**7,853,819**	**6,705,693**	**6,335,197**
Net liabilities		**(1,749,657)**	**(1,847,756)**	**(1,753,646)**
Equity				
Head Office Account		568,867	568,867	568,867
Accumulated deficit		(2,318,524)	(2,416,623)	(2,322,513)
Total Equity		**(1,749,657)**	**(1,847,756)**	**(1,753,646)**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

T. Zuncha
Director

Mitsuhiro Tsuchiya
Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	2012 $	2011 $
Operating activities		
Profit/(Loss) before tax	189,460	(104,811)
Adjustment for:		
- (Increase)/decrease in other assets	27,568	(10,305)
- (Increase) in premium receivable	(424,131)	(132,003)
- (Increase)in deferred acquisition costs	(436,889)	(37,495)
- Increase in accounts payable	77,474	33,462
- Increase/(decrease) in reinsurance payable	256,089	(26,062)
- Increase/(decrease) in outstanding claims liability	(714,267)	209,564
- Increase in unearned premium liability	1,299,813	161,948
- Increase/(decrease) in other liabilities	106,688	2,286
Non-cash items included in profit before tax		
- Investment income	(83,939)	(36,549)
Income tax refunded/(paid)	214,196	(164,010)
Net cash from/(used in) operating activities	**512,062**	**(103,975)**
Investment Activities		
Investment in term deposit at banking institution	(1,000,000)	-
Interest received	70,696	47,762
Net cash flow from/(used in) investing activities	**(929,304)**	**47,762**
Net decrease in cash and cash equivalents	(417,242)	(56,213)
Cash and cash equivalents at the beginning of year	1,344,102	1,400,315
Cash and cash equivalents at the end of year	926,860	1,344,102

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

1. Corporate Information

The financial statements are for the New Zealand branch of Aioi Nissay Dowa Insurance Co., Ltd (the "Branch"). The Branch is a branch of Aioi Nissay Dowa Insurance Co., Ltd (the "Company), a company incorporated in Japan and an overseas company registered under the Companies Act 1993. The Branch provides insurance both directly to other entities and through reinsurance arrangements. As a registered Branch, policyholders have direct recourse to Aioi Nissay Dowa Insurance Company Limited.

These Branch's financial statements should be read in conjunction with the full financial statements of the overseas company.

The Branch has been registered in New Zealand as a branch of the Company since May 2009.

The financial statements of the Branch are for the year ended 31 March 2012. The financial statements were authorised for Issue by the Directors on 9 of August 2012.

2. Summary of Significant Policies

a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

The financial statements are presented in New Zealand dollars ($). This is the Branch's functional and presentation currency.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, as modified by certain exceptions noted in the financial statements, with the principal exception being the measurement of investments at fair value and the measurement of the outstanding claims liability and related reinsurance recoveries as set out below.

c) New accounting standards and interpretations

The changes in accounting policies are described in note 2.d below.

In addition, the Branch has early adopted the following new standards or interpretations that are issued but not yet effective:

- *Harmonisation amendments:* Amendments to NZ IFRS to Harmonise with IFRS and Australian Accounting Standards; applicable to accounting periods beginning on or after 1 July 2011
- *FRS-44:* New Zealand Additional Disclosures; applicable to accounting periods beginning on or after 1 July 2011

2. Summary of Significant Policies (continued)

c) New accounting standards and interpretations (continued)

The following new accounting standards which are deemed to have an impact on the financial statements or performance of the Branch have been issued but are not yet effective:

- *Amendments to NZ IFRS 7: Financial Instruments: Disclosures* will be effective for accounting periods beginning on or after 1 January 2013. These amendments to NZ IFRS 7 remove the requirement for the restatement of comparative period financial statements upon initial application of the classification and measurement requirements of NZ IFRS 9. Instead, the amendments introduce additional disclosures on transition from the classification and measurement requirements of NZ IAS 39 Financial Instruments: Recognition and Measurement to those of NZ IFRS 9.

  The Branch intends to adopt these amendments as they become effective.

- *NZ IFRS 13: Fair Value Measurement* will be effective for accounting periods beginning on or after 1 January 2013. NZ IFRS 13 establishes a single source of guidance under NZ IFRS for determining the fair value of assets and liabilities. Application of this guidance may result in different fair values being determined for the relevant assets. NZ IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

  The Branch intends to adopt this standard as it becomes effective.

- *NZ IFRS 9 (2009): Financial Instruments* will be effective for accounting periods beginning on or after 1 January 2015. NZ IFRS 9 (2009) is the first standard issued as part of a wider project to replace IAS 39. NZ IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

  NZ IFRS 9 (2010): Financial Instruments will be effective for accounting periods beginning on or after 1 January 2015. NZ IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009.

  The Branch intends to adopt this standard as it becomes effective.

The implications of adoption of these new standards and amendments for the Branch are currently under review.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

2. Summary of Significant Policies (continued)

d) Changes in accounting policies

A provisional insurance license was issued to the Branch on 16 January 2012 under the Insurance (Prudential Supervision) Act 2010.

To enable the Branch to comply with the Insurance (Prudential Supervision) Act 2010, once granted a full insurance license, the Branch has converted from differential reporting to full NZ IFRS reporting during the year. In previous accounting periods, the Branch has taken advantage of all differential reporting exemptions. The Branch evaluated the impact of the conversion on the accounting policies and the changes in accounting policies and their impact has been presented in accordance with NZ IAS 8 in these financial statements. The following information describes the major impact of the conversion to full NZ IFRS.

Income taxes

Under the previous accounting policy, current income tax was recognized using the taxes payable method. No deferred tax was recognized. The Branch has changed its accounting policy for current and deferred income tax in accordance with NZ IAS 12, refer to Note 2(q) for details. The change requires retrospective application, and therefore adjustments have been made to restate the previously reported balances and amounts as detailed below.

	Previously reported $	Adjusted balance $	Change $
Opening equity 1 April 2010			
Accumulated deficit	(2,388,429)	(2,322,513)	65,916
Current tax receivable	-	24,740	(24,740)
Current tax liability	359,181	-	(359,181)
Deferred tax liability	-	318,005	318,005
Closing equity 31 March 2011			
Accumulated deficit	(2,134,059)	(2,416,623)	(282,564)
Current tax receivable	164,010	188,750	(24,740)
Deferred tax liability	-	307,304	307,304
Comparative statement of comprehensive income 31 March 2011			
Tax credit	359,181	10,701	348,480
Total comprehensive income for the year	254,370	(94,110)	(348,480)

e) Changes in accounting estimates

During the year, the Branch has enhanced the calculation of the deferred acquisition costs for the payment protection business line. The improved calculation method better reflects the nature and timing of the commission expense. The net effect of the change for the financial year ended 31 March 2012, after Liability Adequacy Test ("LAT") adjustment, was income of $133,668.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

2. Summary of Significant Policies (continued)

e) Changes in accounting estimates (continued)

The Branch also improved the calculation of the unearned premium reserve for the payment protection line of business. The improved calculation more precisely reflects the nature and timing of the premium revenue. The net effect of the change for the financial year ended 31 March 2012 was an expense of $176,454.

f) Insurance contracts

An Insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain insured event adversely affects the policyholder. The Insurance activities of the Branch all arise from general insurance contracts.

g) Revenue

Premium revenue comprises amounts charged to the policyholders excluding taxes and levies collected on behalf of third parties. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue. Premium on unclosed business is brought to account using estimates based on the proportion of proposed business that is expected to be closed.

h) Unearned premium

Unearned premium are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. Unearned premiums are calculated based on the pattern of risks underwritten. The proportion attributable to subsequent periods is deferred as a provision for unearned premium.

i) Outward reinsurance expense

Premium ceded to reinsurers is recognised as an expense from the date of attachment of risk over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

Reinsurance premium expense on catastrophe and single risk reinsurance is determined on a straight line basis over the financial year based upon a predetermined level of cover, which is periodically adjusted to reflect the actual level of cover.

j) Reinsurance commission income

Reinsurance commission income is earned on business ceded to reinsurers. Commission income is recognised as the service is performed.

k) Claims expense

Claims expense represents payments made on claims and the movement in the outstanding claims liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

2. Summary of Significant Policies (continued)

l) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

m) Outstanding claims liability

The central estimate of outstanding claims liabilities is the best estimate of the present value of future projected claims payments and associated claim handling costs in respect of claims reported but not yet paid, claims incurred but not reported ("IBNR") and claims incurred but not enough reported ('IBNER").

Standard actuarial methods are applied to all classes of business to assess the central estimate of outstanding claims liabilities. Features and trends of claims experience including claim frequencies, average claim sizes and individual claim estimates are analysed and assumptions about the future are selected.

l) Outstanding claims liability (continued)

A risk margin is added to the central estimate in determining the outstanding claims liabilities. The risk margin is designed to increase the probability of the outstanding claims liabilities proving ultimately to be adequate.

n) Liability adequacy testing

The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

A liability adequacy test is performed at each Statement of Financial Position date to assess whether there are any deficiencies in the unearned premium reserve due to expected future claims and claims costs. The amount of these expected future claims is estimated using the present value of future claims and expenses plus an additional risk margin to reflect the inherent uncertainty in those estimated cash flows. This is compared to the unearned premium reserve and deferred acquisition costs. Any deficiency is recognised in the Statement of Comprehensive Income after first writing down any deferred acquisition costs. Any shortfall after having written down acquisition costs is then recognised in the Statement of Comprehensive Income with the corresponding amount recognised in the Statement of Financial Position as an unexpired risk liability, included in the movement in unearned premium.

o) Reinsurance recoveries

Reinsurance recoveries are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, reinsurance recoveries are measured at cost less impairment. A reinsurance asset is impaired if there is objective evidence as a result of an event that occurred after initial recognition of the asset that the amounts due may not be received and the amount can be reliably measured. Any impairment is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

2. Summary of Significant Policies (continued)

p) Deferred Acquisition Costs (DAC)

Acquisition costs incurred in writing and renewing of insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will be recoverable out of future premiums. Deferred acquisition costs are amortised in accordance with expected pattern of incidence of risk under the insurance contract to which they relate.

DAC are measured at the lower of cost and recoverable amount. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the profit or loss. DAC are also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

q) Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Branch operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred Tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

2. Summary of Significant Policies (continued)

q) Taxes (continued)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

r) Goods and services tax (GST)

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All Items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST Invoiced.

s) Cash and cash equivalents

Cash comprises cash balances on call at bank and cash deposits with an original maturity of ninety days or less.

t) Financial Assets

Initial recognition and measurement

Financial assets within the scope of NZ IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available for sale financial assets, or as held to maturity investments, as appropriate. The Branch determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Branch commits to purchase or sell the asset.

The Branch's financial assets include cash and short-term deposits, premium and other receivables and quoted government bonds.

Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Investment income'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

2. Summary of Significant Policies (continued)

t) Financial assets (continued)

Government bond and deposits with credit institutions have been designated at fair value through profit and loss as they are held to match the average duration of a corresponding insurance liability as assets backing general insurance liabilities. Fair value of government stock is established by reference to quoted bid prices.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Investment income' in the statement of comprehensive income. Gains and losses are recognised in the profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial assets have been classified as follows:

Asset	NZ IAS 39 Classification	Measurement basis
Investments		
Government bond	Designated Fair Value through Profit or Loss	Fair value with changes recognised through the Statement of Comprehensive Income
Deposits with credit institutions	Financial assets at fair value through profit and loss	Fair value with changes recognised through the Statement of Comprehensive Income
Premium, interest and other receivables	Loans and receivables	Amortised cost less impairment
Due from related parties	Loans and receivables	Amortised cost less impairment
Cash and cash equivalents	Loans and receivables	Amortised cost less impairment

Derecognition

Financial assets are derecognised if the Branch's contractual rights to the cash flows from the financial assets expire or if the Branch transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Impairment of financial assets

The Branch assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Policies (continued)

t) Financial assets (continued)

delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

u) Premium receivables

Premium receivables are amounts due from policyholders and intermediaries that are initially recognised at fair value being the consideration receivable. They are subsequently measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of comprehensive income.

Premium receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(t), have been met.

v) Financial Liabilities

Financial Liabilities comprise trade and other payables. Financial liabilities are measured at amortised cost.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

w) Head Office Account

The Branch equity in the form of a Head Office Account represents funds advanced to the Branch by Aioi Nissay Dowa Insurance Co., Ltd. As a Branch there are no externally imposed capital restrictions to which the Branch must adhere. Should additional capital requirements be imposed by the Reserve Bank of New Zealand in terms of the Insurance (Prudential Supervision) Act 2010, Aioi Nissay Dowa Insurance Co., Ltd will meet these capitalisation requirements through additional funding to the Branch.

x) Assets Backing General Insurance Liabilities

As part of its investment strategy the Branch actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

y) Accounts Payable

These amounts represent liabilities for goods and services provided to the Branch prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Policies (continued)

z) Going Concern

The financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the shareholder to recapitalise the NZ Branch. The NZ Branch has obtained the commitment of the shareholder that it will be recapitalised should additional capital requirements be imposed by the Reserve Bank of New Zealand in terms of the Insurance (Prudential Supervision) Act 2010.

The financial statements do not include any adjustments that would result from a failure to recapitalise the NZ Branch.

3. Actuarial Assumptions and Methods

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Payments Per Claim Incurred (PPCI) methods.

A key assumption underlying these techniques is that a Branch's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is analysed by class of business and split by accident and development month. Large claims are usually identified individually and a separate allowance made where necessary. Explicit allowance is made for future claims inflation with growth above inflation (i.e. superimposed inflation) based on the rates observed historically and implicit in the valuation assumptions.

A considerable component of the actuarial valuation is the application of qualitative judgment, which is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures). The aim being to arrive at an estimated ultimate cost of claims that represents the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The actuarial reports for the current period were prepared by Daniel Smith, actuary and director of Taylor Fry Consulting Actuaries. Daniel Smith is a Fellow of the Institute of Actuaries of Australia (IAAust) and a Fellow of the New Zealand Society of Actuaries (NZSA). The Actuary has stated that Insurance Liabilities have been calculated in accordance with NZSA Professional Standard 4 – General Insurance Business and the IAAust Professional Standard 300 – Valuations of General Insurance Claims. After making appropriate checks, the Actuary was satisfied as to the reasonableness and consistency of the data from which the amount of the insurance liabilities has been determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

3. Actuarial Assumptions and Methods (continued)

The following assumptions have been made in determining the net outstanding claims liabilities:

	2012	2011
Discount rate (average weighted by term)	2.75%	3.50%
Weighted average term to settlement (years)	0.17	0.19
Discounted mean term (years)	0.17	0.19
Assumed net loss ratio	15% to 160% (varies by class and loss period)	35% to 200% (varies by class and loss period)
Risk margin (overall diversified)	30.00%	30.00%
Claim handling expense ratio	6.00%	6.00%

Processes used to determine assumptions

The valuations included in the reported results are calculated using assumptions including:

Discount Rate

Outstanding claims liabilities for long tail claims were discounted to present value using a risk free rate based on gross yields to maturity of NZ Government Securities of appropriate terms at 31 March 2012.

Future settlement patterns and weighted average term to settlement

The weighted average term to settlement is an aggregate figure for all classes of business based on expected claims development patterns which are in turn derived from an analysis of historical claims patterns.

Inflation

Insurance costs are subject to inflationary pressures over time. Claim costs are generally related to the inflationary pressures of the materials and goods insured as well as labour costs to effect repairs. The liability classes in New Zealand do not cover weekly and permanent impairment benefits (that are typically indexed). Payments are related to losses suffered by claimants, although legal costs are subject to increases in the wages and disbursements of professionals in that field.

The actuarial valuation applies an explicit inflation assumption of 2.75% per annum, which is higher than the rate adopted for the previous valuation (1.5%) but lower than projected wage inflation as a result of the only partial linkage to wage growth in the benefit payments. Note that a doubling of the selected inflation rate would increase the liabilities by less than $4,000.

Assumed loss ratios

Assumed loss ratios were determined from a consideration of observed loss ratios for historical loss months and previously adopted loss ratio assumptions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

3. Actuarial Assumptions and Methods (continued)

Risk margin

The New Zealand business has been considered as a standalone portfolio for the purposes of determining the risk margin for this review. As such, the margin is considerably higher than that derived when the business is considered in combination with the Australian Branch. The adopted risk margin has been based on an industry report which sets out estimates of risk margins by class of business and portfolio size. Given the size of the New Zealand portfolio, a diversification benefit has not been allowed for.

Expense allowance

An estimate of outstanding claims liabilities will typically incorporate an allowance for the future cost of administering the claims. This allowance was based on a high level company analysis of claim related expenses.

Sensitivity

The table below sets out the impact of variation in key assumptions on the value of the outstanding claims liabilities, net of reinsurance and other recoveries. This illustrates exposure to the risk of changes in the underlying assumptions and experience.

Variable	Movement in variable	Net outstanding claim liabilities increase / (decrease)
Discount rate	+ 1%	+0.002
Discount rate	- 1%	-0.002
Assumed loss ratio	+ 10 percentage points	+0.625
Assumed loss ratio	- 10 percentage points	-0.619
Inflation	+ 1%	-0.002
Inflation	- 1%	+0.002
Settlement pattern	+ 0.5 year	0.000
Settlement pattern	- 0.5 year	0.000
Claims handling expense ratio	+ 1%	+0.006
Claims handling expense ratio	- 1%	-0.006

4. Insurance Contracts – Risk Management Policies and Procedures

The principal risk the Branch faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Branch is to ensure that sufficient reserves are available to cover these liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

4. Insurance Contracts – Risk Management Policies and Procedures (continued)

The above risk exposure is mitigated by diversification across the portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Branch purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Branch's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Branch has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

5. Insurance and Financial Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Branch's exposure to credit risk:

- Net exposure limits are set for each counterparty or group of counterparties – i.e., limits are set for investments and cash deposits that may be held.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and which are subject to regular reviews. At each reporting date the creditworthiness of reinsurers are assessed to allow for impairment.
- The credit risk in respect of customer balances incurred on non-payment of premiums will only persist during the grace period specified in the policy document, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

5. Insurance and Financial Risks (continued)

Credit exposure by credit rating

The table below provides information regarding the maximum credit risk exposure of the Branch by classifying assets according to Branch's credit ratings of counterparties:

	Neither past due nor impaired		
	Investment grade	Non-graded	TOTAL
	$	$	$
31 March 2012			
Financial assets at fair value through profit and loss			
Debt securities	512,352	-	512,352
Term deposits with credit institutions	1,000,000	-	1,000,000
Insurance receivables	-	2,085,669	2,085,669
Cash and cash equivalents	926,860	-	926,860
Total	2,439,212	2,085,669	4,524,881
31 March 2011			
Financial assets at fair value through profit and loss			
Debt securities	523,595	-	523,595
Insurance receivables	-	1,661,536	1,661,536
Cash and cash equivalents	1,344,102	-	1,344,102
Total	1,867,697	1,661,536	3,529,233

Cash and cash equivalents and term deposits are invested with New Zealand banks that all have a credit rating of AA- stable and in Government Bonds which has a rating of AA+ stable. Insurance receivables are not rated.

