



10060809508

mitsui sumitomo insurance company limited - new zealand branch

financial statements

for the year ended 31 march 2011

BUSINESS & REGISTRIES
BRANCH, AUCKLAND.

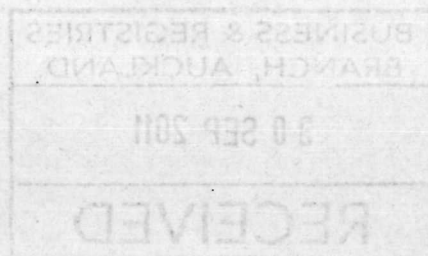
30 SEP 2011

RECEIVED

mitsui sumitomo insurance company limited - new zealand branch
CONTENTS
FOR THE YEAR ENDED 31 MARCH 2011

CONTENTS	1
INCOME STATEMENT	2
STATEMENT OF MOVEMENT IN HEAD OFFICE ACCOUNT	3
BALANCE SHEET	4
STATEMENT OF ACCOUNTING POLICIES	5-8
NOTES TO FINANCIAL STATEMENTS	9-21
AUDITOR'S REPORT	22-23

The Board of Directors is pleased to present the financial statements of Mitsui Sumitomo Insurance Company Limited - New Zealand Branch, incorporating the auditor's report for the year ended 31 March 2011.



Mitsui Sumitomo Insurance Company Limited - New Zealand Branch
Income Statement
For the year ended 31 March 2011

	Notes	2011 \$	2010 \$
Total Revenue	1	<u>77,502,939</u>	<u>9,142,189</u>
Gross earned premium	2a	7,810,492	8,115,265
Reinsurance expense	3	<u>(2,103,235)</u>	<u>(2,101,230)</u>
Net Premium Revenue		5,707,257	6,014,035
Claims Expense	5	(125,545,425)	(1,389,521)
Reinsurance and Other Recoveries		69,043,436	483,324
Net Claims Expense		(56,501,989)	(906,197)
Commissions		(293,718)	(365,744)
Reinsurance commission income		<u>331,186</u>	<u>326,609</u>
Net Acquisition Costs		37,468	(39,135)
Underwriting Result		(50,757,264)	5,068,703
Operating Expenses	4	(1,042,868)	(1,120,201)
Investment income	2b	317,630	216,685
Sundry income		<u>194</u>	<u>306</u>
Net (Loss)/Profit Before Tax		(51,482,308)	4,165,493
Taxation credit/(expense)	6	24,852	(1,309,533)
Net (Loss)/Profit for the Period		(51,457,456)	2,855,960
Other comprehensive income for the period		-	-
Total Comprehensive Income for the Period		(51,457,456)	2,855,960

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



Mitsui Sumitomo Insurance Company Limited - New Zealand Branch
Statement of Movement in Head Office Account
For the year ended 31 March 2011

	2011 \$	2010 \$
Opening Head Office Balance	<u>6,905,866</u>	<u>5,249,906</u>
(Loss)/Profit for the period	<u>(51,457,456)</u>	<u>2,855,960</u>
Total comprehensive income for the period	<u>(51,457,456)</u>	<u>2,855,960</u>
Funding from Head Office/(Repatriation of surplus funds to Head Office)	<u>39,136,141</u>	<u>(1,200,000)</u>
Closing Head Office Balance	<u>(5,415,449)</u>	<u>6,905,866</u>

The above Statement of Movement in Head Office Account should be read in conjunction with the accompanying notes.



Mitsui Sumitomo Insurance Company Limited - New Zealand Branch
Balance Sheet
As at 31 March 2011

	Notes	2011 \$	2010 \$
Assets			
Cash and Cash Equivalents		48,269,066	8,676,875
Investment in Government Stock	8	510,627	517,463
Premium Receivables		1,810,423	1,450,624
Taxation Receivable		668,067	-
Reinsurance Receivable		397,764	-
Reinsurance Recoveries	19	68,772,000	199,438
Other Current Assets	7	638,560	405,826
Property, Plant and Equipment	9	8,602	19,590
Total Assets		121,075,109	11,269,816
Liabilities			
Accounts Payable	12	245,134	293,764
Reinsurance Payable		138,937	160,073
Other Current Liabilities	13	160,321	91,933
Outstanding Claims Liability	10	123,112,000	1,069,257
Unearned Premium Reserve	11	2,351,452	2,047,330
Taxation Payable		-	460,049
Due to Related Parties	17	482,714	214,254
Deferred Tax Liability	14	-	27,290
Total Liabilities		126,490,558	4,363,950
Net Assets/(Liabilities)		(5,415,449)	6,905,866
Head Office Account		(5,415,449)	6,905,866

The above Balance Sheet should be read in conjunction with the accompanying notes.