Age analysis of financial assets past due but not impaired

For assets to be classified as "past-due" and impaired contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

As at 31 March 2012, there were no financial assets past due but not impaired (2011: nil).

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

5. Insurance and Financial Risks (continued)

The following procedures are in place to mitigate the exposure to liquidity risk:

- The Company manages its liquidity risk by monitoring the total cash inflows and outflows expected on a daily and monthly basis. The Holding Company also monitors the cash flow on a daily basis..
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contract obligations.
- Aioi Nissay Dowa Insurance Co., Ltd will supply any shortfall in required capital to the Branch in any event.

All net cash outflows for liabilities in the financial statements will be within 12 months. The Branch maintains a portfolio of highly marketable assets that can easily be liquidated in the event of an unforeseen interruption of cash flow. The net cash inflow for premium debts will be within 12 months. Receivables include interest receivable.

Interest rate risk

The Branch is not exposed to interest rate risk.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the company is able to manage the risks. Controls include segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the company's strategic planning and budgeting process.

Market risk

IFRS 7 requires the Branch to classify the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Branch's financial assets and liabilities are classified as Level 2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

6. Movement in Unearned Premiums

	2012	2011
	$	$
Movement in unearned premium reserves	(1,232,871)	(116,408)
Adjustment for unexpired risk	(66,942)	(45,540)
	(1,299,813)	(161,948)

7. Claims Expense

	2012	2011
	$	$
Settlements	5,457,829	4,943,207
Third Party Recoveries	(1,732,517)	(1,586,462)
Cost of settling claims	299,864	281,177
Movement in outstanding claims reserve	(714,267)	209,563
	3,310,909	3,847,485

8. Acquisition Costs

	2012	2011
	$	$
Gross acquisition costs	1,902,374	1,700,143
Expenses deferred current year	(1,387,640)	(1,125,888)
Amortisation of previously deferred expenses	806,865	979,777
Liability adequacy adjustment	143,886	108,615
	1,465,485	1,662,647

9. Operating Expense

	2012	2011
	$	$
Management fees	1,370,000	1,260,000
Head office charges	(30,000)	30,000
Other expenses	34,496	33,874
	1,374,496	1,323,874

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

10. Current tax charge

		2012 $	2011 Restated $
(i) Income Tax Expense			
	Current Income Tax	-	-
	Deferred income tax	122,329	(10,701)
	Adjustments in respect of current income tax in respect of previous years	(30,968)	-
	Income tax expense as reported in the Statement of Comprehensive Income	**91,361**	**(10,701)**

(ii) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate:

	2012 $	2011 Restated $
Accounting profit before tax	189,460	(104,811)
At the Company's statutory income tax rate of 28% (2011:30%)	53,049	(31,443)
Income not assessable for tax purposes	(1,800)	1,962
Change in tax rate from 30% to 28%	-	(21,950)
Loss not recognised	71,080	40,730
Recognition of 2011 loss	(30,968)	-
Aggregate income tax expense	**91,361**	**(10,701)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

11. Cash and cash equivalents

	2012	2011
	$	$
Cash at bank	926,860	1,344,102
	926,860	1,344,102

12. Investments

Financial assets at fair value through profit and loss

	2012	2011
	$	$
Government Bonds – face value	500,000	500,000
Purchase Date 25 September 2009, Maturity Date 15 April 2013, Interest Rate 6.5%, Managed by Public Trust		
Fair value at 1 March	523,595	539,939
Change in fair value	(11,243)	(16,344)
Fair value of government bond at 30 April	512,352	523,595
Deposits with credit institutions	1,000,000	-
Total investments at fair value through profit and l oss	**1,512,352**	**523,595**

13. Premium Receivables

	2012	2011
	$	$
Monthly instalment customers	1,956,094	1,520,193
Commercial customers	67,667	48,177
Written but not received provision	57,971	88,293
Other	3,935	4,873
	2,085,667	1,661,536

14. Deferred Acquisition Costs

	2012	2011
	$	$
Opening Balance	1,097,512	1,060,017
Current year movement	1,387,640	1,125,888
Amortisation of previously deferred expenses	(806,865)	(979,777)
Liability adequacy adjustment	(143,886)	(108,616)
	1,534,401	1,097,512

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

15. Tax Receivable

	2012	2011 Restated
	$	$
(i) Tax Receivable		
At 1 April	188,750	24,740
Prior period adjustment in respect of resident withholding tax	6,542	
Amount recorded in Statement of Comprehensive Income	30,968	
Refunds received during the year	(219,719)	
Payments made during the year	5,523	164,010
At 31 March	**12,064**	**188,750**
(ii) Deferred Tax Liability		
Provisions and other temporary differences	(122,329)	21,950
Deferred expenses		(11,249)
Deferred Tax Expense/(Income) Note 10	**(122,329)**	**10,701**
At 1 April	(307,304)	(318,005)
Amounts recorded in Statement of Comprehensive Income	(122,329)	10,701
At 31 March	**(429,633)**	**(307,304)**
Statement of Financial Position		
Provisions and other temporary differences		
Deferred expenses	(429,633)	(307,304)
Total Deferred Tax Liability	**(429,633)**	**(307,304)**

A deferred tax asset is recognised for a tax carry forward only to the extent that realisation of the related tax benefit is probable.

A deferred tax asset has not been recognised in respect of a tax loss carry forward of $1,343,221 (2011: $1,089,364) as there is insufficient certainty as to the availability of future profits arising.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

16. Accounts Payable

	2012 $	2011 $
Commissions	214,103	150,136
GST Payable	49,672	-
Head Office	-	30,000
Other	4,225	10,390
	268,000	190,526

17. Reinsurance Payable

	2012 $	2011 $
Current Year Expense payable to Guy Carpenter	35,834	26,993
Current Year Expense payable to Aioi Nissay Dowa Insurance Co., Ltd – Australia Branch	450,870	371,006
Less paid	(23,594)	(20,141)
Less Expected Recoveries	-	(170,837)
	463,110	207,021

18. Outstanding Claims Liability

	2012 $	2011 $
Gross outstanding case estimates	762,691	1,037,388
Third party recoveries	(255,220)	(424,419)
IBNR	59,446	451,690
Risk margin 30% (2011: 30%)	180,280	342,225
Claims handling expense 6% (2011: 6%)	34,015	88,594
	781,211	1,495,478

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

19. Claims Development Table

The following table shows the estimates of cumulative claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with the cumulative payments to date going back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment.

	2011	2012	Total
Claims Estimate of cumulative claims incurred	**$**	**$**	**$**
same year	5,096	1,037,086	
1 year	5,096		
Total	**5,096**	**1,037,086**	**1,042,182**
Cumulative payments to date			
same year	-	278,512	
1 year	979		
Total	**979**	**278,512**	**279,491**
Case Estimates less Payments	**4,117**	**758,574**	**762,691**
IBNR, claims handling expenses and risk margin			437,848
Less third party Recoveries			(419,328)
Third party recoveries included in case estimates			(255,220)
Claims handling expenses and Risk margin on third party recoveries			(164,108)
Total outstanding claims provision per Statement of Financial Position			**781,211**

20. Unearned Premium Reserve

	2012	2011
	$	$
Opening balance	4,483,596	4,321,648
Movement in unearned premium reserves	1,232,871	116,408
Adjustment for Unexpired Risk	66,942	45,540
	5,783,409	4,483,596

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

21. Reconciliation of Net Premium Liabilities

	2012	2011
	$	$
Unearned Premium Reserve	5,783,409	4,483,596
Less Deferred Acquisition Costs	(1,534,401)	(1,097,512)
Less Surplus of UPR to PL not adjusted	-	(5,533)
Total Premium Liability per Actuarial Report	4,249,008	3,380,551

The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risks end are managed together as a single portfolio. The Liability Adequacy Test ("LAT") has resulted in a write off of deferred acquisition costs of $143,886 (2011: $108,616) and additional unexpired risk liability of $66,942 (2011: $45,540).

22. Other current liabilities

	2012	2011
	$	$
Non-resident withholding tax	37,408	-
Unclaimed money	20,484	21,768
Other	70,564	-
	128,456	21,768

23. Capital Management

Management aims to maintain a capital structure that ensures the lowest cost of capital availability to the entity. The Branch is not subject to any externally imposed capital requirements as it received an exemption due to the parent company being in an approved overseas jurisdiction (Japan). Should additional capital requirements be imposed by the Reserve Bank of New Zealand in terms of the Insurance (Prudential Supervision) Act 2010, Aioi Nissay Dowa Insurance Co., Ltd will meet these capitalization requirements through additional funding to the Branch.

The solvency margin ratio of Aioi Nissay Dowa Insurance Company, Limited (Japan) at 31 March 2012, calculated in accordance with the Japanese equivalent of the Solvency Standard for Non-Life Insurance Business, was 442.6% (2011: 508.7%).

24. Capital commitments

There are no capital commitments at balance date (2011: Nil).

25. Contingencies

As at 31 March 2012, the Branch had no contingent liabilities or contingent assets (2011: Nil)

26. Related party information

The Branch paid management fees of $1,370,000 (2011: $1,260,000) to Aioi Nissay Dowa Management NZ Ltd, a wholly owned subsidiary of Aioi Nissay Dowa Insurance Co., Ltd, as disclosed in Note 9. These amounts were paid in full by 31 March.

The Branch paid reinsurance premiums to Aioi Nissay Dowa Insurance Co Ltd – Australia Branch ("Australia Branch"), which is a branch of Aioi Nissay Dowa Insurance Co., Ltd, as disclosed in note 17. The reinsurance premiums expense to the Australia branch amounted to $450,870 (2011: $371,006). The outstanding payable to Australia Branch at 31 March 2012 is $ 450,870 (2011: $371,006).

The Branch reversed the payable to the Company of $30,000, which resulted in current year income of $30,000 (2011: expense $30,000).

The balances with related parties are unsecured, interest-free and payable on demand.

27. Credit rating

The Branch has received an "A-Stable" credit rating from A.M. Best Company dated 15 November 2011. The credit rating is an indication of the Branch's current and future claims paying ability.

I have pleasure in presenting the annual audited reports of Aioi Nissay Dowa Insurance Company Limited of the year ended 31 March 2012.

Aioi Nissay Dowa Insurance Company Limited

12 July, 2012

Date

田中敏彦

Toshihiko Tanaka

Director, Senior Managing Executive Officer

Aioi Nissay Dowa Insurance Co.,Ltd.
1-28-1, Ebisu, Shibuya-ku, Tokyo 150-8488, Japan

KPMG

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AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Financial Statements - March 31, 2011 and 2012

(With Independent Auditor's Report Thereon)

KPMG

Independent Auditor's Report

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

We have audited the accompanying financial statements of Aioi Nissay Dowa Insurance Company, Limited, which comprise the balance sheet as at March 31, 2012, and the statement of income and statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Aioi Nissay Dowa Insurance Company, Limited as at March 31, 2012, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

June 25, 2012
Tokyo, Japan

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Balance Sheets

As of March 31, 2011 and 2012

		2011	2012
		(Yen in millions)	
Assets			
Cash, deposits and savings:			
Cash on hand	¥	51	43
Deposits in banks		247,618	144,715
Total cash, deposits and savings		247,669	144,758
Monetary claims bought		1,979	1,331
Money trusts		1,903	1,884
Investments in securities:			
Government bonds		312,303	474,785
Municipal bonds		43,060	36,855
Corporate bonds		295,574	235,252
Stocks		662,605	602,299
Foreign securities		635,214	637,923
Other investments in securities		84,529	79,570
Total investments in securities		2,033,286	2,066,687
Loans:			
Policy loans		6,222	5,482
General loans		318,915	269,026
Total loans		325,137	274,508
Tangible fixed assets:			
Land		88,826	86,128
Buildings		100,653	96,749
Lease assets		103	20
Construction in progress		983	4
Other tangible fixed assets		12,003	9,926
Total tangible fixed assets		202,570	192,830
Intangible fixed assets:			
Software		2,346	1,810
Other intangible fixed assets		1,240	11,147
Total intangible fixed assets		3,587	12,958

See accompanying notes to financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

		2011	2012
		(Yen in millions)	
Other assets:			
Premiums receivable	¥	2,791	2,803
Due from agents		45,070	46,877
Due from foreign agents		1,274	1,235
Co-insurance business receivable		2,956	3,962
Reinsurance business receivable		61,044	62,563
Foreign reinsurance business receivable		14,845	38,195
Other receivables		21,019	21,112
Accrued income		9,562	8,875
Guarantee deposits		9,942	8,462
Deposits with the Japan Earthquake Reinsurance Company		63,828	5,757
Suspense payments		30,578	31,511
Assets related to derivative transactions		1,046	653
Prepaid pension cost		44,708	41,935
Other assets		687	687
Total other assets		309,356	274,633
Deferred tax assets		238,750	170,834
Customers' liabilities under acceptances and guarantees		2,500	2,500
Bad debt reserve		(2,433)	(1,785)
Total assets	¥	3,364,309	3,141,142

See accompanying notes to financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

		2011	2012
		(Yen in millions)	
Liabilities and Net Assets			
Underwriting funds:			
Outstanding claims	¥	483,006	482,347
Underwriting reserve		2,238,870	2,039,620
Total underwriting funds		2,721,876	2,521,967
Other liabilities:			
Co-insurance business payable		4,087	5,001
Reinsurance business payable		44,608	56,610
Foreign reinsurance business payable		10,331	19,473
Borrowings		37	28
Income taxes payable		2,610	2,470
Guarantee money		3,349	3,028
Advance received		56	25
Other payables		17,902	39,305
Suspense receipts		39,469	41,273
Liabilities related to derivative transactions		7,110	12,607
Lease obligations		54	146
Asset retirement obligation		647	562
Other liabilities		0	0
Total other liabilities		130,265	180,533
Reserve for pension and retirement benefits		20,544	18,136
Accrued bonuses for employees		6,424	6,128
Reserves under the special laws:			
Reserve for price fluctuation		6,023	1,798
Total reserves under the special laws		6,023	1,798
Acceptances and guarantees		2,500	2,500
Total liabilities		2,887,634	2,731,064

See accompanying notes to financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

		2011	2012
		(Yen in millions)	
Common stock	¥	100,005	100,005
Capital surplus:			
Additional paid-in capital		44,081	52,593
Other capital surplus		79,684	28,616
Total capital surplus		123,766	81,210
Retained earnings:			
Legal earned reserve		38,984	40,797
Other retained earnings:			
Reserve for advanced depreciation		4,891	5,211
Special reserve		184,802	158,802
Retained earnings brought forward		7,845	(20,901)
Total other retained earnings		197,539	143,113
Total retained earnings		236,524	183,911
Total stockholders' equity		460,296	365,126
Net unrealized gains/losses on investments in securities		16,378	44,951
Total valuation and translation adjustments		16,378	44,951
Total net assets		476,674	410,077
Total liabilities and net assets	¥	3,364,309	3,141,142

See accompanying notes to financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Statements of Income

For the years ended March 31, 2011 and 2012

		2011	2012
		(Yen in millions)	
Ordinary income and expenses			
Ordinary income:			
Underwriting income:			
Net premiums written	¥	946,378	1,074,631
Deposit premiums from policyholders		50,713	47,967
Investment income on deposit premiums from policyholders		20,854	22,209
Reversal of outstanding claims		-	660
Reversal of underwriting reserve		93,481	199,257
Other underwriting income		5,088	1,901
Total underwriting income		1,116,516	1,346,628
Investment income:			
Interest and dividends income		57,293	58,455
Investment gains on money trusts		1	0
Gains on sale of securities		25,442	19,883
Gains on redemption of securities		687	-
Gains on derivative transactions		316	-
Foreign exchange gains		-	44
Other investment income		293	118
Transfer of investment income on deposit premiums from policyholders		(20,854)	(22,209)
Total investment income		63,180	56,292
Other ordinary income		2,495	2,729
Total ordinary income		1,182,192	1,405,650
Ordinary expenses:			
Underwriting expenses:			
Net claims paid		595,543	805,026
Loss adjustment expenses		46,474	51,847
Commissions and collection expenses		169,215	189,074
Maturity refunds to policyholders		123,346	120,729
Dividends to policyholders		199	70
Provision for outstanding claims		37,085	-
Foreign exchange losses		328	572
Other underwriting expenses		5,671	2,363
Total underwriting expenses		977,864	1,169,683

See accompanying notes to financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Statements of Income (Continued)

		2011	2012
		(Yen in millions)	
Investment expenses:			
Investment losses on money trusts	¥	0	-
Losses on trading securities		4	-
Losses on sale of securities		2,589	6,082
Losses on devaluation of securities		10,174	14,575
Losses on redemption of securities		1,723	1,669
Losses on derivative transactions		-	2,884
Foreign exchange losses		171	-
Other investment expenses		2,349	3,606
Total investment expenses		17,013	28,818
Operating expenses and general and administrative expenses		177,172	196,929
Other ordinary expenses:			
Interest expenses		1	2
Loss on bad debts		2	9
Other ordinary expenses		626	973
Total other ordinary expenses		630	985
Total ordinary expenses		1,172,680	1,396,416
Ordinary profit		9,511	9,233
Extraordinary income and losses			
Extraordinary income:			
Gains on sale of fixed assets		602	4,850
Reversal of reserves under the special laws:			
Reversal of reserve for price fluctuation		-	4,225
Total reversal of reserves under the special laws		-	4,225
Total extraordinary income		602	9,075
Extraordinary losses:			
Losses on sale of fixed assets		629	1,901
Impairment losses on fixed assets		1,699	1,687
Provision of reserves under the special laws:			
Provision of reserve for price fluctuation		1,910	-
Total provision of reserves under the special laws		1,910	-
Losses on reduction of real estate		44	-
Other extraordinary losses		21,975	-
Total extraordinary losses		26,259	3,588
Income (loss) before income taxes		(16,145)	14,720

See accompanying notes to financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Statements of Income (Continued)

		2011	2012
		(Yen in millions)	
Income taxes-current	¥	2,298	363
Income taxes-deferred		(8,377)	57,906
Total income taxes		(6,079)	58,270
Net loss	¥	(10,065)	(43,549)

See accompanying notes to financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Statements of Changes in Net Assets

For the year ended March 31, 2011 and 2012

		2011	2012
		(Yen in millions)	
Stockholders' equity:			
Common stock:			
Beginning balance	¥	100,005	100,005
Ending balance		100,005	100,005
Capital surplus:			
Additional paid-in capital:			
Beginning balance		44,081	44,081
Changes for the year:			
Dividends paid		-	8,511
Total changes for the year		-	8,511
Ending balance		44,081	52,593
Other capital surplus:			
Beginning balance		15	79,684
Changes for the year:			
Dividends paid		-	(51,067)
Retirement of treasury stock		(7,963)	-
Increase due to business combination		87,632	-
Total changes for the year		79,669	(51,067)
Ending balance		79,684	28,616
Total capital surplus:			
Beginning balance		44,097	123,766
Changes for the year:			
Dividends paid		-	(42,556)
Retirement of treasury stock		(7,963)	-
Increase due to business combination		87,632	-
Total changes for the year		79,669	(42,556)
Ending balance		123,766	81,210
Retained earnings:			
Legal earned reserve:			
Beginning balance		35,464	38,984
Changes for the year:			
Dividends paid		3,520	1,812
Total changes for the year		3,520	1,812
Ending balance		38,984	40,797
Other retained earnings:			
Reserve for dividends:			
Beginning balance		31,298	-
Changes for the year:			
Reversal of reserve for dividends		(31,298)	-
Total changes for the year		(31,298)	-
Ending balance		-	-

See accompanying notes to financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Statements of Changes in Net Assets (Continued)

		2011	2012
		(Yen in millions)	
Special reserve for insurance contract obligations:			
Beginning balance	¥	25,070	-
Changes for the year:			
Reversal of special reserve for insurance contract obligations		(25,070)	-
Total changes for the year		(25,070)	-
Ending balance		-	-
Reserve for advanced depreciation:			
Beginning balance		3,867	4,891
Changes for the year:			
Provision for reserve for advanced depreciation		9	-
Reversal of reserve for advanced depreciation		(67)	(78)
Increase due to business combination		1,082	-
Increase in reserve for advanced depreciation due to change in corporate tax rate		-	398
Total changes for the year		1,024	320
Ending balance		4,891	5,211
Special reserve:			
Beginning balance		75,434	184,802
Changes for the year:			
Provision for special reserve		56,368	-
Increase due to business combination		53,000	-
Reversal of special reserve		-	(26,000)
Total changes for the year		109,368	(26,000)
Ending balance		184,802	158,802
Retained earnings brought forward:			
Beginning balance		30,186	7,845
Changes for the year:			
Dividends paid		(21,124)	(10,876)
Reversal of reserve for dividends		31,298	-
Reversal of special reserve for insurance contract obligations		25,070	-
Provision for reserve for advanced depreciation		(9)	-
Reversal of reserve for advanced depreciation		67	78
Reversal of special reserve		-	26,000
Provision for special reserve		(56,368)	-
Increase in reserve for advanced depreciation due to change in corporate tax rate		-	(398)
Net loss		(10,065)	(43,549)
Increase due to business combination		8,790	-
Total changes for the year		(22,341)	(28,746)
Ending balance		7,845	(20,901)

See accompanying notes to financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Statements of Changes in Net Assets (Continued)

		2011	2012
		(Yen in millions)	
Total retained earnings:			
Beginning balance	¥	201,321	236,524
Changes for the year:			
Dividends paid		(17,603)	(9,063)
Net loss		(10,065)	(43,549)
Increase due to business combination		62,872	-
Total changes for the year		35,203	(52,613)
Ending balance		236,524	183,911
Treasury stock:			
Beginning balance		(7,963)	-
Changes for the year:			
Retirement of treasury stock		7,963	-
Total changes for the year		7,963	-
Ending balance		-	-
Total stockholders' equity:			
Beginning balance		337,460	460,296
Changes for the year:			
Dividends paid		(17,603)	(51,620)
Net loss		(10,065)	(43,549)
Increase due to business combination		150,504	-
Total changes for the year		122,835	(95,169)
Ending balance		460,296	365,126
Valuation and translation adjustments:			
Net unrealized gains/losses on investments in securities:		35,808	16,378
Beginning balance			
Changes for the year:			
Net changes of items other than stockholders' equity		(19,429)	28,572
Total changes for the year		(19,429)	28,572
Ending balance		16,378	44,951
Total valuation and translation adjustments:			
Beginning balance		35,808	16,378
Changes for the year:			
Net changes of items other than stockholders' equity		(19,429)	28,572
Total changes for the year		(19,429)	28,572
Ending balance		16,378	44,951
Total net assets			
Beginning balance		373,268	476,674
Changes for the year:			
Dividend paid		(17,603)	(51,620)
Net loss		(10,065)	(43,549)
Increase due to business combination		150,504	-
Net changes of items other than stockholders' equity		(19,429)	28,572
Total changes for the year		103,405	(66,596)
Ending balance	¥	476,674	410,077

See accompanying notes to financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Significant Items for Presenting Financial Statements

As of and for the fiscal years ended March 31, 2011 and 2012

March 31, 2011

1. Basis of presentation

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

March 31, 2012

1. Basis of presentation

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

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Significant Items for Presenting Financial Statements (Continued)

March 31, 2011	March 31, 2012
2. Valuation policies and methods of securities are as follows:	2. Valuation policies and methods of securities are as follows:
(1) Securities held to maturity are valued at amortized cost (straight-line method).	
(2) Stocks of subsidiaries and affiliates are valued at cost determined by the moving average method.	(1) Stocks of subsidiaries and affiliates are valued at cost determined by the moving average method.
(3) Available for sale securities (except for which fair value is deemed to be impracticable to determine) are valued at fair value as of March 31, 2011. Net unrealized gains/losses are reported as a separate component of net assets, and cost of sales securities is calculated using the moving average method.	(2) Available for sale securities (except for which fair value is deemed to be impracticable to determine) are valued at fair value as of March 31, 2012. Net unrealized gains/losses are reported as a separate component of net assets, and cost of sales securities is calculated using the moving average method.
(4) Available for sale securities for which fair value is deemed to be impracticable to determine are valued at cost using the moving average method.	(3) Available for sale securities for which fair value is deemed to be impracticable to determine are valued at cost using the moving average method.
(5) Securities earmarked for policy reserve are valued at amortized cost using the moving average method pursuant to Industry Audit Committee Report No.21 "Temporary Treatment of Accounting and Auditing Concerning Securities Earmarked for Policy Reserve in Insurance Industry" (issued by The Japanese Institute of Certified Public Accountants on November 16, 2000). The outline of the risk management policy of the Company for securities earmarked for policy reserve is as follows: In order to control risks of interest rate variability arising in assets and liabilities, the Company segregates "savings type traffic accident insurance denominated in U.S. dollars" block as a sub-segment. And applies the investment policies which enable it to maintain the durations of the securities earmarked for policy reserve and the policy reserve for the segregated block within a certain definite range.	(4) The Company transferred the bonds previously classified as the securities earmarked for policy reserve category into the available for sale category since the amount of the bonds became immaterial due to discontinued sales of "savings type traffic accident insurance denominated in U.S. dollars" block, which were segregated as a sub-segment. The effect of this change on the financial statements is immaterial.

March 31, 2011	March 31, 2012
3. Trading securities managed in the money trust are valued at fair value. Securities managed as trust assets in the money trusts which are not classified as trading securities or held to maturity bonds are valued based on the same method as that for available for sales securities.	3. Trading securities managed in the money trust are valued at fair value. Securities managed as trust assets in the money trusts which are not classified as trading securities or held to maturity bonds are valued based on the same method as that for available for sales securities.
4. Derivative financial instruments are valued at fair value. Foreign exchange contracts that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates under those contracts were originally applied to the underlying financial instruments.	4. Derivative financial instruments are valued at fair value. Foreign exchange contracts that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates under those contracts were originally applied to the underlying financial instruments.
5. Depreciation of tangible fixed assets (excluding lease assets) held by the Company is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line method is applied.	5. Depreciation of tangible fixed assets (excluding lease assets) held by the Company is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line method is applied.
6. Depreciation of intangible fixed assets (excluding lease assets) held by the Company is computed using the straight-line method. Capitalized software (excluding lease assets) for internal use is amortized by using the straight-line method based on estimated useful lives (5 years).	6. Depreciation of intangible fixed assets (excluding lease assets) held by the Company is computed using the straight-line method. Capitalized software (excluding lease assets) for internal use is amortized by using the straight-line method based on estimated useful lives (5 years).
7. Translation of foreign currency assets and liabilities into Japanese yen complies with the provisions of the Accounting Standard for Foreign Currency Transactions.	7. Translation of foreign currency assets and liabilities into Japanese yen complies with the provisions of the Accounting Standard for Foreign Currency Transactions.
8. (1) The bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision. A reserve for bad debts for loans to debtors who are legally deemed to be experiencing financial difficulties such as bankruptcy, special liquidation or whose	8. (1) The bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision. A reserve for bad debts for loans to debtors who are legally deemed to be experiencing financial difficulties such as bankruptcy, special liquidation or whose

March 31, 2011	March 31, 2012
notes are under suspension at clearing houses, and loans for debtors who are substantially deemed to be experiencing financial difficulties are provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible through guarantees. A bad debt reserve for loans to debtors who likely experience financial difficulties in the future is provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible from guarantees considering the debtor's ability to repay the entire outstanding debt. For loans other than those described above, a bad debt reserve is calculated at an amount of the outstanding balances multiplied by actual historical bad debt ratios. All loans and receivables are provided for based on the assessment under the internal standard for self-assessment of assets. The assessment was performed by the departments which are responsible for respective assets. Investment Risk Management Department reviews those results.	notes are under suspension at clearing houses, and loans for debtors who are substantially deemed to be experiencing financial difficulties are provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible through guarantees. A bad debt reserve for loans to debtors who likely experience financial difficulties in the future is provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible from guarantees considering the debtor's ability to repay the entire outstanding debt. For loans other than those described above, a bad debt reserve is calculated at an amount of the outstanding balances multiplied by actual historical bad debt ratios. All loans and receivables are provided for based on the assessment under the internal standard for self-assessment of assets. The assessment was performed by the departments which are responsible for respective assets. Investment Risk Management Department reviews those results.
(2) Reserve for pension and retirement benefits is established to provide for future retirement benefits based on the estimated retirement benefit obligation and plan assets as of March 31, 2011. Unrecognized prior service costs are amortized using the straight-line method over certain periods within the estimated average remaining service years of employees (4 years). Unrecognized actuarial gains and losses are amortized from the year following the year in which those gains and losses arise using the straight-line method over certain periods within the estimated average remaining service years of employees (11 or 12 years).	(2) Reserve for pension and retirement benefits is established to provide for future retirement benefits based on the estimated retirement benefit obligation and plan assets as of March 31, 2012. Unrecognized prior service costs are amortized using the straight-line method over certain periods within the estimated average remaining service years of employees (4 years). Unrecognized actuarial gains and losses are amortized from the year following the year in which those gains and losses arise using the straight-line method over certain periods within the estimated average remaining service years of employees (11 years). (Additional information) During the fiscal year ended March 31, 2012

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Significant Items for Presenting Financial Statements (Continued)

March 31, 2011	March 31, 2012
	the Company reduced the number of amortization years over which unrecognized actuarial gains and losses are amortized from 12 years to 11 years for defined benefit corporation pension plans (fund type) and certain lump-sum severance payment plans due to a decrease in the estimated average remaining service years of employees. As a result of this change, ordinary profit and income before income taxes decreased by ¥912 million, respectively.
	The Company integrated its defined benefit corporation pension plans (contract type) into a single plan and transferred a part of the plan to defined contribution corporation pension plan effective on October 1, 2011. The Company applied "Accounting Standard for Transfer between Retirement Benefit Plans" (ASBJ Guidance No.1, January 31, 2002) in accounting for this transition. The effect of the transition on the consolidated financial statements was immaterial.
(3) In order to provide for payment of bonuses to employees, the Company accounts for Accrued bonuses for employees based on the estimated amounts to be paid.	(3) In order to provide for payment of bonuses to employees, the Company accounts for Accrued bonuses for employees based on the estimated amounts to be paid.
(4) Reserve for price fluctuation is recognized under Article 115 of the Insurance Business Law to provide for possible losses arising from price fluctuations of investment securities.	(4) Reserve for price fluctuation is recognized under Article 115 of the Insurance Business Law to provide for possible losses arising from price fluctuations of investment securities.
9. Finance lease transactions that do not transfer ownership are accounted for in a similar manner with ordinary sale and purchase transactions.	9. Finance lease transactions are accounted for in a similar manner with ordinary sale and purchase transactions.
10. The fair value hedge accounting method is primarily applied to forward exchange contracts used for hedging risks of fluctuations of foreign exchange rates.	10. The fair value hedge accounting method is applied to forward exchange contracts used for hedging risks of fluctuations of foreign exchange rates and to equity forward contracts used for hedging risks of price fluctuation of stocks.

March 31, 2011

Foreign exchange contracts that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates under those contracts were originally applied to the underlying financial instruments.

When the fair value hedge is applied to foreign currency debt securities, individual securities are specified as the hedged items to apply the hedge individually.

The Company does not perform an assessment of hedge effectiveness, because material terms relating to hedged items and hedging instruments are substantially identical and such hedging transactions are deemed highly and clearly interrelated.

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

12.

(1) The Company adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008) in the fiscal year ended March 31, 2011. As a result of the adoption of the standard and guidance, ordinary profit decreased by ¥29 million, and loss before income taxes increased by ¥73 million, respectively.

(2) The Company adopted "Accounting

March 31, 2012

Foreign exchange contracts that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates under those contracts were originally applied to the underlying financial instruments.

When the fair value hedge is applied to foreign currency debt securities and stocks, individual securities are specified as the hedged items to apply the hedge individually.

The Company does not perform an assessment of hedge effectiveness, because material terms relating to hedged items and hedging instruments are substantially identical and such hedging transactions are deemed highly and clearly interrelated.

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

12.

(1) Effective April 1, 2011, the Company and its subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, issued on December 4, 2009). These standard and guidance are applicable for accounting changes and corrections of prior period errors made on or after April 1, 2011

March 31, 2011

Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008) in the fiscal year ended March 31, 2011.

March 31, 2012

(2) Following the promulgation on December 2, 2011 of the "Act for partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economics and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), the corporation tax rate will be reduced gradually and surtaxes for reconstruction funding after the Great East Japan Earthquake will be imposed for fiscal years beginning on or after April 1, 2012. As a result of these changes, the effective statutory tax rates which are used to measure deferred tax assets and liabilities as of March 31, 2012 were changed from 36.1% to 33.2% for the temporary differences that are expected to be reversed during the period from April 1, 2012 to March 31, 2015 and to 30.7% for the temporary differences that are expected to be reversed in the fiscal years beginning on or after April 1, 2015. Due to the changes in the corporation tax rate, net deferred tax assets and underwriting reserves decreased by ¥29,558 million and ¥9,041 million, respectively, net unrealized gains on investments in securities and deferred income taxes increased by ¥3,918 million and ¥33,477 million, respectively, and net loss increased by ¥24,435 million.

Valuation allowance for the deferred tax assets on investment in securities was increased as the Company reviewed and revised the schedule of the future reversals of temporary differences in consideration of the market environment. Net deferred tax assets decreased by ¥24,605 million, and deferred income taxes and net loss increased by ¥24,605 million, respectively.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Balance Sheets

As of and for the years ended March 31, 2011 and 2012

March 31, 2011

1.

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

The Company runs non-life insurance business and manages money arising from insurance premiums and other investment assets.
The Company invests in securities, loans, real estates, and other investment assets focusing on enhancing profitability, while maintaining well-liquidity and securing investment returns stably in order to provide for payment of the insurance liabilities such as claims and maturity-refunds. The Company strives to establish an optimal investment portfolio, which allows the Company to generate sustainable investment returns, by changing asset allocation flexibly corresponding to the outlook for investment environment or by improving the efficiency of investment assets.
As for the investment management relating to saving type insurance, long-term fire insurance and care insurance, the Company strives to secure sustainable investment returns by investing in the assets with high liquidity and credibility based on Asset Liability Management ("ALM").
The Company utilizes derivative transactions for the purpose of hedging market risks such as fluctuations of interest rates and foreign exchange rates.

(ii) Details of financial instruments and associated risks

Financial assets held by the Company mainly consist of securities such as bonds, stocks and foreign securities, loans and so on.

March 31, 2012

1.

(1) Qualitative information on financial instruments

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The Company utilizes derivative transactions for the purpose of hedging market risks such as fluctuations of interest rates, foreign exchange rates and stock prices.

(ii) Details of financial instruments and associated risks

Financial assets held by the Company mainly consist of securities such as bonds, stocks and foreign securities, loans and so on.

March 31, 2011

Securities held by the Company at the end of this fiscal year mainly consist of bonds, stocks and investment trust which are intended for portfolio investments and the business development including business and capital alliances. These securities are exposed to credit risks of issuers, and the market risks which arise from fluctuation in interest rates and fair market value, respectively. Foreign securities are also exposed to the risks which arise from fluctuation in foreign exchange rates.

Loans are exposed to credit risks of suffering losses at the time when the value of loans declines or is lost due to the deterioration in the financial condition of the counterparty. The fixed rate loans are also exposed to the risk arisen from fluctuation in interest rates.

The Company utilized derivative transactions such as forward exchange contracts, interest rate swaps, equity index options, stock index futures, bond futures, and credit derivatives during the year ended March 31, 2011. The Company utilizes derivative transactions mainly in order to hedge market risks arisen from fluctuation in foreign exchange rates, stock prices and interest rates in view of overall assets, liabilities and derivative positions, their risk amounts, and fair values.

Forward exchange contracts, interest rate swaps, and equity index options are exposed to risks from fluctuation in foreign exchange rates, interest rates, and market price of stocks, respectively. Credit derivatives are exposed to the credit risks of the reference entities. The derivative transactions are also exposed to the market liquidity risks that the preferred transactions cannot be executed at fair values due to the deterioration of market liquidity.