For and on behalf of the Board of Directors

Director

26 SEP 2011

Date

Director

26 SEP 2011

Date



Reporting Entity

The financial statements are for Mitsui Sumitomo Insurance Company Limited - New Zealand Branch. The Branch's ultimate parent company is MS & AD Insurance Group Holdings, Inc. The "Branch" is a branch of Mitsui Sumitomo Insurance Company Limited ("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. The Branch's principal place of business is Auckland Club Tower, 34 Shortland Street, Auckland, New Zealand. These Branch financial statements should be read in conjunction with the full financial statements of the Company.

The financial statements of the Branch are for the year ended 31 March 2011. The financial statements were authorised for issue by the Directors on the 26 of 09 2011.

Basis of Preparation

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to profit-oriented entities that qualify for and apply differential reporting concessions. The Branch is a profit-orientated entity. The Branch is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The Branch qualifies for differential reporting exemptions as it has no public accountability, and the Branch is governed by its head office. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted with the exception of NZ IAS 12 - Income Taxes.

Critical Accounting Estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 24. These relate to the outstanding claims liability and reinsurance recoveries in Notes 10 and 19 respectively. The Branch makes estimates and assumptions in respect to certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Basis of Measurement

The financial statements have been prepared on 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.

The financial statements have been prepared on a going concern basis, which the directors believe is appropriate. The Company has given the Branch an undertaking that it will provide the Branch with financial support to ensure the Branch is able to discharge its liabilities. The Branch has received capital injections, details of which are described in Note 20.

Presentation and Functional Currency

The Branch's functional currency is New Zealand dollars (\$). These financial statements are presented in New Zealand dollars (\$).

Changes in Accounting Policies

The accounting policies have been consistently applied to all periods presented in these financial statements.



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.

Premium Revenue

Direct premium comprises amounts charged to the policyholders and reinsurance premium comprises amounts charged to other insurers (inward reinsurance) net of fire service and earthquake levies collected on behalf of the Government. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue. Premium is earned from the date of attachment of risk, over the contract period based on the pattern of risks underwritten. Unearned premium is determined using the 365ths method.

Outwards Reinsurance Expense

Premium ceded on reinsurance 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. A portion of outwards reinsurance premium is treated as deferred reinsurance premium and recognised over the period of reinsurance cover.

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.

Reinsurance Commission Income

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

Claims Expense

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

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.

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.

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 insurance contract and is recognised as premium income.

A liability adequacy test is performed at each balance sheet 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 cashflows. This is compared to the unearned premium reserve net of deferred acquisition costs. Any deficiency is recognised in the Income Statement after first writing down any deferred acquisition costs. Any shortfall after having written down acquisition costs is then recognised in the Income Statement with the corresponding amount recognised in the Balance Sheet as an unexpired risk liability.

The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio. No deficiency was identified as at 31 March 2011 (2010: Nil).



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 amortised 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 Income Statement.

Acquisition Costs

Acquisition costs incurred in obtaining and recording insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to revenue that will be recognised in the Income Statement in subsequent reporting periods. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised in accordance with the expected pattern of incidence of risk under the insurance contract to which they relate.

Tax

Income tax expense comprises current and deferred tax and is recognised in the Income Statement. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and Services Tax (GST)

The Income Statement has been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated exclusive of GST, with the exception of receivables and payables, which include GST invoiced.

Foreign Currency Transactions

Transactions in foreign currencies that are settled in the accounting period are translated at the settlement rate. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Income Statement.

Cash and Cash Equivalents

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

Financial Assets

Financial assets have been classified as follows;

Asset	NZ IAS 39 Classification	Measurement basis
Investments	Designated Fair Value through Profit or Loss	Measured at fair value with changes recognised through profit or loss
Premium receivables	Loans and receivables	Amortised cost less impairment
Reinsurance recoveries	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
Other current assets	Loans and receivables	Amortised cost less impairment
Reinsurance receivables	Loans and receivables	Amortised cost less impairment



Financial instruments are recognised when the Branch becomes a party to the contractual provisions of the instrument. 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.

Financial assets are recognised initially at fair value plus, for assets not at fair value through profit or loss, any directly attributable transaction costs.

Government stock has been designated at fair value through profit and loss as it is held to match the average duration of a corresponding insurance liability as assets backing general insurance liabilities. The fair value of government stock is established by reference to quoted bid prices. Interest income is recognised in the Income Statement using the effective interest rate method.

The Branch also has term deposits which back general insurance liabilities. Term deposits are included in cash and cash equivalents. Term deposits have a carrying value at year end of \$7,200,000 (2010: \$7,200,000).

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Depreciation is charged to the Income Statement and is recognised on a straight line basis over the useful life of the asset at the following rates:

Motor vehicles	22%
Office equipment	36%

The carrying value of assets are assessed annually for indications of impairment.