March 31, 2012

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March 31, 2011

(iii) Risk management structure relating to financial instruments

The Company establishes a basic policy regarding investment risks and an investment risk management policy that prescribes the definition of risks and risk management methodologies, which are resolved by the Board of Directors. The Company also maintains checks and balances by the risk management department which is independent from front-office and back-office.
The risk management department measures the risks, such as interest rates, foreign exchange rates, and market prices, based on the assets and liabilities positions (including derivative positions) using unified criteria (VaR, Value-at-Risk) to monitor whether risk amounts are within limits of risk capital resolved by the Board of Directors. The risk management department also performs sensitivity analysis addressing changes in market environments, such as interest rates, foreign currency rates, and market prices.
Financial instruments including securities are traded and managed based on the investment guideline and the investment plan which are resolved by the Board of Directors.
The risk management department reports investment risks, including the evaluation of compliance with the specified risk limits, to the investment committee on a monthly basis, and to the management committee and the Board of Directors on a quarterly basis. Investment planning department reports status of investment management including derivative transactions to the investment committee on a monthly basis, and to the management committee and the Board of Directors on a quarterly basis.

March 31, 2012

(iii) Risk management structure relating to financial instruments

The Company establishes a basic policy regarding investment risks and an investment risk management policy that prescribes the definition of risks and risk management methodologies, which are resolved by the Board of Directors. The Company also maintains checks and balances by the risk management department which is independent from front-office and back-office.
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March 31, 2011

In addition to VaR and sensitivity analysis, the Company establishes the following controls in order to manage various risks relating to financial instruments:

A. Market risk management

a. Interest rate risk management

The Company manages the risk arising from fluctuation of interest rates by Asset Liability Management (ALM). The investment management plans including policy pertaining to ALM are to be resolved at the Board of Directors. The investment committee and Board of Directors monitor status of investment and their risks, and discuss future investment strategies.

b Foreign exchange rate risk management

The Company strives to hedge the risk arising from fluctuations of foreign exchange rates using forward exchange contracts.

c. Price volatility risk management

The Company manages the risk arising from the market price volatility by setting loss cut rules and other methods such as stress tests. In addition, the Company manages purchases of securities intended for portfolio investments by preliminary review of transactions, setting position limit, and other continuous monitoring processes in order to reduce price volatility risk. As for the securities intended for business development including business and capital alliances, the Company monitors market environment and financial conditions of investees.

March 31, 2012

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The Company strives to hedge risks of

March 31, 2011

d. Derivative transactions

The Company executes derivative transactions based on the authorization policy that provides procedures for settlement of derivative transactions. As for regular derivative transactions, the investment administration management department, which is independent of the investment management department, confirms details of the transactions by reconciling trade tickets forwarded from the investment management department with trade confirmations sent directly by financial institutions and securities companies.

B. Credit risk management

The Company manages financial instruments with credit risks including derivatives under the credit management structure that provides credit exposure management based on credit ratings, regular monitoring of borrowers and the clarified policy for credit screening. In addition, derivative instruments are entered into with selected counterparties with high credit quality and transactions are diversified across them in order to avoid credit risks by nonperformance.

C. Liquidity risk management relating to financing

The Company conducts appropriate treasury management of cash position by holding substantial amount of liquid assets and seeking accurate understanding of cash inflows and outflows. The Company strives to prevent market liquidity risk from arising by an appropriate risk

March 31, 2012

price fluctuation of stocks using equity forward contracts.

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The Company executes derivative transactions based on the authorization policy that provides procedures for settlement of derivative transactions. As for regular derivative transactions, the investment administration management department, which is independent of the investment management department, confirms details of the transactions by reconciling trade tickets forwarded from the investment management department with trade confirmations sent directly by financial institutions and securities companies.

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March 31, 2011

management both qualitatively and quantitatively.

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

The fair value of financial instruments is determined based on market price and by reasonable estimate with certain assumptions when market price is not available.

(2) Fair value of financial instruments

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

	Balance sheet amount	Fair Value	Difference
		(Yen in millions)	
(i) Cash, deposits & savings	¥ 247,669	247,669	-
(ii) Monetary claims bought	1,430	1,430	-
(iii) Money trusts	1,903	1,903	-
(iv) Securities			
Securities held to maturities	8	8	0
Bonds earmarked for policy reserves	15	16	0
Available for sale securities	1,895,377	1,895,377	-
(v) Loans	325,137		
Bad debt reserve (*1)	(943)		
	324,194	327,208	3,014
Total assets	¥ 2,470,600	2,473,615	3,015
Derivative transaction (*2)			
Hedge accounting not applied	¥ 1,005	1,005	-
Hedge accounting applied	(7,070)	(7,070)	-

March 31, 2012

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	Balance sheet amount	Fair Value	Difference
		(Yen in millions)	
(i) Cash, deposits & savings	¥ 144,758	144,758	-
(ii) Monetary claims bought	1,003	1,003	-
(iii) Money trusts	1,884	1,884	-
(iv) Securities			
Available for sale securities	1,976,012	1,976,012	-
(v) Loans	274,508		
Bad debt reserve (*1)	(544)		
	273,964	275,663	1,698
Total assets	¥ 2,397,624	2,399,322	1,698
Derivative transaction (*2)			
Hedge accounting not applied	¥ 589	589	-
Hedge accounting applied	(12,542)	(12,542)	-
Total derivative transaction	¥ (11,953)	(11,953)	-

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Balance Sheets (Continued)

March 31, 2011

Total derivative transaction	¥ (6,064)	(6,064)	-

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

(*2) Derivative transactions recorded in Other assets and Other liabilities are shown together. Assets and liabilities derived from derivative transactions are presented on a net basis and net credit position is shown with ().

(Note 1) Determination of fair value of financial instruments

Assets

(i) Cash, deposits & savings
With regard to deposits & savings, the book value is deemed as the fair value since the book value approximates the fair value.

(ii) Monetary claims bought

With regard to monetary claims bought, the price quoted by the counterparty financial institutions is deemed as the fair value.

(iii) Money trusts

With regard to Money trusts, total amount of the fair value of assets held in the trusts is deemed as the fair value.

(iv) Securities

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

March 31, 2012

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March 31, 2011

counterparty financial institutions. With regard to investments in partnerships, the Company's share in the net assets of the partnerships (after measuring the assets held by the partnerships at fair value where possible) is deemed as the fair value of the investments.

(v) Loans

With regard to floating rate loans, the book value is deemed as the fair value so long as no significant changes in credit risk arise, because interest rate changes will be timely reflected in the future cash flows and the book value approximates the fair value.
With respect to fixed rate loans, for each category of loans based on types of loans, duration and credit ratings, the fair value is measured as the present value of estimated future cash flows, discounted at interest rate applicable to the same type of new loans.
For loans to doubtful debtors, the carrying amount less bad debt reserve is deemed as the fair value, because bad debt reserve is determined individually by discounting the estimated future cash flows or based on appraisal value of underlying collateral where appropriate.
For loans to debtors in legal or de-facto bankruptcy, the carrying amount less bad debt reserve is deemed as the fair value, because bad debt reserve is determined individually based on appraisal value of underlying collateral where appropriate.
With regard to loans with limited amount within surrender value and no contractual maturity, the book value is deemed as the fair value since the book value approximates the fair value given their estimated repayment period and interest rate terms.

March 31, 2012

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For loans to debtors in legal or de-facto bankruptcy, the carrying amount less bad debt reserve is deemed as the fair value, because bad debt reserve is determined individually based on appraisal value of underlying collateral where appropriate.
With regard to loans with limited amount within surrender value and no contractual maturity, the book value is deemed as the fair value since the book value approximates the fair value given their estimated repayment period and interest rate terms.

March 31, 2011

Derivative transaction

(i) Hedge accounting not applied

With regard to foreign exchange contract, the fair value is based on futures market price at the end of year. With regard to the other derivative transactions, the fair value is based on the price quoted by counterparty financial institutions.

(ii) Hedge accounting applied

With regard to foreign exchange contract, the fair value is based on the futures' market price at the end of year.

(Note 2)
The following financial instruments held as of March 31, 2011 are not included in the above table, because determination of their fair values is deemed to be impracticable.
Unlisted stocks and investments in silent partnership (Carrying amount on the balance sheet: ¥138,433 million) are not included in the scope of fair value disclosure, because there is no market price for those financial instruments and it is impracticable to project future cash flows.

2.
(1) Matters related to investment and leasing property

The Company owns rental office (including those for internal use) and residential properties and idle real estates in major cities in Japan.

(2) Fair value of Investment and Rental Property as of March 31, 2011

Carrying amount	¥48,455 million
Fair value	66,383 million

(Note 1)
Carrying amount represents the cost of

March 31, 2012

Derivative transaction

With regard to foreign exchange contract, the fair value is based on futures market price at the end of year. With regard to the other derivative transactions, the fair value is based on the price quoted by counterparty financial institutions.

(Note 2)
The following financial instruments held as of March 31, 2012 are not included in the above table, because determination of their fair values is deemed to be impracticable.
Unlisted stocks and investments in silent partnership (Carrying amount on the balance sheet: ¥91,002 million) are not included in the scope of fair value disclosure, because there is no market price for those financial instruments and it is impracticable to project future cash flows.

2.
(1) Matters related to investment and leasing property

The Company owns rental office (including those for internal use) and residential properties and idle real estates in major cities in Japan.

(2) Fair value of Investment and Rental Property as of March 31, 2012

Carrying amount	¥44,927 million
Fair value	59,534 million

(Note 1)
Carrying amount represents the cost of

March 31, 2011

acquisition less accumulated depreciation.

(Note 2)
Fair value as of March 31, 2011 is primarily based on appraisals by qualified external valuers. With respect to the investment and leasing properties with no substantial changes in their appraisal values or indices in which market prices are reflected appropriately since the most recent appraisals, fair value is determined based on these appraisal values or the values adjusted by these indices.

3.

(1) Loans to financially impaired parties and overdue loans amount to ¥13 million and ¥1,773 million, respectively.

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

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

(2) Loans overdue for 3 months or more amounted to ¥602 million.

Loans overdue for 3 months or more represent loans for which principal or interest is past due for 3 months or more

March 31, 2012

acquisition less accumulated depreciation.

(Note 2)
Fair value as of March 31, 2012 is primarily based on appraisals by qualified external valuers. With respect to the investment and leasing properties with no substantial changes in their appraisal values or indices in which market prices are reflected appropriately since the most recent appraisals, fair value is determined based on these appraisal values or the values adjusted by these indices.

3.

(1) Loans to financially impaired parties and overdue loans amount to ¥23 million and ¥981 million, respectively.

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

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

(2) Loans overdue for 3 months or more amounted to ¥709 million.

Loans overdue for 3 months or more represent loans for which principal or interest is past due for 3 months or more

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Balance Sheets (Continued)

March 31, 2011	March 31, 2012
after the contractual due date for repayment of principal or interest and excludes loans to financially impaired parties and overdue loans.	after the contractual due date for repayment of principal or interest and excludes loans to financially impaired parties and overdue loans.
(3) Restructured loans amounted to ¥2,184 million.	(3) Restructured loans amounted to ¥1,630 million.
Restructured loans are those loans which have granted favorable terms for the benefit of debtors such as interest exemption or reduction, grace on interest payments, grace on principal repayments, or forgiveness of debts for the purpose of restructuring of or support to the debtors in financial difficulty. Loans to financially impaired parties, overdue loans and loans overdue for 3 months or more are excluded from this category.	Restructured loans are those loans which have granted favorable terms for the benefit of debtors such as interest exemption or reduction, grace on interest payments, grace on principal repayments, or forgiveness of debts for the purpose of restructuring of or support to the debtors in financial difficulty. Loans to financially impaired parties, overdue loans and loans overdue for 3 months or more are excluded from this category.
(4) The total of delinquent loans amounts to ¥4,573 million.	(4) The total of delinquent loans amounts to ¥3,345 million.
4. Accumulated depreciation and reduction entry of tangible fixed assets amount to ¥242,898 million and ¥12,064 million, respectively. The reduction entry of ¥44 million was deducted from the acquisition costs for the tangible fixed assets acquired using government and other subsidies during the year ended March 31, 2011.	4. Accumulated depreciation and reduction entry of tangible fixed assets amount to ¥244,545 million and ¥9,872 million, respectively.
5. The total amounts receivable from and payable to affiliated companies amounted to ¥13,556 million and ¥4,447 million, respectively.	5. The total amounts receivable from and payable to affiliated companies amounted to ¥10,415 million and ¥8,938 million, respectively.
6. The total amounts of deferred tax assets and deferred tax liabilities amounted to ¥262,756 million and ¥12,035 million, respectively. The amount deducted from deferred tax assets as valuation allowance was ¥11,970 million. Significant components of deferred tax assets are underwriting reserve of ¥149,255 million, loss carried forward of ¥32,161 million, investment in securities of ¥27,729 million, depreciation of ¥18,970 million and	6. The total amounts of deferred tax assets and deferred tax liabilities amounted to ¥226,950 million and ¥21,583 million, respectively. The amount deducted from deferred tax assets as valuation allowance was ¥34,532 million. Significant components of deferred tax assets are underwriting reserve of ¥133,009 million, investment in securities of ¥26,377 million, loss carried forward of ¥23,538 million, asset of retirement benefit trust of

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Balance Sheets (Continued)

March 31, 2011

asset of retirement benefit trust of ¥14,090 million.
Significant component of deferred tax liabilities is unrealized gains on investments in securities of ¥9,252 million.

7. Investments in subsidiaries and affiliates amount to ¥95,773 million.

8. Securities in the amount of ¥19,859 million, money trusts in the amount of ¥1,703 million are pledged as collateral for loan payables in the amount of ¥37 million, for letter of credit issued and for overseas operations.

9. Details of outstanding claims are as follows (Yen in millions):

Gross outstanding claims (except for (a))	¥	527,339
Reinsurance recoverable on unpaid losses		(99,875)
Net		427,463
Outstanding claims relating to earthquake and compulsory automobile liability insurance (a)		55,542
Total	¥	483,006

10. Details of underwriting reserve are as follows (Yen in millions):

Gross ordinary underwriting reserves	¥	895,211
Reinsurance recoverable on underwriting reserves		(34,828)
Net		860,382
Refund reserve		718,072
Reinsurance recoverable on refund reserve		(0)
Net		718,072
Other underwriting reserves		660,415
Total	¥	2,238,870

11. Net assets per share as of March 31, 2011 were ¥649.33. Total net assets for both all

March 31, 2012

¥21,722 million and depreciation of ¥15,349 million.
Significant component of deferred tax liabilities is unrealized gains on investments in securities of ¥19,262 million.

7. Investments in subsidiaries and affiliates amount to ¥49,350 million.

8. Securities in the amount of ¥20,760 million, money trusts in the amount of ¥1,684 million are pledged as collateral for loan payables in the amount of ¥28 million, for letter of credit issued and for overseas operations.

9. Details of outstanding claims are as follows (Yen in millions):

Gross outstanding claims (except for (a))	¥	480,953
Reinsurance recoverable on unpaid losses		(47,749)
Net		433,203
Outstanding claims relating to earthquake and compulsory automobile liability insurance (a)		49,143
Total	¥	482,347

10. Details of underwriting reserve are as follows (Yen in millions):

Gross ordinary underwriting reserves	¥	904,478
Reinsurance recoverable on underwriting reserves		(58,422)
Net		846,056
Other underwriting reserves		1,193,564
Total	¥	2,039,620

11. Net assets per share as of March 31, 2012 were ¥558.61. Total net assets for both all

March 31, 2011	March 31, 2012
shares and common shares were ¥476,674 million, outstanding common shares were 734,101 thousand shares as of March 31, 2011.	shares and common shares were ¥410,077 million, outstanding common shares were 734,101 thousand shares as of March 31, 2012.

12. The Company merged with Nissay Dowa General Insurance Company, Limited on October 1, 2010 and the Company's name was changed to Aioi Nissay Dowa Insurance Company, Limited. Matters regarding the merger are as follows:

(1) Outlines of the business combination

(i) Name and business of combined entities

A Combining company
Company name: Aioi Insurance Company, Limited
Description of business: Non-life insurance

B Combined company
Company name: Nissay Dowa General Insurance Company, Limited
Description of business: Non-life insurance

(ii) Date of business combination
October 1, 2010

(iii) Legal form of the business combination
Merger by absorption of Nissay Dowa General Insurance Company, Limited by Aioi Insurance Company, Limited as surviving company

(iv) Name of the Company after business combination
Aioi Nissay Dowa Insurance Company, Limited

(v) Outline and purpose of the transaction
The Company seeks to enhance the group's enterprise value as a main non-life insurance company of MS&AD Insurance Group, through the merger with Nissay Dowa General Insurance Company, Limited.

March 31, 2011

(2) Outline of the accounting treatment adopted

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

13. Guarantees and similar arrangements are as follows:

(Guarantees)

The Company provides guarantees to the underwriting transactions of the following companies: (Yen in millions)

Aioi Nissay Dowa Insurance Company of Europe Limited	¥17,144
Dowa Insurance Company (Europe) Limited	11
Aioi Nissay Dowa Insurance Company of America	1,933
Total	¥19,089

(Arrangements similar to guarantee)

The Company executes a net worth maintenance agreement on behalf of its subsidiary, DTRIC Insurance Company, Limited ("DTRIC"). Under this agreement, the Company's funding and other obligations are triggered if DTRIC falls under a situation that its net worth falls short of a predetermined level or it does not maintain adequate liquidity for payment for its obligations. This agreement does not provide any guarantees for payment for its obligations.

DTRIC was not in the triggering situation stated above as of March 31, 2011. The aggregated amount of liabilities and assets of DTRIC as of March 31, 2011 were ¥4,315 million and ¥6,904 million, respectively.

March 31, 2012

12. Guarantees and similar arrangements are as follows:

(Guarantees)

The Company provides guarantees to the underwriting transactions of the following companies: (Yen in millions)

Aioi Nissay Dowa Insurance Company of Europe Limited	¥20,067
Dowa Insurance Company (Europe) Limited	18
Aioi Nissay Dowa Insurance Company of America	2,311
Total	¥22,397

(Arrangements similar to guarantee)

The Company executes a net worth maintenance agreement on behalf of its subsidiary, DTRIC Insurance Company, Limited ("DTRIC"). Under this agreement, the Company's funding and other obligations are triggered if DTRIC falls under a situation that its net worth falls short of a predetermined level or it does not maintain adequate liquidity for payment for its obligations. This agreement does not provide any guarantees for payment for its obligations.

DTRIC was not in the triggering situation stated above as of March 31, 2012. The aggregated amount of liabilities and assets of DTRIC as of March 31, 2012 were ¥4,708 million and ¥7,278 million, respectively.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Balance Sheets (Continued)

March 31, 2011

14. Unutilized portion of commitment lines given to third parties amounted to ¥12,648 million.
A commitment line is a contract whereby a specified amount of loan will be made available by the Company to the counterparty as long as there is no violation of the terms specified under the agreement.
15. Matters regarding retirement benefits are as follows (Yen in millions):

(1) Details of retirement benefit obligation:

Projected retirement benefit obligation	¥	179,114
Plan assets		(177,988)
Unfunded obligation		1,126
Unrecognized actuarial losses		(25,392)
Unrecognized prior service cost		102
Balance sheet amount (net)		(24,163)
Prepaid pension expense		(44,708)
Reserve for pension and retirement benefits	¥	20,544

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

Attribution method of retirement benefits over service period	The benefit years of service method
Discount rate	2.0 %
Expected rate of return on plan assets	
Defined Benefit Corporate Pension Plan (Fund Type)	2.0 %
Defined Benefit Corporate Pension Plan (Contract Type)	1.5 %
Retirement benefit trust	0.0 %
Amortization period for prior service costs	4 years
Amortization period for unrecognized actuarial gains and losses	11 or 12 years

16. "Subsidiary" and "affiliated company"

March 31, 2012

13. Unutilized portion of commitment lines given to third parties amounted to ¥13,575 million.
A commitment line is a contract whereby a specified amount of loan will be made available by the Company to the counterparty as long as there is no violation of the terms specified under the agreement.
14. Matters regarding retirement benefits are as follows (Yen in millions):

(1) Details of retirement benefit obligation:

Projected retirement benefit obligation	¥	174,481
Plan assets		(176,120)
Unfunded obligation		(1,638)
Unrecognized actuarial losses		(23,365)
Unrecognized prior service cost		1,206
Balance sheet amount (net)		(23,798)
Prepaid pension expense		(41,935)
Reserve for pension and retirement benefits	¥	18,136

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

Attribution method of retirement benefits over service period	The benefit years of service method
Discount rate	2.0 %
Expected rate of return on plan assets	
Defined Benefit Corporate Pension Plan (Fund Type)	2.0 %
Defined Benefit Corporate Pension Plan (Contract Type)	2.0 %
Retirement benefit trust	0.0 %
Amortization period for prior service costs	4 years
Amortization period for unrecognized actuarial gains and losses	11 years

15. "Subsidiary" and "affiliated company"

March 31, 2011	March 31, 2012
appearing elsewhere in this balance sheet and notes thereto refer to those defined in Article 2 of the Corporate Accounting Regulations.	appearing elsewhere in this balance sheet and notes thereto refer to those defined in Article 2 of the Corporate Accounting Regulations.
17. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.	16. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Statements of Income

For the years ended March 31, 2011 and 2012

March 31, 2011

1. The aggregate amounts of income and expenses resulting from transactions with affiliated companies amounted to ¥24,525 million and ¥50,431 million, respectively.

2.

(1) Details of net premiums written are as follows (Yen in millions):

Gross premiums written	¥	1,112,267
Reinsurance premiums ceded		165,889
Net	¥	946,378

(2) Details of net claims paid are as follows (Yen in millions):

Gross claims paid	¥	749,054
Claim recoveries from ceded reinsurance		153,510
Net	¥	595,543

(3) Details of commissions and collection expenses are as follows (Yen in millions):

Commissions and collection expenses paid	¥	180,986
Reinsurance commissions received		11,770
Net	¥	169,215

(4) Details of provision for (reversal of) outstanding claims are as follows (Yen in millions):

Gross provision for (reversal of) outstanding claims (except for (a))	¥	89,713
Less reinsurance recoverable on unpaid losses		63,022
Net		26,691
Provision for (reversal of) outstanding claims relating to earthquake and compulsory automobile liability insurance (a)		10,393
Total	¥	37,085

(5) Details of reversal of (provision for) underwriting reserve are as follows (Yen in millions):

March 31, 2012

1. The aggregate amounts of income and expenses resulting from transactions with affiliated companies amounted to ¥17,635 million and ¥62,034 million, respectively.

2.

(1) Details of net premiums written are as follows (Yen in millions):

Gross premiums written	¥	1,316,005
Reinsurance premiums ceded		241,374
Net	¥	1,074,631

(2) Details of net claims paid are as follows (Yen in millions):

Gross claims paid	¥	1,225,596
Claim recoveries from ceded reinsurance		420,570
Net	¥	805,026

(3) Details of commissions and collection expenses are as follows (Yen in millions):

Commissions and collection expenses paid	¥	210,306
Reinsurance commissions received		21,232
Net	¥	189,074

(4) Details of reversal of (provision for) outstanding claims are as follows (Yen in millions):

Gross reversal of (provision for) outstanding claims (except for (a))	¥	46,386
Less reinsurance recoverable on unpaid losses		52,126
Net		(5,739)
Reversal of (provision for) outstanding claims relating to earthquake and compulsory automobile liability insurance (a)		6,400
Total	¥	660

(5) Details of reversal of (provision for) underwriting reserve are as follows (Yen in millions):

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Statements of Income (Continued)

March 31, 2011

Gross reversal of (provision for) ordinary underwriting reserves	¥	(21,445)
Less reinsurance recoverable on underwriting reserves		(8,305)
Net		(13,139)
Reversal of (provision for) refund reserve		54,354
Less reinsurance recoverable on refund reserve		0
Net		54,353
Reversal of (provision for) other underwriting reserves		52,266
Total	¥	93,481

(6) Details of interest and dividends income are as follows (Yen in millions):

Interest on deposits and savings	¥	332
Interest on monetary claims bought		89
Interest and dividends in securities		44,977
Interest on loans		5,912
Rental income on properties		5,285
Other interest and dividends		696
Total	¥	57,293

3. Either interest and dividends income or gains and losses on sale do not arise in Losses on trading securities. The total of valuation gains and losses on devaluation is a gain in the amount of ¥7 million.

4. Gains and losses on devaluation were not included in the investment gains and losses on money trust. The total of valuation gains and losses included in the gains on derivative transactions is a gain in the amount of ¥10,883 million.

5. Net loss per share for the year ended March 31, 2011 is ¥13.71.
Earnings per share after adjustment for dilutive effect of shares is not presented as no dilutive securities exist.
Net loss per share is computed based on the following figures: Net loss and Net loss

March 31, 2012

Gross reversal of (provision for) ordinary underwriting reserves	¥	(9,039)
Less reinsurance recoverable on underwriting reserves		(23,365)
Net		14,326
Reversal of (provision for) refund reserve		55,959
Less reinsurance recoverable on refund reserve		0
Net		55,958
Reversal of (provision for) other underwriting reserves		128,971
Total	¥	199,257

(6) Details of interest and dividends income are as follows (Yen in millions):

Interest on deposits and savings	¥	372
Interest on monetary claims bought		40
Interest and dividends in securities		46,974
Interest on loans		5,346
Rental income on properties		5,269
Other interest and dividends		452
Total	¥	58,455

3. Gains and losses on devaluation were not included in the investment gains and losses on money trust. The total of valuation gains and losses included in the losses on derivative transactions is a loss in the amount of ¥198 million.

4. Net loss per share for the year ended March 31, 2012 is ¥59.32.
Earnings per share after adjustment for dilutive effect of shares is not presented as no dilutive securities exist.
Net loss per share is computed based on the following figures: Net loss and Net loss

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Statements of Income (Continued)

March 31, 2011

available to common stockholders, ¥10,065 million; and Average outstanding common shares during the year, 734,101 thousand shares.

6. Other underwriting expenses include losses on derivatives to reduce the currency risk of reinsurance transactions in foreign currency in the amount of ¥4,105 million.

7. Other extraordinary losses include business integration costs (¥ 21,666 million) and losses on cumulative adjustment for the adoption of "Accounting Standard for Asset Retirement Obligations" (¥ 308 million).

8. Costs for retirement benefits included in loss adjustment expenses, operating expenses and general and administrative expenses are as follows (Yen in millions):

Service costs	¥	4,704
Interest cost		3,016
Expected return on plan assets		(1,945)
Amortization of unrecognized actuarial losses		1,864
Amortization of unrecognized prior service costs		(14)
Net periodic pension cost		7,624
Contributions paid to defined contribution plan		685
Total	¥	8,309

9. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2012

available to common stockholders, ¥43,549 million; and Average outstanding common shares during the year, 734,101 thousand shares.

5. Other underwriting expenses include losses on derivatives to reduce the currency risk of reinsurance transactions in foreign currency in the amount of ¥603 million.

6. Costs for retirement benefits included in loss adjustment expenses, operating expenses and general and administrative expenses are as follows (Yen in millions):

Service costs	¥	5,741
Interest cost		3,518
Expected return on plan assets		(2,416)
Amortization of unrecognized actuarial losses		3,572
Amortization of unrecognized prior service costs		(190)
Net periodic pension cost		10,225
Effect of revision of retirement benefit plan		(97)
Contributions paid to defined contribution plan		853
Total	¥	10,980

7. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Statements of Changes in Net Assets

For the years ended March 31, 2011 and 2012

March 31, 2011

1. Type and number of shares issued and treasury stock (Shares in thousands)

	April 1, 2010	Increase	Decrease	March 31, 2011
Issued:				
Common shares	756,201	-	22,100	734,101
Total	756,201	-	22,100	734,101
Treasury stock:				
Common shares	22,100	-	22,100	-
Total	22,100	-	22,100	-

Note: The decrease in the number of common treasury stocks during the year (22,100 thousand shares) was due to retirement of these shares.

2. Dividends

(1) Dividends paid (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Aggregate amount of dividends	Dividend per share	Date of record	Effective date
General meeting of stockholders held on June 29, 2010	Common shares	¥ 7,341	¥10.00	March 31, 2010	June 30, 2010
Meeting of the Board of Directors held on June 29, 2010	Common shares	¥ 300	¥ 0.40	-	July 2, 2010
Meeting of the Board of Directors held on August 12, 2010	Common shares	¥2,750	¥3.74	-	August 13, 2010
Meeting of the Board of Directors held on November 19, 2010	Common shares	¥ 6,990	¥ 9.52	-	December 1, 2010

Resolution	Type of share	Type of assets for dividends and book value		Dividend per share	Date of record	Effective date
Meeting of the Board of Directors held on August 12, 2010	Common shares	Common shares of MS&AD Research Institute Company, Limited Inter Risk Research Institute and Consulting, Inc. and MS&AD Staffing Service Company, Limited	¥ 222	¥0.30	-	October 1, 2010

March 31, 2012

1. Type and number of shares issued and treasury stock (Shares in thousands)

	April 1, 2011	Increase	Decrease	March 31, 2012
Issued:				
Common shares	734,101	-	-	734,101
Total	734,101	-	-	734,101

Note: There is no treasury stock required to be disclosed.

2. Dividends

(1) Dividends paid (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Type of assets for dividends and book value		Dividend per share	Date of record	Effective date
Meeting of the Board of Directors held on March 30, 2011	Common shares	Common shares of MS&AD BUSINESS SERVICE COMPANY, LIMITED	¥ 194	¥0.26	-	April 1, 2011
Meeting of the Board of Directors held on May 18, 2011	Common shares	Treasury Discount Bills (115th)	¥ 5,599	¥7.62	March 31, 2011	June 9, 2011
Meeting of the Board of Directors held on September, 30, 2011	Common shares	Common shares of Aioi Life Insurance Company, Limited, MS&AD Systems Company, Limited and Anshin Dial Co.,Ltd.	¥ 42,556	¥57.97	-	October 1, 2011
Meeting of the Board of Directors held on November 17, 2011	Common shares	Treasury Discount Bills (218th)	¥ 3,269	¥4.45	-	November 18, 2011

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Statements of Changes in Net Assets (Continued)

March 31, 2011

(2) Dividends to be made effective after March 31, 2011 for which the date of record is in the fiscal year ended March 31, 2011 (Yen in millions, except for dividend per share in Yen))

Resolution	Type of share	Type of assets for dividends and book value		Source of dividend	Dividend per share	Date of record	Effective date
Meeting of the Board of Directors held on May 18, 2011	Common share	Treasury Discount Bills (115*)	¥ 5,599	Retained earnings	¥ 7.62	March 31, 2011	June 9, 2011

3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2012

(2) Dividends to be made effective after March 31, 2012 for which the date of record is in the fiscal year ended March 31, 2012 (Yen in millions, except for dividend per share in Yen))

Resolution	Type of share	Type of assets for dividends and book value		Source of dividend	Dividend per share	Date of record	Effective date
Meeting of the Board of Directors held on May 17, 2012	Common share	Treasury Discount Bills (265*)	¥ 5,599	Retained earnings	¥ 7.62	March 31, 2012	June 8, 2012

3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

I have pleasure in presenting the annual audited reports of Aioi Nissay Dowa Insurance Company Limited of the year ended 31 March 2012.

Aioi Nissay Dowa Insurance Company Limited

12 July, 2012

Date

田中敏彦

Toshihiko Tanaka
Director, Senior Managing Executive Officer

Aioi Nissay Dowa Insurance Co.,Ltd.
1-28-1, Ebisu, Shibuya-ku, Tokyo 150-8488, Japan

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AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Consolidated Financial Statements - March 31, 2011 and 2012

(With Independent Auditor's Report Thereon)

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Aioi Nissay Dowa Insurance Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aioi Nissay Dowa Insurance Company, Limited and its consolidated subsidiaries as at March 31, 2012, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

June 25, 2012
Tokyo, Japan

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Consolidated Balance Sheets

As of March 31, 2011 and 2012

Assets		2011	2012
		(Yen in millions)	
Cash, deposits and savings	¥	267,323	161,176
Call loans		554	-
Receivables under resale agreements		11,095	-
Receivables under securities borrowing transactions		26,535	-
Monetary claims bought		1,979	1,331
Money trusts		1,903	1,884
Investments in securities		2,450,718	2,049,991
Loans		338,039	274,508
Tangible fixed assets:			
Land		88,831	86,133
Buildings		100,756	96,825
Lease assets		136	20
Construction in progress		983	4
Other tangible fixed assets		12,899	10,243
Total tangible fixed assets		203,607	193,227
Intangible fixed assets:			
Software		4,435	3,037
Lease assets		12	-
Other intangible fixed assets		1,901	11,147
Total intangible fixed assets		6,350	14,185
Other assets		330,802	286,515
Deferred tax assets		243,529	170,947
Customers' liabilities under acceptances and guarantees		2,500	2,500
Bad debt reserve		(2,550)	(1,884)
Total assets	¥	3,882,389	3,154,383

See accompanying notes to consolidated financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Consolidated Balance Sheets (Continued)

		2011	2012
		(Yen in millions)	
Liabilities and Net Assets			
Underwriting funds:			
Outstanding claims	¥	498,835	492,742
Underwriting reserve		2,728,891	2,053,682
Total underwriting funds		3,227,727	2,546,425
Other liabilities		166,987	186,544
Reserve for pension and retirement benefits		20,786	18,137
Reserve for retirement benefits for officers		25	-
Accrued bonuses for employees		6,741	6,142
Reserve for price fluctuation		6,680	1,798
Deferred tax liabilities		-	239
Acceptances and guarantees		2,500	2,500
Total liabilities		3,431,449	2,761,787
Common stock		100,005	100,005
Capital surplus		123,766	81,210
Retained earnings		215,669	173,040
Total stockholders' equity		439,440	354,255
Net unrealized gains/losses on investments in securities		18,625	45,345
Foreign currency translation adjustments		(7,948)	(9,140)
Total accumulated other comprehensive income		10,677	36,204
Minority interests		821	2,136
Total net assets		450,939	392,596
Total liabilities and net assets	¥	3,882,389	3,154,383

See accompanying notes to consolidated financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Consolidated Statements of Income

For the years ended March 31, 2011 and 2012

		2011	2012
		(Yen in millions)	
Ordinary income and expenses			
Ordinary income:			
Underwriting income:			
Net premiums written	¥	967,903	1,096,307
Deposit premiums from policyholders		50,713	47,967
Investment income on deposit premiums from policyholders		20,854	22,209
Life insurance premiums		85,092	47,925
Reversal of outstanding claims		-	929
Reversal of underwriting reserve		37,949	166,885
Other underwriting income		6,122	2,036
Total underwriting income		1,168,636	1,384,260
Investment income:			
Interest and dividends income		66,930	64,214
Investment gains on money trusts		1	0
Gains on sales of securities		26,394	20,316
Gains on redemption of securities		687	-
Gains on derivative transactions		333	-
Other investment income		358	118
Transfer of investment income on deposit premiums from policyholders		(20,854)	(22,209)
Total investment income		73,850	62,440
Other ordinary income		4,884	5,673
Total ordinary income		1,247,371	1,452,375
Ordinary expenses:			
Underwriting expenses:			
Net claims paid		608,269	817,413
Loss adjustment expenses		47,748	53,240
Commissions and collection expenses		185,289	201,387
Maturity refunds to policyholders		123,346	120,729
Dividends to policyholders		199	70
Life insurance claims		17,700	10,623
Provision for outstanding claims		38,995	-
Other underwriting expenses		6,451	3,069
Total underwriting expenses		1,028,000	1,206,533
Investment expenses:			
Investment losses on money trusts		0	-
Losses on trading securities		4	-
Losses on sales of securities		2,760	6,108
Losses on devaluation of securities		9,532	14,192
Losses on redemption of securities		1,803	1,827
Losses on derivative transactions		-	2,846
Other investment expenses		3,060	4,031
Total investment expenses		17,162	29,006

See accompanying notes to consolidated financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Consolidated Statements of Income (Continued)

		2011	2012
		(Yen in millions)	
Operating expenses and general and administrative expenses	¥	193,165	209,031
Other ordinary expenses:			
Interest expenses		68	41
Provision for bad debt reserve		25	-
Losses on bad debts		74	83
Amortization of deferred assets under Article 113 of the Insurance Business Law		-	93
Other ordinary expenses		1,348	2,041
Total other ordinary expenses		1,516	2,260
Deferred expenses under Article 113 of the Insurance Business Law		-	(760)
Total ordinary expenses		1,239,845	1,446,072
Ordinary profit		7,526	6,302
Extraordinary income and losses			
Extraordinary income:			
Gains on sales of fixed assets		603	4,852
Reversal of reserve for price fluctuation		-	4,174
Other extraordinary income		4,700	-
Total extraordinary income		5,303	9,026
Extraordinary losses:			
Losses on sales of fixed assets		641	1,978
Impairment losses on fixed assets		2,122	1,762
Provision of reserve for price fluctuation		2,008	-
Losses on reduction of real estate		44	-
Other extraordinary losses		24,312	2,004
Total extraordinary losses		29,129	5,745
Income (loss) before income taxes		(16,299)	9,584
Income taxes-current		2,472	507
Income taxes-deferred		(9,474)	56,747
Total income taxes		(7,002)	57,254
Loss before minority interests		(9,297)	(47,670)
Minority interests		(37)	(96)
Net loss	¥	(9,259)	(47,574)

See accompanying notes to consolidated financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Consolidated Statements of Comprehensive Income