Premium Receivables

Premium receivables are recognised in the Balance Sheet at their estimated realisable value after providing for non-payment of premiums in respect of those policies expected to lapse. The collectability of debtors is assessed and provision is made with regard to past experience.

Financial Liabilities

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

Impairment

The carrying amounts of the Branch's assets are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement. The estimated recoverable amount of receivables is the present value of estimated future cash flows discounted at the original effective interest rate.

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.

Head Office Account

The Branch equity in the form of a Head Office Account represents accumulated retained earnings, repayable at the discretion of the Branch. As a Branch there are no externally imposed capital restrictions to which the Branch must adhere.



	2011	2010
	\$	\$
1 Total Revenue		
This comprises:		
Gross written premium	8,114,615	8,215,500
Change in unearned premium provision	(304,122)	(100,235)
Gross Earned Premium	7,810,493	8,115,265
Reinsurance commission income	331,186	326,609
Reinsurance and other recoveries	69,043,436	483,324
Reinsurance Income	69,374,622	809,933
Investment income	317,630	216,685
Sundry income	194	306
Total Revenue	77,502,939	9,142,189
	2011	2010
	\$	\$
2(a) Premium Revenue		
Direct	7,765,688	7,987,813
Reinsurance	44,804	127,452
Total Gross Earned Premium	7,810,492	8,115,265
2(b) Investment Income		
Financial assets at fair value through profit or loss (designated upon initial recognition)		
Interest income	30,000	30,000
Change in fair value	(6,836)	(8,463)
Cash and cash equivalents interest income	294,466	195,148
Total Investment Income	317,630	216,685
	2011	2010
	\$	\$
3 Reinsurance Expense		
Outward reinsurance premium expense	(2,214,566)	(2,119,623)
Change in unearned reinsurance premium provision	111,331	18,393
	(2,103,235)	(2,101,230)
	2011	2010
	\$	\$
4 Operating Expenses		
Management fee	688,172	723,899
Fees paid to auditors:		
audit	54,065	36,000
audit related	4,100	4,100
tax	11,310	12,941
Depreciation	10,988	10,963
Other expenses	274,233	332,298
Total operating expenses	1,042,868	1,120,201

Audit related fees are for work performed on regulatory returns.



	2011 \$	2010 \$
5 Claims Expense		
Direct	125,544,958	1,389,402
Reinsurance	467	119
	<u>125,545,425</u>	<u>1,389,521</u>

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

	Current Year \$	Prior Years \$	Total \$
2011			
Gross claims incurred - undiscounted	131,599,682	(630,257)	130,969,425
Discount movement	(5,424,000)	-	(5,424,000)
<i>Gross claims incurred</i>	<u>126,175,682</u>	<u>(630,257)</u>	<u>125,545,425</u>
Reinsurance and other recoveries - undiscounted	(69,125,874)	77,438	(69,048,436)
Discount movement	5,000	-	5,000
<i>Reinsurance and other recoveries - undiscounted</i>	<u>(69,120,874)</u>	<u>77,438</u>	<u>(69,043,436)</u>
Net claims incurred	<u>57,054,808</u>	<u>(552,819)</u>	<u>56,501,989</u>

	Current Year \$	Prior Years \$	Total \$
2010			
Gross claims incurred - undiscounted	1,648,800	(259,279)	1,389,521
Discount movement	-	-	-
<i>Gross claims incurred</i>	<u>1,648,800</u>	<u>(259,279)</u>	<u>1,389,521</u>
Reinsurance and other recoveries - undiscounted	(342,000)	(141,324)	(483,324)
Discount movement	-	-	-
<i>Reinsurance and other recoveries - undiscounted</i>	<u>(342,000)</u>	<u>(141,324)</u>	<u>(483,324)</u>
Net claims incurred	<u>1,306,800</u>	<u>(400,603)</u>	<u>906,197</u>

	2011 \$	2010 \$
Outstanding claims liability at 1 April	1,069,257	2,388,400
Claims reassessed	(630,257)	(259,279)
Claims paid	(3,502,682)	(2,708,664)
New claims	<u>126,175,681</u>	<u>1,648,800</u>
Outstanding claims liability at 31 March	<u>123,112,000</u>	<u>1,069,257</u>

Estimation of outstanding claims and premium liabilities always contains an element of uncertainty. This is the nature of insurance and is to be expected. Usually, there is a reasonably stable and widespread portfolio of business and a body of claims history available so that estimates can be based on analyses of past experience.

However there is no suitable body of claims experience available in relation to the development of claims arising from a severe earthquake affecting a modern city in New Zealand, such as the series of earthquakes affecting Canterbury and Christchurch during the year. There are many special circumstances applying that create an increased level of uncertainty in regard to the valuation of the gross cost of earthquake claims. These uncertainties are described in more detail in note 10.