For the year ended March 31, 2011 and 2012

		2011	2012
		(Yen in millions)	
Loss before minority interests	¥	(9,297)	(47,670)
Other comprehensive income (loss):			
Net unrealized gains/losses on investments in securities		(41,219)	31,723
Foreign currency translation adjustments		(2,798)	(1,226)
Total other comprehensive income (loss)		(44,017)	30,496
Total comprehensive loss	¥	(53,314)	(17,173)
Allocation:			
Comprehensive loss attributable to shareholders of the parent	¥	(53,171)	(17,032)
Comprehensive loss attributable to minority interests		(143)	(140)

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2011 and 2012

		2011	2012
		(Yen in millions)	
Stockholders' equity:			
Common stock:			
Beginning balance	¥	100,005	100,005
Ending balance		100,005	100,005
Capital surplus:			
Beginning balance		44,097	123,766
Changes for the year:			
Devidends paid		-	(42,556)
Retirement of treasury stock		(7,963)	-
Increase due to business combination		87,632	-
Total changes for the year		79,669	(42,556)
Ending balance		123,766	81,210
Retained earnings:			
Beginning balance		176,693	215,669
Changes for the year:			
Dividends paid		(17,603)	(9,063)
Increase due to business combination		62,872	-
Changes in the scope of consolidation		2,966	14,008
Net loss		(9,259)	(47,574)
Total changes for the year		38,975	(42,629)
Ending balance		215,669	173,040
Treasury stock:			
Beginning balance		(7,963)	-
Changes for the year:			
Retirement of treasury stock		7,963	-
Total changes for the year		7,963	-
Ending balance		-	-
Total stockholders' equity:			
Beginning balance		312,833	439,440
Changes for the year:			
Increase due to business combination		150,504	-
Dividends paid		(17,603)	(51,620)
Changes in the scope of consolidation		2,966	14,008
Net loss		(9,259)	(47,574)
Total changes for the year		126,607	(85,185)
Ending balance		439,440	354,255

See accompanying notes to consolidated financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Consolidated Statements of Changes in Net Assets (Continued)

		2011	2012
		(Yen in millions)	
Accumulated other comprehensive income:			
Net unrealized gains/losses on investments in securities:			
Beginning balance	¥	37,100	18,625
Changes for the year:			
Net changes of items other than stockholders' equity		(18,474)	26,719
Total changes for the year		(18,474)	26,719
Ending balance		18,625	45,345
Foreign currency translation adjustments:			
Beginning balance		(3,232)	(7,948)
Changes for the year:			
Net changes of items other than stockholders' equity		(4,715)	(1,192)
Total changes for the year		(4,715)	(1,192)
Ending balance		(7,948)	(9,140)
Total accumulated other comprehensive income:			
Beginning balance		33,867	10,677
Changes for the year:			
Net changes of items other than stockholders' equity		(23,190)	25,527
Total changes for the year		(23,190)	25,527
Ending balance		10,677	36,204
Minority interests:			
Beginning balance		104	821
Changes for the year:			
Net changes of items other than stockholders' equity		717	1,314
Total changes for the year		717	1,314
Ending balance		821	2,136
Total net assets:			
Beginning balance		346,804	450,939
Changes for the year:			
Increase due to business combination		150,504	-
Dividends paid		(17,603)	(51,620)
Changes in the scope of consolidation		2,966	14,008
Net loss		(9,259)	(47,574)
Net changes of items other than stockholders' equity		(22,472)	26,841
Total changes for the year		104,134	(58,343)
Ending balance	¥	450,939	392,596

See accompanying notes to consolidated financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Consolidated Statements of Cash Flows

For the years ended March 31, 2011 and 2012

		2011	2012
		(Yen in millions)	
I. Cash flows from operating activities:			
Income (loss) before income taxes	¥	(16,299)	9,584
Depreciation		13,585	13,902
Impairment losses on fixed assets		2,122	1,762
Amortization of goodwill		-	43
Increase (decrease) in outstanding claims		38,957	(1,142)
Decrease in underwriting reserves		(41,054)	(167,902)
Decrease in bad debt reserve		(110)	(661)
Increase (decrease) in reserve for pension and retirement benefits		188	(2,386)
Decrease in reserve for retirement benefits for officers		(86)	(25)
Increase (decrease) in accrued bonuses for employees		2,099	(301)
Increase (decrease) in reserve for price fluctuation		2,008	(4,174)
Interest and dividends income		(66,930)	(64,214)
Investment related losses (gains)		(12,981)	1,812
Interest expenses		68	41
Foreign exchange losses		467	93
Losses (gains) on disposal of tangible fixed assets		84	(2,948)
Decrease (increase) in other assets		(7,075)	34,138
Increase in other liabilities		5,781	28,481
Others, net		(549)	7,769
Subtotal		(79,723)	(146,127)
Interest and dividends received		63,081	66,348
Interest paid		(68)	(41)
Income taxes paid		(3,244)	(982)
Net cash provided by (used in) operating activities (a)		(19,955)	(80,802)

See accompanying notes to consolidated financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Consolidated Statements of Cash Flows (Continued)

		2011	2012
		(Yen in millions)	
II. Cash flows from investing activities:			
Net decrease (increase) in deposits and savings	¥	(2,385)	1,207
Proceeds from sales and redemption of monetary claims bought		12,176	600
Purchase of money trusts		(2,200)	(1,200)
Proceeds from sales of money trusts		4,698	1,200
Purchase of securities		(400,688)	(508,063)
Proceeds from sales and redemption of securities		432,862	503,832
Investment in loans		(52,884)	(39,901)
Collection of loans		84,796	89,900
Net change in payables under securities borrowing and lending transactions		554	(554)
Others, net		(3,242)	9,003
Subtotal (b)		73,688	56,025
(a + b)		53,733	(24,777)
Acquisitions of tangible fixed assets		(10,865)	(8,766)
Proceeds from sales of tangible fixed assets		1,424	7,630
Others, net		(750)	(8,207)
Net cash provided by investing activities		63,495	46,681
III. Cash flows from financing activities:			
Payment upon merger		-	(400)
Dividends paid to shareholders		(17,381)	-
Others, net		(514)	(469)
Net cash used in financing activities		(17,895)	(870)
IV. Effect of exchange rate changes on cash and cash equivalents		(2,072)	(291)
V. Net change in cash and cash equivalents		23,572	(35,284)
VI. Cash and cash equivalents at beginning of year		202,912	265,806
VII. Effect of change in the scope of consolidation		2,457	(22,378)
VIII. Increase in cash and cash equivalents due to business combination		36,863	170
IX. Cash and cash equivalents at the end of year	¥	265,806	208,315

See accompanying notes to consolidated financial statements.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Significant Items for Presenting Consolidated Financial Statements

As of and for the fiscal years ended March 31, 2011 and 2012

March 31, 2011

1. Basis of presentation

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

March 31, 2012

1. Basis of presentation

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

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Significant Items for Presenting Consolidated Financial Statements (Continued)

March 31, 2011

2. Scope of consolidation

(1) Number of consolidated subsidiaries
13 companies

Consolidated subsidiaries are as follows:

Aioi Life Insurance Company, Limited
CS-Desk Company, Limited
Aioi Nissay Dowa Insurance Company of Europe Limited
Toyota Insurance Management Limited
Aioi Nissay Dowa Insurance Management Limited
Aioi Nissay Dowa Life Insurance of Europe AG
Aioi Nissay Dowa Insurance Company (China) Limited
Aioi Nissay Dowa Insurance Company of America
DTRIC Insurance Company, Limited
DTRIC Insurance Underwriters, Limited
DRD LLP
HI-TECH INSURANCE SYSTEMS DEVELOPMENT LLP
Dowa Insurance Company (Europe) Limited

The following companies have been included in the scope of consolidation for the fiscal year ended March 31, 2011, due to increase in their materiality.

Aioi Nissay Dowa Insurance Company of America
DTRIC Insurance Company, Limited
DTRIC Insurance Underwriters, Limited
DRD LLP
HI-TECH INSURANCE SYSTEMS DEVELOPMENT LLP
Dowa Insurance Company (Europe) Limited

March 31, 2012

2. Scope of consolidation

(1) Number of consolidated subsidiaries
13 companies

Consolidated subsidiaries are as follows:

CS-Desk Company, Limited
au Insurance Company, Limited
Aioi Nissay Dowa Insurance Company of Europe Limited
Toyota Insurance Management Limited
Aioi Nissay Dowa Insurance Management Limited
Aioi Nissay Dowa Life Insurance of Europe AG
Aioi Nissay Dowa Insurance Company (China) Limited
Aioi Nissay Dowa Insurance Company of America
DTRIC Insurance Company, Limited
DTRIC Insurance Underwriters, Limited
DRD LLP
HI-TECH INSURANCE SYSTEMS DEVELOPMENT LLP
Dowa Insurance Company (Europe) Limited

Aioi Life Insurance Company, Limited ("ALI") has been excluded from the scope of consolidation for the fiscal year ended March 31, 2012 since the Company transferred stocks of ALI held by the Company to MS&AD Insurance Group Holdings, Inc., which is the Parent of the Company as dividend in kind.
Profits and losses, comprehensive income and cash flows arising from ALI for the period between April 1, 2011 and September 30, 2011 are included in the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash flows, respectively.

au Insurance Company, Limited has been included in the scope of consolidation for the fiscal year ended March 31, 2012 due to

March 31, 2011	March 31, 2012
	the start of its business.
(2) Major unconsolidated subsidiary	(2) Major unconsolidated subsidiary
Major unconsolidated subsidiary is Aioi Nissay Dowa Insurance Claims Research Company, Limited. Unconsolidated subsidiaries have not been included in the scope of consolidation due to their immaterial effects that would not affect reasonable judgment on the Company's financial position and results of operations, in view of the size of their total assets, ordinary income, as well as net income and retained earnings attributable to the Company.	Major unconsolidated subsidiary is Aioi Nissay Dowa Insurance Claims Research Company, Limited. Unconsolidated subsidiaries have not been included in the scope of consolidation due to their immaterial effects that would not affect reasonable judgment on the Company's financial position and results of operations, in view of the size of their total assets, ordinary income, as well as net income and retained earnings attributable to the Company.
3. Equity method	3. Equity method
Other affiliate companies including unconsolidated subsidiaries (e.g. MS&AD Loan Services Company, Limited), are not accounted for under the equity method because their effects on consolidated net income and retained earnings are immaterial individually and in aggregate.	Other affiliate companies including unconsolidated subsidiaries (e.g. MS&AD Loan Services Company, Limited), are not accounted for under the equity method because their effects on consolidated net income and retained earnings are immaterial individually and in aggregate.
4. Fiscal year of consolidated subsidiaries	4. Fiscal year of consolidated subsidiaries
Although the fiscal year end of 11 foreign consolidated subsidiaries is December 31, which is different from that of the Company, the Company uses their financial statements as of their most current fiscal year-end for consolidation purposes because the time lag does not exceed a three-month period.	Although the fiscal year end of 11 foreign consolidated subsidiaries is December 31, which is different from that of the Company, the Company uses their financial statements as of their most current fiscal year-end for consolidation purposes because the time lag does not exceed a three-month period.
The Company makes necessary adjustments to incorporate significant transactions occurred during the intervening period that materially affect the consolidated financial statements.	The Company makes necessary adjustments to incorporate significant transactions occurred during the intervening period that materially affect the consolidated financial statements.
5. Amortization of goodwill	5. Amortization of goodwill
Neither goodwill nor negative goodwill arose.	Insignificant amount of goodwill is charged to expense as incurred in the entire amount.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Significant Items for Presenting Consolidated Financial Statements (Continued)

March 31, 2011

6. Accounting policies

(1) Valuation policies and methods of securities

Valuation policies and methods of securities are as follows:

(i) Securities held to maturity are valued at amortized cost (straight-line method).

(ii) Available for sale securities (except for which fair value is deemed to be impracticable to determine) are valued at fair value as of March 31, 2011. Net unrealized gains/losses are reported as a separate component of net assets, and cost of sales securities is calculated using the moving average method.

(iii) Available for sale securities for which fair value is deemed to be impracticable to determine are valued at cost using the moving average method.

(iv) Securities earmarked for policy reserve are valued at amortized cost using the moving average method pursuant to Industry Audit Committee Report No.21 "Temporary Treatment of Accounting and Auditing Concerning Securities Earmarked for Policy Reserve in Insurance Industry" (issued by The Japanese Institute of Certified Public Accountants on November 16, 2000).

The outline of risk management policies of the Company and Aioi Life Insurance Company, Limited ("ALI") for securities earmarked for policy reserve is as follows:

In order to control risks of interest rate variability arising in assets and

March 31, 2012

6. Accounting policies

(1) Valuation policies and methods of securities

Valuation policies and methods of securities are as follows:

(i) Available for sale securities (except for which fair value is deemed to be impracticable to determine) are valued at fair value as of March 31, 2012. Net unrealized gains/losses are reported as a separate component of net assets, and cost of sales securities is calculated using the moving average method.

(ii) Available for sale securities for which fair value is deemed to be impracticable to determine are valued at cost using the moving average method.

(iii) The Company transferred the bonds previously classified as the securities earmarked for policy reserve category into the available for sale category since the amount of the bonds became immaterial due to discontinued sales of "savings type traffic accident insurance denominated in U.S. dollars" block, which were segregated as a sub-segment. The effect of this change on the consolidated financial statements is immaterial.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Significant Items for Presenting Consolidated Financial Statements (Continued)

March 31, 2011	March 31, 2012
liabilities, the Company segregates "savings type traffic accident insurance denominated in U.S. dollars" block as a sub-segment, and applies the investment policies which enable the Company to maintain the durations of the securities earmarked for policy reserve and the policy reserve for the segregated block within a certain definite range. In order to control the duration of assets and liabilities and hedge the risks of interest rate variability arising in assets and liabilities, ALI segregates "non participating individual insurance" block, "participating individual insurance" block, "individual annuities" block, "single premium endowment insurance" block, and "individual annuities denominated in foreign currency" block as sub-segments, taking their product characteristics into consideration. ALI applies the investment policies which enable it to maintain the durations of the securities earmarked for policy reserve and the policy reserve for each segregated block within a certain definite range and monitors whether these durations are within a certain definite range periodically. As for "nonparticipating individual insurance" block, "participating individual insurance" block, and "individual annuities" block, ALI projects future cash inflows and outflows derived from insurance policies within next twenty years and maintains the durations of the securities earmarked for policy reserve and the policy reserve for each block based on the method stated in the appendix of Industry Audit Committee Report No.21 mentioned above (the method that takes durations based on future cash inflows and outflows derived from insurance policies within	

March 31, 2011

a certain period into consideration), in order to control the risks of interest rate variability. As a result, the average duration of these blocks is 7.8 years for insurance expenditures such as claims payments and administrative expenses, and 5.4 years for insurance revenue such as premiums, while the average duration of securities earmarked for policy reserve is 11.2 years. As for the "single premium endowment insurance" block, ALI controls the durations of the securities earmarked for policy reserve and the policy reserve for all policies segregated into its block. As for the "individual annuities denominated in foreign currency" block, ALI controls the durations of the securities earmarked for policy reserve and the policy reserve for the annuity policies which are in deferred periods and denominated in US dollars.

(2) Valuation policies and methods of money trusts

Trading securities managed in the money trust are valued at fair value.

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

(3) Valuation policies and methods of derivative financial instruments

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

March 31, 2012

(2) Valuation policies and methods of money trusts

Trading securities managed in the money trust are valued at fair value.

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

(3) Valuation policies and methods of derivative financial instruments

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

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Significant Items for Presenting Consolidated Financial Statements (Continued)

March 31, 2011

(4) Depreciation methods of tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets (excluding lease assets) held by the Company and the domestic consolidated subsidiaries is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line method is applied.

(5) Depreciation methods of intangible fixed assets (excluding lease assets)

Depreciation of intangible fixed assets (excluding lease assets) held by the Company and the domestic consolidated subsidiaries is computed using the straight-line method. Capitalized software (excluding lease assets) for internal use is amortized by using the straight-line method based on estimated useful lives (5 years).

(6) Translation of foreign currency assets and liabilities

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

The Company changed the exchange rate used for the translation of income and expenses in foreign consolidated subsidiaries from the spot exchange rate

March 31, 2012

(4) Depreciation methods of tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets (excluding lease assets) held by the Company and the domestic consolidated subsidiaries is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line method is applied.

(5) Depreciation methods of intangible fixed assets (excluding lease assets)

Depreciation of intangible fixed assets (excluding lease assets) held by the Company and the domestic consolidated subsidiaries is computed using the straight-line method. Capitalized software (excluding lease assets) for internal use is amortized by using the straight-line method based on estimated useful lives (5 years).

(6) Translation of foreign currency assets and liabilities

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

March 31, 2011

prevailing at year-end to the average exchange rate during the year in the fiscal year ended March 31, 2011 in order to ensure consistency with MS&AD Group accounting policies in relation to the business integration with Mitsui Sumitomo Insurance Group Holdings, Inc on April 1, 2010. As a result, ordinary profit decreased by ¥105 million, and loss before income taxes increased by ¥105 million, respectively.

(7) Bad debt reserve

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

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

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

March 31, 2012

(7) Bad debt reserve

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

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

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

March 31, 2011	March 31, 2012
respective assets. The independent internal audit departments reviewed those results.	respective assets. The independent internal audit departments reviewed those results.
As for foreign consolidated subsidiaries, the bad debt reserve is established based on the assessment of collectability of individual receivables.	As for foreign consolidated subsidiaries, the bad debt reserve is established based on the assessment of collectability of individual receivables.
(8) Reserve for pension and retirement benefit	(8) Reserve for pension and retirement benefit
As for the Company and ALI, Reserve for pension and retirement benefits is established to provide for future retirement benefits based on the estimated retirement benefit obligation and plan assets as of March 31, 2011.	As for the Company, Reserve for pension and retirement benefits is established to provide for future retirement benefits based on the estimated retirement benefit obligation and plan assets as of March 31, 2012.
Unrecognized prior service costs are amortized using the straight-line method over certain periods within the estimated average remaining service years of employees (4 years).	Unrecognized prior service costs are amortized using the straight-line method over certain periods within the estimated average remaining service years of employees (4 years).
Unrecognized actuarial gains and losses are amortized from the year following the year in which those gains and losses arise using the straight-line method over certain periods within the estimated average remaining service years of employees (11 or 12 years).	Unrecognized actuarial gains and losses are amortized from the year following the year in which those gains and losses arise using the straight-line method over certain periods within the estimated average remaining service years of employees (11 years).
	(Additional information) During the fiscal year ended March 31, 2012 the Company reduced the number of amortization years over which unrecognized actuarial gains and losses are amortized from 12 years to 11 years for defined benefit corporation pension plans (fund type) and certain lump-sum severance payment plans due to a decrease in the estimated average remaining service years of employees. As a result of this change, ordinary profit and income before income taxes decreased by ¥912 million, respectively.
	The Company integrated its defined benefit

March 31, 2011	March 31, 2012
	corporation pension plans (contract type) into a single plan and transferred a part of the plan to defined contribution corporation pension plan effective on October 1, 2011. The Company applied "Accounting Standard for Transfer between Retirement Benefit Plans" (ASBJ Guidance No.1, January 31, 2002) in accounting for this transition. The effect of the transition on the consolidated financial statements was immaterial.
(9) Reserve for retirement benefits for officers	
In order to provide for future retirement benefits for officers of ALI, the estimated amounts to be paid at the end of the fiscal year which are calculated based on internal rules are recorded as Reserves for retirement benefits for officers.	
(10) Accrued bonuses for employees	(9) Accrued bonuses for employees
In order to provide for payment of bonuses to employees, the Company and domestic consolidated subsidiaries account for Accrued bonuses for employees based on the estimated amounts to be paid.	In order to provide for payment of bonuses to employees, the Company and domestic consolidated subsidiaries account for Accrued bonuses for employees based on the estimated amounts to be paid.
(11) Reserve for price fluctuation	(10) Reserve for price fluctuation
As for the Company and ALI, Reserve for price fluctuation is recognized under Article 115 of the Insurance Business Law to provide for possible losses arising from price fluctuations of investment securities.	As for the Company, Reserve for price fluctuation is recognized under Article 115 of the Insurance Business Law to provide for possible losses arising from price fluctuations of investment securities.
(12) Accounting for lease transactions	(11) Accounting for lease transactions
Finance lease transactions that do not transfer ownership are accounted for in a similar manner with ordinary sale and purchase transactions.	Finance lease transactions are accounted for in a similar manner with ordinary sale and purchase transactions.
(13) Hedge accounting	(12) Hedge accounting
The fair value hedge accounting method is primarily applied to forward exchange	The fair value hedge accounting method is applied to forward exchange contracts used

March 31, 2011

contracts used for hedging risks of fluctuations of foreign exchange rates.

Foreign exchange contracts that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates under those contracts were originally applied to the underlying financial instruments.

When the fair value hedge is applied to foreign currency debt securities, individual securities are specified as the hedged items to apply the hedge individually.

The Company does not perform an assessment of hedge effectiveness, because material terms relating to hedged items and hedging instruments are substantially identical and such hedging transactions are deemed highly and clearly interrelated.

(14) Accounting for consumption taxes

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

March 31, 2012

for hedging risks of fluctuations of foreign exchange rates and to equity forward contracts used for hedging risks of price fluctuation of stocks.

Foreign exchange contracts that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates under those contracts were originally applied to the underlying financial instruments.

When the fair value hedge is applied to foreign currency debt securities and stocks, individual securities are specified as the hedged items to apply the hedge individually.

The Company does not perform an assessment of hedge effectiveness, because material terms relating to hedged items and hedging instruments are substantially identical and such hedging transactions are deemed highly and clearly interrelated.

(13) Accounting for consumption taxes

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

(14) Accounting method for deferred assets under Article 113 of the Insurance Business Law

Deferred expenses under Article 113 of the Insurance Business Law and Amortizations of deferred assets under Article 113 of the Insurance Business Law are calculated

March 31, 2011	March 31, 2012
	based on the Insurance Business Law and the articles of incorporation of au Insurance Company, Limited.

7. Deferred assets

Deferred inaugural costs of CS-Desk Company, Limited were fully amortized in the fiscal year ended March 31, 2011 due to its decreased materiality. The effect on the consolidated financial statements was immaterial.

8. Changes in accounting principles or accounting procedures

(1) Adoption of "Accounting Standard for Asset Retirement Obligations"

The Company adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008) in the fiscal year ended March 31, 2011. As a result of the adoption of the standard and guidance, ordinary profit decreased by ¥38 million, and loss before income taxes increased by ¥84 million, respectively. The adoption of the standard and guidance resulted in ¥ 420 million increase in asset retirement obligations at the adoption date.

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

The Company adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10,

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Significant Items for Presenting Consolidated Financial Statements (Continued)

March 31, 2011

December 26, 2008) in the fiscal year ended March 31, 2011.

(3) Deferred acquisition costs

Although the acquisition costs in foreign consolidated subsidiaries were expensed as incurred in previous years, these costs are deferred as an asset in the fiscal year ended March 31, 2011, in order to ensure consistency with MS&AD Group accounting policies in relation to the business integration with Mitsui Sumitomo Insurance Group Holdings, Inc on April 1, 2010. As a result, ordinary profit increased by ¥208 million, and loss before income taxes decreased by ¥4,908 million, respectively.

9. Additional information

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

March 31, 2012

7. Additional information

(1) Adoption of "Accounting Standard for Accounting Changes and Error Corrections"
Effective April 1, 2011, the Company and its subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, issued on December 4, 2009). These standard and guidance are applicable for accounting changes and corrections of prior period errors made on or after April 1, 2011.

(2) Reversal of deferred tax assets due to a change in the corporation tax rate
Following the promulgation on December 2, 2011 of the "Act for partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economics and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to

March 31, 2011	March 31, 2012
	Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), the corporation tax rate will be reduced gradually and surtaxes for reconstruction funding after the Great East Japan Earthquake will be imposed for fiscal years beginning on or after April 1, 2012. As a result of these changes, the effective statutory tax rates which are used to measure deferred tax assets and liabilities as of March 31, 2012 were changed mainly from 36.1% to 33.2% for the temporary differences that are expected to be reversed during the period from April 1, 2012 to March 31, 2015 and to 30.7% for the temporary differences that are expected to be reversed in the fiscal years beginning on or after April 1, 2015. Due to the changes in the corporation tax rate, net deferred tax assets and underwriting reserves decreased by ¥29,524 million and ¥9,041 million, respectively, net unrealized gains on investments in securities and deferred income taxes increased by ¥3,918 million and ¥33,443 million, respectively, and net loss increased by ¥24,401 million. Valuation allowance for the deferred tax assets on investment in securities was increased as the Company reviewed and revised the schedule of the future reversals of temporary differences in consideration of the market environment. Net deferred tax assets decreased by ¥24,605 million, and deferred income taxes and net loss increased by ¥24,605 million, respectively.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets

As of and for the years ended March 31, 2011 and 2012

March 31, 2011

1. Financial instruments

(1) Qualitative information

(i) Policy on financial instruments

The Company runs non-life insurance and life insurance business and manages money arising from insurance premiums and other investment assets. The Company invests in securities, loans, real estates, and other investment assets focusing on enhancing profitability, while maintaining well-liquidity and securing investment returns stably in order to provide for payment of the insurance liabilities such as claims and maturity-refunds. The Company strives to establish an optimal investment portfolio, which allows the Company to generate sustainable investment returns, by changing asset allocation flexibly corresponding to the outlook for investment environment or by improving the efficiency of investment assets.
As for the investment management relating to saving type insurance, long-term fire insurance and care insurance, the Company strives to secure sustainable investment returns by investing in the assets with high liquidity and credibility based on Asset Liability Management ("ALM").
The Company utilizes derivative transactions represented by interest rate swaps and forward exchange contracts for the purpose of hedging market risks such as fluctuations of interest rates and foreign exchange rates.
As for the investment management for the general account excluding the special account which is prescribed in Article 118, paragraph 1 of the Japanese Insurance Business Law, ALI places emphasis on ALM. Consequently, ALI strives to establish

March 31, 2012

1. Financial instruments

(1) Qualitative information

(i) Policy on financial instruments

The Company runs non-life insurance and life insurance business and manages money arising from insurance premiums and other investment assets. The Company invests in securities, loans, real estates, and other investment assets focusing on enhancing profitability, while maintaining well-liquidity and securing investment returns stably in order to provide for payment of the insurance liabilities such as claims and maturity-refunds. The Company strives to establish an optimal investment portfolio, which allows the Company to generate sustainable investment returns, by changing asset allocation flexibly corresponding to the outlook for investment environment or by improving the efficiency of investment assets.
As for the investment management relating to saving type insurance, long-term fire insurance and care insurance, the Company strives to secure sustainable investment returns by investing in the assets with high liquidity and credibility based on Asset Liability Management ("ALM").
The Company utilizes derivative transactions represented by interest rate swaps and forward exchange contracts for the purpose of hedging market risks such as fluctuations of interest rates, foreign exchange rates and stock prices.

March 31, 2011

an optimal investment portfolio which allows ALI to generate sustainable investment returns for the purpose of controlling the overall effects of fluctuation in interest rates on ALI by mitigating interest rate risks derived from insurance liabilities. ALI also utilizes derivative transactions as a means for hedging the risk of the investment portfolio, and these transactions are used for hedging purpose only.

(ii) Details of financial instruments and associated risks

Financial assets held by the Company mainly consist of securities such as bonds, stocks and foreign securities, loans and so on.
Securities held by the Company at the end of this fiscal year mainly consist of bonds, stocks and investment trust which are intended for portfolio investments and the business development including business and capital alliances. These securities are exposed to credit risks of issuers, and the market risks which arise from fluctuation in interest rates and fair market value, respectively. Foreign securities are also exposed to the risks which arise from fluctuation in foreign exchange rates.
Loans are exposed to credit risks of suffering losses at the time when the value of loans declines or is lost due to the deterioration in the financial condition of the counterparty. The fixed rate loans are also exposed to the risk arisen from fluctuation in interest rates.
The Company utilized derivative transactions such as forward exchange contracts, interest rate swaps, equity index options, stock index futures, bond futures, and credit derivatives during the year ended March 31, 2011.

March 31, 2012

(ii) Details of financial instruments and associated risks

Financial assets held by the Company mainly consist of securities such as bonds, stocks and foreign securities, loans and so on.
Securities held by the Company at the end of this fiscal year mainly consist of bonds, stocks and investment trust which are intended for portfolio investments and the business development including business and capital alliances. These securities are exposed to credit risks of issuers, and the market risks which arise from fluctuation in interest rates and fair market value, respectively. Foreign securities are also exposed to the risks which arise from fluctuation in foreign exchange rates.
Loans are exposed to credit risks of suffering losses at the time when the value of loans declines or is lost due to the deterioration in the financial condition of the counterparty. The fixed rate loans are also exposed to the risk arisen from fluctuation in interest rates.
The Company utilized derivative transactions such as forward exchange contracts, interest rate swaps, equity forward contracts, and credit derivatives during the year ended March 31, 2012.

March 31, 2011	March 31, 2012
The Company utilizes derivative transactions mainly in order to hedge market risks arisen from fluctuation in foreign exchange rates, stock prices and interest rates in view of overall assets, liabilities and derivative positions, their risk amounts, and fair values. Forward exchange contracts, interest rate swaps, and equity index options are exposed to risks from fluctuation in foreign exchange rates, interest rates, and market price of stocks, respectively. Credit derivatives are exposed to the credit risks of the reference entities. The derivative transactions are also exposed to the market liquidity risks that the preferred transactions cannot be executed at fair values due to the deterioration of market liquidity. The securities held by ALI mainly consist of domestic bonds and derivative transactions that ALI utilized during the year ended March 31, 2011 are forward exchange contracts, both of which are exposed to the market risks and credit risks.	The Company utilizes derivative transactions mainly in order to hedge market risks arisen from fluctuation in foreign exchange rates, stock prices and interest rates in view of overall assets, liabilities and derivative positions, their risk amounts, and fair values. Forward exchange contracts, interest rate swaps, and equity forward contracts are exposed to risks from fluctuation in foreign exchange rates, interest rates, and market price of stocks, respectively. Credit derivatives are exposed to the credit risks of the reference entities. The derivative transactions are also exposed to the market liquidity risks that the preferred transactions cannot be executed at fair values due to the deterioration of market liquidity.
(iii) Risk management structure relating to financial instruments	(iii) Risk management structure relating to financial instruments
The Company establishes a basic policy regarding investment risks and an investment risk management policy that prescribes the definition of risks and risk management methodologies, which are resolved by the Board of Directors. The Company also maintains checks and balances by the risk management department which is independent from front-office and back-office. The risk management department measures the risks, such as interest rates, foreign exchange rates, and market prices, based on the assets and liabilities positions (including	The Company establishes a basic policy regarding investment risks and an investment risk management policy that prescribes the definition of risks and risk management methodologies, which are resolved by the Board of Directors. The Company also maintains checks and balances by the risk management department which is independent from front-office and back-office. The risk management department measures the risks, such as interest rates, foreign exchange rates, and market prices, based on the assets and liabilities positions (including

March 31, 2011	March 31, 2012
derivative positions) using unified criteria (VaR, Value-at-Risk) to monitor whether risk amounts are within limits of risk capital resolved by the Board of Directors. The risk management department also performs sensitivity analysis addressing changes in market environments, such as interest rates, foreign currency rates, and market prices.	derivative positions) using unified criteria (VaR, Value-at-Risk) to monitor whether risk amounts are within limits of risk capital resolved by the Board of Directors. The risk management department also performs sensitivity analysis addressing changes in market environments, such as interest rates, foreign currency rates, and market prices.
Financial instruments including securities are traded and managed based on the investment guideline and the investment plan which are resolved by the Board of Directors.	Financial instruments including securities are traded and managed based on the investment guideline and the investment plan which are resolved by the Board of Directors.
The risk management department reports investment risks, including the evaluation of compliance with the specified risk limits, to the investment committee on a monthly basis, and to the management committee and the Board of Directors on a quarterly basis.	The risk management department reports investment risks, including the evaluation of compliance with the specified risk limits, to the investment committee on a monthly basis, and to the management committee and the Board of Directors on a quarterly basis.
Investment planning department reports status of investment management including derivative transactions to the investment committee on a monthly basis, and to the management committee and the Board of Directors on a quarterly basis.	Investment planning department reports status of investment management including derivative transactions to the investment committee on a monthly basis, and to the management committee and the Board of Directors on a quarterly basis.
In addition to VaR and sensitivity analysis, the Company establishes the following controls in order to manage various risks relating to financial instruments:	In addition to VaR and sensitivity analysis, the Company establishes the following controls in order to manage various risks relating to financial instruments:
A. Market risk management	A. Market risk management
a. Interest rate risk management	a. Interest rate risk management
The Company manages the risk arising from fluctuation of interest rates by Asset Liability Management (ALM). The investment management plans including policy pertaining to ALM are to be resolved at the Board of Directors. The investment committee and Board of Directors monitor status	The Company manages the risk arising from fluctuation of interest rates by Asset Liability Management (ALM). The investment management plans including policy pertaining to ALM are to be resolved at the Board of Directors. The investment committee

March 31, 2011

of investment and their risks, and discuss future investment strategies.

b. Foreign exchange rate risk management:

The Company strives to hedge the risk arising from fluctuations of foreign exchange rates using forward exchange contracts.

c. Price volatility risk management

The Company manages the risk arising from the market price volatility by setting loss cut rules and other methods such as stress tests. In addition, the Company manages purchases of securities intended for portfolio investments by preliminary review of transactions, setting position limit, and other continuous monitoring processes in order to reduce price volatility risk. As for the securities intended for business development including business and capital alliances, the Company monitors market environment and financial conditions of investees.

d. Derivative transactions

The Company executes derivative transactions based on the authorization policy that provides procedures for settlement of derivative transactions. As for regular derivative transactions, the investment administration management department, which is independent of the investment management department, confirms details of the transactions by reconciling trade tickets forwarded from the investment management

March 31, 2012

and Board of Directors monitor status of investment and their risks, and discuss future investment strategies.

b. Foreign exchange rate risk management:

The Company strives to hedge the risk arising from fluctuations of foreign exchange rates using forward exchange contracts.

c. Price volatility risk management

The Company manages the risk arising from the market price volatility by setting loss cut rules and other methods such as stress tests. In addition, the Company manages purchases of securities intended for portfolio investments by preliminary review of transactions, setting position limit, and other continuous monitoring processes in order to reduce price volatility risk. As for the securities intended for business development including business and capital alliances, the Company monitors market environment and financial conditions of investees, etc.
The Company strives to hedge risks of price fluctuation of stocks using equity forward contracts.

d. Derivative transactions

The Company executes derivative transactions based on the authorization policy that provides procedures for settlement of derivative transactions. As for regular derivative transactions, the investment administration management department, which is independent of the investment management department, confirms details of the transactions by reconciling trade tickets forwarded from the investment management

March 31, 2011	March 31, 2012
department with trade confirmations sent directly by financial institutions and securities companies.	department with trade confirmations sent directly by financial institutions and securities companies.
B. Credit risk management	B. Credit risk management
The Company manages financial instruments with credit risks including derivatives under the credit management structure that provides credit exposure management based on credit ratings, regular monitoring of borrowers, and the clarified policy for credit screening. In addition, derivative instruments are entered into with selected counterparties with high credit quality and transactions are diversified across them in order to avoid credit risks by nonperformance.	The Company manages financial instruments with credit risks including derivatives under the credit management structure that provides credit exposure management based on credit ratings, regular monitoring of borrowers, and the clarified policy for credit screening. In addition, derivative instruments are entered into with selected counterparties with high credit quality and transactions are diversified across them in order to avoid credit risks by nonperformance.
C. Liquidity risk management relating to financing	C. Liquidity risk management relating to financing
The Company conducts appropriate treasury management of cash position by holding substantial amount of liquid assets and seeking accurate understanding of cash inflows and outflows. The Company strives to prevent market liquidity risk from arising by an appropriate risk management both qualitatively and quantitatively.	The Company conducts appropriate treasury management of cash position by holding substantial amount of liquid assets and seeking accurate understanding of cash inflows and outflows. The Company strives to prevent market liquidity risk from arising by an appropriate risk management both qualitatively and quantitatively.
ALI manages market risk by understanding of sensitivities to changes in market environment, and setting position limits and loss cut rule. ALI also manages credit risk through setting credit limit based on credit ratings assigned by rating companies.	
(iv) Supplementary explanation of matters relating to fair value of financial instruments and other information	(iv) Supplementary explanation of matters relating to fair value of financial instruments and other information
The fair value of financial instruments is determined based on market price	The fair value of financial instruments is determined based on market price

March 31, 2011

and by reasonable estimate with certain assumptions when market price is not available.