The prior year's assessment shown above relates predominately to claims occurring in the immediately preceding financial year.



	2011	2010
	\$	\$
6 Taxation Expense		
Current tax expense		
Current period	(47,928)	1,214,976
Deferred tax expense		
Origination and reversal of timing differences	23,076	94,557
Total Income Tax Expense	(24,852)	1,309,533

Reconciliation of effective tax rate		
Profit (Loss) before tax	(51,482,308)	4,165,493
Income tax at Branch tax rate (30%)	(15,444,693)	1,249,648
Non deductible expenses	566	885
Tax adjustment on unrecognised losses	15,394,112	-
Prior period under provision	28,520	16,500
Effect of change of tax rate to 28%	(3,358)	-
Other	-	42,500
Total Income Tax Expense	(24,852)	1,309,533

	2011	2010
	\$	\$
7 Other Current Assets		
Accrued income	30,292	28,167
Deferred acquisition costs	214,636	146,966
Prepaid reinsurance premium	321,989	210,658
Prepaid expenses	71,643	20,035
	638,560	405,826

	2011	2010
	\$	\$
Deferred acquisition costs at 1 April	146,966	148,775
Acquisition costs deferred	361,388	363,935
Amortisation charged to Income Statement	(293,718)	(365,744)
Deferred acquisition costs at 31 March	214,636	146,966

	2011	2010
	\$	\$
Prepaid reinsurance premium at 1 April	210,658	192,265
Reinsurance premium expense incurred	2,214,566	2,119,622
Reinsurance premium expensed during the year	(2,103,235)	(2,101,229)
Prepaid reinsurance premium at 31 March	321,989	210,658

	2011	2010
	\$	\$
8 Investments in Government Stock		
Fixed income securities - New Zealand Government Stock	510,627	517,463

9 Property, Plant and Equipment

Cost	Motor vehicles	Office equipment	Total
	\$	\$	\$
Balance at 1 April 2009	32,589	35,145	67,734
Additions	-	308	308
Balance at 31 March 2010	32,589	35,453	68,042
Balance at 1 April 2010	32,589	35,453	68,042
Additions	-	-	-
Balance at 31 March 2011	32,589	35,453	68,042



	Motor vehicles	Office equipment	Total
	\$	\$	\$
Accumulated depreciation			
Balance at 1 April 2009	32,589	4,900	37,489
Charge for the year	-	10,963	10,963
Balance at 31 March 2010	32,589	15,863	48,452
Balance at 1 April 2010	32,589	15,863	48,452
Charge for the year	-	10,988	10,988
Balance at 31 March 2011	32,589	26,851	59,440
Carrying amounts			
At 1 April 2009	-	30,245	30,245
At 31 March 2010	-	19,590	19,590
At 1 April 2010	-	19,590	19,590
At 31 March 2011	-	8,602	8,602
10 Outstanding Claims Liability	2011	2010	
	\$	\$	
Central estimate of outstanding claims liabilities	121,756,000	877,257	
Discount to present value	(5,424,000)	-	
Risk margin	6,748,000	136,000	
Claims handling expense	32,000	56,000	
	<u>123,112,000</u>	<u>1,069,257</u>	

Discounting was not applied in 2010 due to the expected short term to settlement.

The risk margin takes into account uncertainty within the estimates of outstanding claims for each type of risk insured and applying an allowance for diversification across the portfolio. The percentage risk margin adopted is 5.8% (2010: 15.5%).

Insurance contract assumptions

The risk margin adopted in determining the outstanding claims liability is \$6,748,000 (2010: \$136,000). This is intended to achieve a provision which will have a 75% probability of adequacy (2010: 75%).

There are considerable uncertainties surrounding the measurement of gross claims liabilities and the related reinsurance recoveries arising from the Canterbury earthquakes. These arise from a number of factors including; a lack of historical data; longer than normal claims development periods; the presence and frequency of aftershocks; complexities associated with determining key actuarial assumptions including the selection of a risk margin, discount rates and inflationary assumptions; and uncertainty surrounding applicable building standards.

Given the nature and number of uncertainties associated with the Canterbury earthquakes, the Branch's actual claims experience may deviate, perhaps substantially, from the gross outstanding claims liabilities recorded as at 31 March 2011. Any changes to estimates will be recorded in the accounting period when they become known.