(2) Fair value of financial instruments

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

		Consolidated balance sheet amount	Fair Value	Difference
			(Yen in millions)	
(i) Cash, deposits & savings	¥	267,323	267,323	-
(ii) Monetary claims bought		1,430	1,430	-
(iii) Money trusts		1,903	1,903	-
(iv) Securities				
Securities held to maturities		8	8	0
Bonds earmarked for policy reserves		345,584	358,794	13,210
Available for sale securities		2,051,899	2,051,899	-
(v) Loans		338,039		
Bad debt reserve (*1)		(943)		
		337,096	340,110	3,014
Total assets	¥	3,005,246	3,021,471	16,224
Derivative transaction (*2)				
Hedge accounting not applied	¥	999	999	-
Hedge accounting applied		(7,070)	(7,070)	-
Total derivative transaction	¥	(6,070)	(6,070)	-

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

March 31, 2012

and by reasonable estimate with certain assumptions when market price is not available.

(2) Fair value of financial instruments

The following table summarizes the carrying amount in the consolidated balance sheet and the fair value of financial instruments as of March 31, 2012, together with their differences. Note that the following table does not include certain financial instruments for which determination of fair value is impracticable (see Note 2)

		Consolidated balance sheet amount	Fair Value	Difference
			(Yen in millions)	
(i) Cash, deposits & savings	¥	161,176	161,176	-
(ii) Monetary claims bought		1,003	1,003	-
(iii) Money trusts		1,884	1,884	-
(iv) Securities				
Available for sale securities		2,004,758	2,004,758	-
(v) Loans		274,508		
Bad debt reserve (*1)		(544)		
		273,964	275,663	1,698
Total assets	¥	2,442,787	2,444,486	1,698
Derivative transaction (*2)				
Hedge accounting not applied	¥	579	579	-
Hedge accounting applied		(12,542)	(12,542)	-
Total derivative transaction	¥	(11,963)	(11,963)	-

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

March 31, 2011

(*2) Derivative transactions recorded in Other assets and Other liabilities are shown together. Assets and liabilities derived from derivative transactions are presented on a net basis and net credit position is shown with ().

(Note 1) Determination of fair value of financial instruments

Assets

(i) Cash, deposits & savings
With regard to deposits & savings, the book value is deemed as the fair value since the book value approximates the fair value.

(ii) Monetary claims bought
With regard to monetary claims bought, the price quoted by the counterparty financial institutions is deemed as the fair value.

(iii) Money trusts
With regard to Money trusts, total amount of the fair value of assets held in the trusts is deemed as the fair value.

(iv) Securities
The fair value of equity securities is determined based on the quoted market price and the fair value of bonds is determined based on the price quoted by the exchange, the information vender or the counterparty financial institutions.
The fair value of investment trusts is determined based on the public standard price or the price quoted by the counterparty financial institutions.
With regard to investments in partnerships, the Company's share in the net assets of the partnerships (after measuring the assets held by the partnerships at fair value where possible) is deemed as the fair value of

March 31, 2012

(*2) Derivative transactions recorded in Other assets and Other liabilities are shown together. Assets and liabilities derived from derivative transactions are presented on a net basis and net credit position is shown with ().

(Note 1) Determination of fair value of financial instruments

Assets

(i) Cash, deposits & savings
With regard to deposits & savings, the book value is deemed as the fair value since the book value approximates the fair value.

(ii) Monetary claims bought
With regard to monetary claims bought, the price quoted by the counterparty financial institutions is deemed as the fair value.

(iii) Money trusts
With regard to Money trusts, total amount of the fair value of assets held in the trusts is deemed as the fair value.

(iv) Securities
The fair value of equity securities is determined based on the quoted market price and the fair value of bonds is determined based on the price quoted by the exchange, the information vender or the counterparty financial institutions.
The fair value of investment trusts is determined based on the public standard price or the price quoted by the counterparty financial institutions.
With regard to investments in partnerships, the Company's share in the net assets of the partnerships (after measuring the assets held by the partnerships at fair value where possible) is deemed as the fair value of

March 31, 2011

the investments.

(v) Loans

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

With respect to fixed rate loans, for each category of loans based on types of loans, duration and credit ratings, the fair value is measured as the present value of estimated future cash flows, discounted at interest rate applicable to the same type of new loans.

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

For loans to debtors in legal or de-facto bankruptcy, the carrying amount less bad debt reserve is deemed as the fair value, because bad debt reserve is determined individually based on appraisal value of underlying collateral where appropriate.

With regard to loans with limited amount within surrender value and no contractual maturity, the book value is deemed as the fair value since the book value approximates the fair value given their estimated repayment period and interest rate terms.

Derivative transaction

(i) Hedge accounting not applied

With regard to foreign exchange contract, the fair value is based on futures market price at the end of year. With regard to the other derivative transactions, the fair value is based on the price quoted by counterparty

March 31, 2012

the investments.

(v) Loans

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

With respect to fixed rate loans, for each category of loans based on types of loans, duration and credit ratings, the fair value is measured as the present value of estimated future cash flows, discounted at interest rate applicable to the same type of new loans.

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

For loans to debtors in legal or de-facto bankruptcy, the carrying amount less bad debt reserve is deemed as the fair value, because bad debt reserve is determined individually based on appraisal value of underlying collateral where appropriate.

With regard to loans with limited amount within surrender value and no contractual maturity, the book value is deemed as the fair value since the book value approximates the fair value given their estimated repayment period and interest rate terms.

Derivative transaction

With regard to foreign exchange contract, the fair value is based on futures market price at the end of year. With regard to the other derivative transactions, the fair value is based on the price quoted by counterparty financial institutions.

March 31, 2011

financial institutions.

(ii) Hedge accounting applied
With regard to foreign exchange contract, the fair value is based on the futures market price at the end of year.

(Note 2)
The following financial instruments held as of March 31, 2011 are not included in the above table, because determination of their fair values is impracticable.
Unlisted stocks and investments in silent partnership (Carrying amount on the consolidated balance sheet: ¥53,775 million) are not included in the scope of fair value disclosure, because there is no market price for those financial instruments and it is impracticable to project future cash flows.

2. Investment and leasing property

(1) Matters related to investment and leasing property

The Company and certain consolidated subsidiaries own rental office (including those for internal use) and residential properties and idle real estates in major cities in Japan.

(2) Fair value of Investment and Rental Property as of March 31, 2011

Carrying amount	¥45,112 million
Fair value	¥56,019 million

(Note)
(i) Carrying amount represents the cost of acquisition less accumulated depreciation.

(ii) Fair value as of March 31, 2011 is primarily based on appraisals by qualified external valuers. With respect to the investment and leasing properties with no substantial changes in their appraisal values or indices in

March 31, 2012

(Note 2)
The following financial instruments held as of March 31, 2012 are not included in the above table, because determination of their fair values is impracticable.
Unlisted stocks and investments in silent partnership (Carrying amount on the consolidated balance sheet: ¥45,560 million) are not included in the scope of fair value disclosure, because there is no market price for those financial instruments and it is impracticable to project future cash flows.

2. Investment and leasing property

(1) Matters related to investment and leasing property

The Company and certain consolidated subsidiaries own rental office (including those for internal use) and residential properties and idle real estates in major cities in Japan.

(2) Fair value of Investment and Rental Property as of March 31, 2012

Carrying amount	¥44,974 million
Fair value	¥59,581 million

(Note)
(i) Carrying amount represents the cost of acquisition less accumulated depreciation.

(ii) Fair value as of March 31, 2012 is primarily based on appraisals by qualified external valuers. With respect to the investment and leasing properties with no substantial changes in their appraisal values or indices in

March 31, 2011

which market prices are reflected appropriately since the most recent appraisals, fair value is determined based on these appraisal values or the values adjusted by these indices.

3. Delinquent loans

(1) Loans to financially impaired parties and overdue loans amount to ¥13 million and ¥1,773 million, respectively.

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

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

(2) Loans overdue for 3 months or more amounted to ¥602 million.

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

(3) Restructured loans amounted to ¥2,184 million.

Restructured loans are those loans which

March 31, 2012

which market prices are reflected appropriately since the most recent appraisals, fair value is determined based on these appraisal values or the values adjusted by these indices.

3. Delinquent loans

(1) Loans to financially impaired parties and overdue loans amount to ¥23 million and ¥981 million, respectively.

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

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

(2) Loans overdue for 3 months or more amounted to ¥709 million.

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

(3) Restructured loans amounted to ¥1,630 million.

Restructured loans are those loans which

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2011

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

(4) The total of delinquent loans amounts to ¥4,573 million.

4. Accumulated depreciation and reduction entry of tangible fixed assets amount to ¥244,740 million and ¥12,064 million, respectively. The reduction entry of ¥44 million was deducted from the acquisition costs for the tangible fixed assets acquired using government and other subsidies during the year ended March 31, 2011.

5. As for ALI, change in reserve for policyholder dividends is as follows (Yen in millions):

Balance at beginning of period	¥3,694
Policyholder dividends	2,660
Increase in interest	1
Provision for reserve for policyholder dividends	¥2,541
Balance at end of period	3,577

6. Investments in subsidiaries and affiliates amount to ¥11,131 million.

7. Securities in the amount of ¥20,089 million, money trusts in the amount of ¥1,703 million and cash, deposits and savings in the amount of ¥202 million are pledged as collateral for loan payables in the amount of ¥37 million, for letter of credit issued and for overseas operations.

March 31, 2012

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

(4) The total of delinquent loans amounts to ¥3,345 million.

4. Accumulated depreciation and reduction entry of tangible fixed assets amount to ¥245,638 million and ¥9,872 million, respectively.

5. Other assets include deferred assets under Article 113 of the Insurance Business Law in the amount of ¥750 million.

6. Investments in subsidiaries and affiliates amount to ¥3,944 million.

7. Securities in the amount of ¥21,378 million, money trusts in the amount of ¥1,684 million and cash, deposits and savings in the amount of ¥193 million are pledged as collateral for loan payables in the amount of ¥28 million, for letter of credit issued and for overseas operations.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2011	March 31, 2012
8. Investments in securities include those that were loaned under securities lending agreements in the amount of ¥25,899 million.	
9. Net assets per share as of March 31, 2011 are ¥613.15. Minority interests in the amount of ¥821 million are deducted from net assets of ¥450,939 million in its computation. Outstanding common shares as of March 31, 2011 were 734,101 thousand shares.	8. Net assets per share as of March 31, 2012 are ¥531.88. Minority interests in the amount of ¥2,136 million are deducted from net assets of ¥392,596 million in its computation. Outstanding common shares as of March 31, 2012 were 734,101 thousand shares.

10. The Company merged with Nissay Dowa General Insurance Company, Limited on October 1, 2010 and the Company's name was changed to Aioi Nissay Dowa Insurance Company, Limited. Matters regarding the merger are as follows:

(1) Outlines of the business combination

(i) Name and business of combined entities

(a) Combining company
Company name: Aioi Insurance Company, Limited
Description of business: Non-life insurance

(b) Combined company
Company name: Nissay Dowa General Insurance Company, Limited
Description of business: Non-life insurance

(ii) Date of business combination
October 1, 2010

(iii) Legal form of the business combination
Merger by absorption of Nissay Dowa General Insurance Company, Limited by Aioi Insurance Company, Limited as surviving company

(iv) Name of the Company after business combination

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2011	March 31, 2012
Aioi Nissay Dowa Insurance Company, Limited	
(v) Outline and purpose of the transaction The Company seeks to enhance the group's enterprise value as a main non-life insurance company of MS&AD Insurance Group, through the merger with Nissay Dowa General Insurance Company, Limited.	
(2) Outline of the accounting treatment adopted This merger was accounted for as a transaction under common control, in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 issued on December 26, 2008).	
11. Unutilized portion of commitment lines given to third parties amounted to ¥12,648 million. A commitment line is a contract whereby a specified amount of loan will be made available by the Company to the counterparty as long as there is no violation of the terms specified under the agreement.	9. Unutilized portion of commitment lines given to third parties amounted to ¥13,575 million. A commitment line is a contract whereby a specified amount of loan will be made available by the Company to the counterparty as long as there is no violation of the terms specified under the agreement.
12. Of the assets received under resale agreements and securities borrowed with cash collateral, the Company has the right to sell or pledge commercial paper in the amount of ¥11,095 million and securities in the amount of ¥15,121 million, and all of them are held by the Company.	
13. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.	10. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Consolidated Statements of Income

For the years ended March 31, 2011 and 2012

March 31, 2011	March 31, 2012
1. Consolidated net loss per share for the year ended March 31, 2011 is ¥12.61. Earnings per share after adjustment for dilutive effect of shares is not presented as no dilutive securities exist. Consolidated net loss per share is computed based on the following figures: Consolidated net loss and Consolidated net loss available to common stockholders, ¥9,259 million; and Average outstanding common shares during the year, 734,101 thousand shares.	1. Consolidated net loss per share for the year ended March 31, 2012 is ¥64.80. Earnings per share after adjustment for dilutive effect of shares is not presented as no dilutive securities exist. Consolidated net loss per share is computed based on the following figures: Consolidated net loss and Consolidated net loss available to common stockholders, ¥47,574 million; and Average outstanding common shares during the year, 734,101 thousand shares.
2. Other underwriting expenses include losses on derivatives to reduce the currency risk of reinsurance transactions in foreign currency in the amount of ¥4,105 million.	2. Other underwriting expenses include losses on derivatives to reduce the currency risk of reinsurance transactions in foreign currency in the amount of ¥603 million.
3. Other extraordinary income includes gains on change in accounting for deferred acquisition costs arisen from foreign subsidiary in the amount of ¥4,700 million.	
4. Other extraordinary losses include business integration costs in the amount of ¥24,001 million.	3. Other extraordinary losses include business integration costs in the amount of ¥2,004 million.
5. Changes in presentation As a result of the adoption of the format in the exhibit of the "Enforcement Regulations of the Insurance Business Law" (Ordinance of the Ministry of Finance No.5 in 1996) revised by the "Cabinet Office Ordinance for Partial Amendment to the Enforcement Ordinance of the Banking Law, etc." (Cabinet Office Ordinance No.41, September 21, 2010), "Loss before minority interests" started to be presented.	
6. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.	4. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Consolidated Statement of Comprehensive Income

For the year ended March 31, 2011 and 2012

March 31, 2011

1. Comprehensive income for the fiscal year ended March 31, 2011 (Yen in millions)

Comprehensive income attributable to shareholders of the parent	¥ 87,383
Comprehensive income attributable to minority interests	10
Total	¥ 87,393

2. Other comprehensive income for the fiscal year ended March 31, 2011 (Yen in millions)

Net unrealized gains on investments in securities	¥ 70,606
Foreign currency translation adjustments	138
Total	¥ 70,745

3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2012

1. Amounts reclassified to net loss in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows (Yen in millions):

Net unrealized gains/(losses) on investments in securities	
Increase during the year	¥ 41,409
Reclassification adjustments	2,073
Sub-total, before tax	43,483
Tax expense	(11,760)
Sub-total, net of tax	31,723
Foreign currency translation adjustments	
Decrease during the year	(1,226)
Total other comprehensive income	¥ 30,496

2. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2011 and 2012

March 31, 2011

1. Type and number of shares issued and treasury stock (Shares in thousands)

	April 1, 2010	Increase	Decrease	March 31, 2011
Issued:				
Common shares	756,201	-	22,100	734,101
Total	756,201	-	22,100	734,101
Treasury stock:				
Common shares	22,100	-	22,100	-
Total	22,100	-	22,100	-

Note: The decrease in the number of common treasury stocks during the year (22,100 thousand shares) was due to retirement of these shares.

2. Dividends

(1) Dividends paid (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Aggregate amount of dividends	Dividend per share	Date of record	Effective date
General meeting of stockholders held on June 29, 2010	Common shares	¥ 7,341	¥10.00	March 31, 2010	June 30, 2010
Meeting of the Board of Directors held on June 29, 2010	Common shares	¥ 300	¥ 0.40	-	July 2, 2010
Meeting of the Board of Directors held on August 12, 2010	Common shares	¥2,750	¥3.74	-	August 13, 2010
Meeting of the Board of Directors held on November 18, 2010	Common shares	¥ 6,990	¥ 9.52	-	December 1, 2010

Resolution	Type of share	Type of assets for dividends and book value		Dividend per share	Date of record	Effective date
Meeting of the Board of Directors held on August 12, 2010	Common shares	Common shares of MS&AD Research Institute Company, Limited Inter Risk Research Institute and Consulting, Inc. and MS&AD Staffing Service Company, Limited	¥ 222	¥0.30	-	October 1, 2010

March 31, 2012

1. Type and number of shares issued and treasury stock (Shares in thousands)

	April 1, 2011	Increase	Decrease	March 31, 2012
Issued:				
Common shares	734,101	-	-	734,101
Total	734,101	-	-	734,101

Note: There is no treasury stock required to be disclosed.

2. Dividends

(1) Dividends paid (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Type of assets for dividends and book value		Dividend per share	Date of record	Effective date
Meeting of the Board of Directors held on March 30, 2011	Common shares	Common shares of MS&AD BUSINESS SERVICE COMPANY, LIMITED	¥ 194	¥0.26	-	April 1, 2011
Meeting of the Board of Directors held on May 18, 2011	Common shares	Treasury Discount Bills (115th)	¥ 5,599	¥7.62	March 31, 2011	June 9, 2011
Meeting of the Board of Directors held on September, 30, 2011	Common shares	Common shares of Aioi Life Insurance Company, Limited, MS&AD Systems Company, Limited and Anshin Dial Co.,Ltd.	¥ 42,556	¥57.97	-	October 1, 2011
Meeting of the Board of Directors held on November 17, 2011	Common shares	Treasury Discount Bills (218th)	¥ 3,269	¥4.45	-	November 18, 2011

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Consolidated Statements of Changes in Net Assets (Continued)

March 31, 2011

(2) Dividends to be made effective after March 31, 2011 for which the date of record is in the fiscal year ended March 31, 2011 (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Type of assets for dividends and book value		Source of dividend	Dividend per share	Date of record	Effective date
Meeting of the Board of Directors held on May 18, 2011	Common share	Treasury Discount Bills (115th)	¥ 5,599	Retained earnings	¥ 7.62	March 31, 2011	June 9, 2011

3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2012

(2) Dividends to be made effective after March 31, 2012 for which the date of record is in the fiscal year ended March 31, 2012 (Yen in millions, except for dividend per share in Yen))

Resolution	Type of share	Type of assets for dividends and book value		Source of dividend	Dividend per share	Date of record	Effective date
Meeting of the Board of Directors held on May 17, 2012	Common share	Treasury Discount Bills (265th)	¥ 5,599	Retained earnings	¥ 7.62	March 31, 2012	June 8, 2012

3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED

Notes to Consolidated Statements of Cash Flows

For the years ended March 31, 2011 and 2012

March 31, 2011

1. Cash and cash equivalents in Consolidated Statements of Cash Flows

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

2. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2012

1. Cash and cash equivalents in Consolidated Statements of Cash Flows

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

2. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.