	2011	2010
	\$	\$
11 Unearned Premium Reserve		
Unearned premium liability	<u>2,351,452</u>	<u>2,047,330</u>
	2011	2010
	\$	\$
Unearned premium liability at 1 April	2,047,330	1,947,095
Deferral of premium on contracts written at year end	2,351,452	2,047,330
Prior year premium earned	<u>(2,047,330)</u>	<u>(1,947,095)</u>
Unearned premium liability at 31 March	<u>2,351,452</u>	<u>2,047,330</u>



Liability adequacy test

A liability adequacy test was performed as at 31 March 2011 and 31 March 2010. Both tests identified a surplus. The tests were based on the following assumptions:

	2011 \$	2010 \$
Premium available to meet expected claims cost	1,749,000	1,621,000
Expected claims cost	733,000	727,000
Component of present value of expected future cash flows relating to the risk margin	86,000	85,000
The percentage risk margin adopted in determining the present value of expected future cashflows (%)	12%	12%
The probability of adequacy intended to be achieved through adoption of the risk margin (%)	75%	75%

The risk margin takes into account uncertainty within the estimates of outstanding claims for each type of risk insured and applying an allowance for diversification across the portfolio.

12 Accounts Payable

	2011 \$	2010 \$
GST payable/(receivable)	(118,294)	61,300
Trade creditors and accruals	188,623	180,560
Government levies	174,806	51,904
	<u>245,134</u>	<u>293,764</u>

13 Other Current Liabilities

	2011 \$	2010 \$
Unearned reinsurance commission	57,573	40,993
Non-resident withholding tax	102,748	50,940
	<u>160,321</u>	<u>91,933</u>

	2011 \$	2010 \$
Unearned reinsurance commission at 1 April	40,993	40,051
Reinsurance commission income incurred	347,766	327,551
Reinsurance commission income recognised during the year	(331,186)	(326,609)
Unearned reinsurance commission at 31 March	<u>57,573</u>	<u>40,993</u>

14 Deferred Tax

Deferred tax assets and liabilities are attributable to the following:

	Assets \$	Liabilities \$	Total \$
2011			
Provisions	16,800	-	16,800
Tax losses	50,366	-	50,366
Other items	-	(67,166)	(67,166)
Total	<u>67,166</u>	<u>(67,166)</u>	<u>-</u>
2010			
Provisions	16,800	-	16,800
Other items	-	(44,090)	(44,090)
Total	<u>16,800</u>	<u>(44,090)</u>	<u>(27,290)</u>

All deferred tax is recognised in the Income Statement for 2010. In 2011, there are unused tax losses of \$ 51,313,707 for which no deferred tax asset is recognised.



15 Financial Reporting by Segments

The branch operates as a fire and general insurer and reinsurer within New Zealand.

16 Capital Commitments

There are no capital commitments at balance date (2010: Nil).

17 Related Party Information

The Branch has a related party relationship with its parent entity, other group entities and its directors and executive officers. The Branch has had a number of transactions during the year with the Head Office of the Company. These transactions relate to the outward reinsurance of certain business written in New Zealand, including reinsurance premiums, reinsurance claims and reinsurance commission earned.

	2011 \$	2010 \$
Transactions with Head Office:		
Reinsurance premiums	495,530	426,931
Reinsurance recoveries	(62,418)	(105,998)
Reinsurance commission earned	(150,926)	(127,751)
Other expense paid/ recharged	(14,866)	(12,805)
	<u>267,320</u>	<u>180,377</u>

Outstanding balance with Head Office:

Due to related parties	482,714	214,254
------------------------	---------	---------

All the above related party outstanding balances are not secured and are repayable on demand. The balances are non-interest bearing.

In April 2010, Mitsui Sumitomo Insurance Group, Aioi Insurance Co., Ltd and Nissay Dowa General Insurance Co., Ltd merged their operations to create Japan's largest non-life insurer. Because of this merger, the Branch also has established a related party relationship with Aioi Management New Zealand Ltd ("Aioi") since 26th July 2010. Aioi provides services of handling motor vehicle accident claims on behalf of the Branch which took effect 01 August 2010.

	2011 \$	2010 \$
Transactions with Aioi:		
Management fees	<u>18,250</u>	-
Outstanding balance with Aioi:		
Other current assets	<u>59,553</u>	-

18 Credit Rating

Mitsui Sumitomo Insurance Company Limited - New Zealand Branch has received an AA- (2010: AA-) credit rating from Standard and Poor's dated 26 March 2011. The credit rating is an indication of the Branch's current and future claims paying ability.

19 Reinsurance Recoveries

	2011 \$	2010 \$
Reinsurance recoveries arising from claims	<u>68,772,000</u>	<u>199,438</u>
	<u>68,772,000</u>	<u>199,438</u>
	2011 \$	2010 \$
Reinsurance and other recoveries receivable at 1 April	199,438	703,265
Recoveries on claims reassessed	(77,438)	141,324
Recoveries received	(470,874)	(987,151)
Recoveries on new claims	<u>69,120,874</u>	<u>342,000</u>
Reinsurance and other recoveries receivable at 31 March	<u>68,772,000</u>	<u>199,438</u>

Reinsurance is purchased to make the Branch's results more predictable by reducing the effect that individual large claims, and catastrophic events that lead to multiple claims, have on results. The majority of reinsurance is arranged using a combination of facultative or excess of loss treaty arrangements.

There are considerable uncertainties that exist surrounding the measurement of reinsurance recoveries. These are discussed in Note 10.



20 Solvency

The Branch retains a level of funds which enables it to maintain a solvency margin sufficient to retain a 'very strong' ability to pay their insurance and operating obligations.

	2011 \$	2010 \$
Total Shareholder Equity/Net Assets	(5,415,449)	6,905,866
Less: Intangible Assets/Goodwill	-	-
Free Reserves	(5,415,449)	6,905,866
Gross Written Premium	8,114,615	8,215,500
Less: Reinsurance Written Premium	2,214,566	2,119,623
Total	5,900,049	6,095,877
Solvency Margin	(11,315,497)	809,988
Solvency Ratio	-92%	113%

The above Solvency calculation is based on the basic principles and general guidance set out in the Insurance Council of New Zealand solvency by-laws.

During the current financial year, the Branch's capital base was impacted by the Christchurch earthquake events on 04 September 2011 and 22 February 2011. To support this capital requirement, Head Office has remitted NZD 39,136,141 cash injection during March 2011. Another NZD 61,799,990 cash was injected in June 2011. These were made to support the Branch's anticipated earthquake claims payments.

21 Events Occurring After Reporting Date

As described in Note 20, Head Office remitted \$61,799,990 to the Branch in June 2011. Other than this, there are no matters past Balance Sheet date that has significantly affected, or may significantly affect the Branch's operations, the results of these operations for the year ended 31 March 2011 or the Branch's financial position as at 31 March 2011.

Subsequent to the cash injection made in March and June 2011 to support the Branch's earthquake claims payment requirements, the Head Office has also issued a letter of support to the Branch acknowledging to support the Branch in order that it may continue as a going concern.

22 Financial Risk Management

The Branch's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Branch's overall risk management program is based on the defined risk appetite of the Branch. Further, the Branch seeks to optimise the risk/return profile of its assets and liabilities taking into account market fluctuations. The Branch invests in government stocks, term deposits and it holds a call account. The Branch regularly monitors the performance and compliance of the investment portfolio. The Branch's exposure to credit risk, liquidity risk and market risk are detailed below:

(a) Credit risk

Credit risk is the risk of loss from a counterparty failing to meet their obligations. The Branch's credit risk arises predominantly from investment activities, reinsurance activities and dealings with intermediaries. The maximum exposure to credit risk is the fair value of individual financial assets. The Branch does not hold collateral.

Management limits credit risk by setting high requirements on the credit worthiness of debtors. The Branch has a credit risk procedure in place to manage the exposure to insurance contract related credit risk which is monitored on an ongoing basis. The credit terms for the settlement of premiums in New Zealand is 90 days.

This year and in the prior year, the Branch has a concentration of credit risk with ANZ National Bank Limited, which represents all cash and cash equivalents held. The Branch's reinsurance recoveries are spread over a number of counterparties. The largest concentration with a single counterparty is for \$15,631,876. These recoveries are related to the Christchurch earthquake.

The table below provides information regarding the credit risk exposure of the Branch by classifying assets according to Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. These credit ratings are grouped in accordance with the specifications outlined by the Standard & Poor's Ratings Services.

	Credit Rating				Total \$
	AAA \$	AA \$	A \$	Not Rated \$	
2011					
Cash and Cash Equivalents	-	48,269,066	-	-	48,269,066
Premium Receivables	-	-	-	1,810,423	1,810,423
Reinsurance Receivable	-	-	397,764	-	397,764
Reinsurance Recoveries	-	7,826,254	58,332,410	2,613,336	68,772,000
Investment in Government Stock	510,627	-	-	-	510,627
Other Current Assets - Accrued Income	11,096	19,196	-	-	30,292
Total	521,723	56,114,516	58,730,174	4,423,759	119,790,172



2010	AAA \$	AA \$	A \$	Not Rated \$	Total \$
Cash and Cash Equivalents	-	8,676,875	-	-	8,676,875
Premium Receivables	-	-	-	1,450,624	1,450,624
Reinsurance Recoveries	-	-	199,438	-	199,438
Investment in Government Stock	517,463	-	-	-	517,463
Other Current Assets - Accrued Income	11,096	17,071	-	-	28,167
Total	528,559	8,693,946	199,438	1,450,624	10,872,567

As at 31 March 2011 there are no assets that are past due or impaired (2010: Nil).

(b) Liquidity risk

Liquidity risk is the risk that the Branch is unable to convert its financial assets into cash to pay for their financial obligations when they fall due. The Branch has processes in place to monitor and forecast their liquidity position. The Branch maintains sufficient funds at all times to meet the needs of the Branch's operations. In addition to treasury cash held for working capital requirements the Branch may hold additional liquid, term deposits to ensure there are sufficient funds available to meet obligations.

The table below analyses the Branch's financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows. Balances due within 12 months equal carrying balances, as the impact of discounting is not significant.

2011	Maturing in:				Total \$
	0 - 1 Year \$	1 - 2 Years \$	2 - 3 Years \$	No Term \$	
Financial Assets					
Cash and Cash Equivalents	48,269,066	-	-	-	48,269,066
Premium Receivables	1,810,423	-	-	-	1,810,423
Reinsurance Receivable	397,764	-	-	-	397,764
Reinsurance Recoveries	68,772,000	-	-	-	68,772,000
Investment in Government Stock	510,627	-	-	-	510,627
Other Current Assets - Accrued Income	30,292	-	-	-	30,292
Total	119,790,172	-	-	-	119,790,172
Financial Liabilities					
Outstanding Claims Liability	123,112,000	-	-	-	123,112,000
Unearned Premiums	2,351,452	-	-	-	2,351,452
Due to Related Parties	-	-	-	482,714	482,714
Reinsurance Payable	138,937	-	-	-	138,937
Accounts Payable - Trade Creditors and Accruals	188,623	-	-	-	188,623
Total	125,791,012	-	-	482,714	126,273,726
Surplus/(Deficit)	(6,000,840)	-	-	(482,714)	(6,483,554)

2010	Maturing in:				Total \$
	0 - 1 Year \$	1 - 2 Years \$	2 - 3 Years \$	No Term \$	
Financial Assets					
Cash and Cash Equivalents	8,676,875	-	-	-	8,676,875
Premium Receivables	1,450,624	-	-	-	1,450,624
Reinsurance Recoveries	199,438	-	-	-	199,438
Investment in Government Stock	-	517,463	-	-	517,463
Other Current Assets - Accrued Income	28,167	-	-	-	28,167
Total	10,355,104	517,463	-	-	10,872,567

The above disclosures relate to contractual maturity dates. In preparing the net outstanding claims liability, the actuary has estimated term to settlement dates, details of which are disclosed in Note 24(a).



2010	0 - 1 Year \$	1 - 2 Years \$	2 - 3 Years \$	No Term \$	Total \$
Financial Liabilities					
Outstanding Claims Liability	1,069,257	-	-	-	1,069,257
Unearned Premiums	2,047,330	-	-	-	2,047,330
Due to Related Parties	-	-	-	214,254	214,254
Reinsurance Payable	160,073	-	-	-	160,073
Accounts Payable - Trade Creditors and Accruals	180,560	-	-	-	180,560
Total	3,457,220	-	-	214,254	3,671,474
Surplus/(Deficit)	6,897,884	517,463	-	(214,254)	7,201,093

(c) Market risk

Market risk is the risk that the fair value or future cash flows of the Branch's income will fluctuate because of changes in market factors. Market risk comprises three types of risk: currency risk (due to fluctuations in foreign exchange rates), interest rate risk (due to fluctuations in market interest rates) and price risk (due to fluctuations of market prices).

(i) Currency risk

Currency risk is the risk of cash flow uncertainty that may arise from a movement in foreign exchange rates to which the Branch may be exposed. The Branch is not exposed to currency risk as its transactions are in New Zealand dollars. The Branch is primarily exposed to currency risk through its catastrophe reinsurance programme. The threshold at which reinsurance recoveries can be claimed is expressed in Japanese Yen. A 1% strengthening of the Yen against the New Zealand dollar would result in an increase in the threshold of \$479,000, and a corresponding decrease in reinsurance recoverable at 31 March 2011.

(ii) Price risk

The Branch does not hold any securities that expose the Branch to price risk, or commodity price risk.

(iii) Interest rate risk

The exposure to interest rate risk results from the holding of financial assets in the normal course of business. Fixed interest rate assets create exposure in respect of its fair value as interest rates move. Financial assets with floating interest rates create exposure in respect of uncertainty in cashflows as interest rates move due to re-pricing.

The following summarises the sensitivity of the Branch's interest bearing financial assets and financial liabilities to interest rate risks.

Cashflow Sensitivity Analysis for Floating Rate Instruments

2011	Interest Rate Risk		
	Carrying Amount \$	-1% Profit/Equity \$	+1% Profit/Equity \$
Financial Assets			
Cash and Cash Equivalents	48,269,066	(482,691)	482,691
Total Floating Rate Financial Assets	48,269,066	(482,691)	482,691
Net Floating Rate Financial Assets	48,269,066	(482,691)	482,691



2010	Carrying Amount \$	Profit/Equity \$	Profit/Equity \$
Financial Assets			
Cash and Cash Equivalents	8,676,875	(86,769)	86,769
Total Floating Rate Financial Assets	8,676,875	(86,769)	86,769
Net Floating Rate Financial Assets	8,676,875	(86,769)	86,769

Fair Value Sensitivity Analysis for Fixed Rate Instruments

2011	Carrying Amount \$	Interest Rate Risk	
		-1% Profit/Equity \$	+1% Profit/Equity \$
Financial Assets			
Investment in Government Stock	510,627	1,766	(1,748)
Total Fixed Rate Financial Assets	510,627	1,766	(1,748)
Net Fixed Rate Financial Assets	510,627	1,766	(1,748)

2010	Carrying Amount \$	Profit/Equity \$	Profit/Equity \$
Financial Assets			
Investment in Government Stock	517,463	5,220	(5,119)
Total Fixed Rate Financial Assets	517,463	5,220	(5,119)
Net Fixed Rate Financial Assets	517,463	5,220	(5,119)

Analysis of Financial Assets/Liabilities

The analysis of financial assets and liabilities into their categories and classes is set out in the following table.

	Total \$	Loans and Receivables \$	Fair Value through Profit and Loss \$
2011			
Financial Assets			
Cash and Cash Equivalents	48,269,066	48,269,066	-
Premium Receivables	1,810,423	1,810,423	-
Reinsurance Receivable	397,764	397,764	-
Reinsurance Recoveries	68,772,000	68,772,000	-
Investment in Government Stock	510,627	-	510,627
Other Current Assets - Accrued Income	30,292	30,292	-
Total	119,790,172	119,279,545	510,627



	Total \$	Fair Value through Profit and Loss \$	Financial Liabilities at amortised cost \$
Financial Liabilities			
Reinsurance Payable	138,937	-	138,937
Due to Related Parties	482,714	-	482,714
Outstanding Claims Liability	123,112,000	-	123,112,000
Accounts Payable - Trade Creditors and Accruals	188,623	-	188,623
Total	123,922,274	-	123,922,274

	Total \$	Loans and Receivables \$	Fair Value through Profit and Loss \$
2010			
Financial Assets			
Cash and Cash Equivalents	8,676,875	8,676,875	-
Premium Receivables	1,450,624	1,450,624	-
Reinsurance Recoveries	199,438	199,438	-
Investment in Government Stock	517,463	-	517,463
Other Current Assets - Accrued Income	28,167	28,167	-
Total	10,872,567	10,355,104	517,463

	Total \$	Fair Value through Profit and Loss \$	Financial Liabilities at amortised cost \$
Financial Liabilities			
Reinsurance Payable	160,073	-	160,073
Due to Related Parties	214,254	-	214,254
Outstanding Claims Liability	1,069,257	-	1,069,257
Accounts Payable - Trade Creditors and Accruals	180,560	-	180,560
Total	1,624,144	-	1,624,144

Government Stock relates to \$500,000 held by the Public Trust as an Insurance security deposit (2010: \$500,000).

Fair Value of Financial Instruments

Determination of fair value of financial instruments carried at fair value

Fair values are determined according to the following hierarchy:

Level 1 - quoted market price

Financial instruments with quoted prices for identical instruments in active markets.

Level 2 - valuation technique using observable inputs

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.



Level 3 - valuation technique with significant unobservable inputs

Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

The fair value measurement of the investment in Government Stock is classified as level 1 (2010: level 1). Other financial assets and liabilities are not measured at fair value through profit or loss. However, due to their short term (or discounted) nature, their carrying amount is a reasonable approximation of fair value.

23 Insurance Risk

The Branch has insurance contracts which transfer insurance risk from the policyholder to the Branch.

The insurance risk taken on by the Branch is the possibility that an insured event occurs, when that event will occur and the uncertainty surrounding the amount of any resulting claim. These risks are unpredictable. The Branch has estimated in these financial statements the likely amounts which are expected to be paid out both in respect of claims incurred and expected future claims. The Branch is therefore at risk that the carrying amounts of insurance liabilities and assets recognised in the financial statements will be exceeded by the amount of the actual claim. This could occur when there are more claims than expected or where a claim is of a greater severity than expected.

The Branch has an underwriting process in place with set approval limits. The process is reviewed regularly.

The profit and loss is not sensitive to changes in the weighted average term to settlement, inflation rate, nor discount rate due to the short term nature of the business written. If the length of the average term to settlement was longer this would have an effect on the results.

(a) Concentration of insurance risk

The Branch's exposure is throughout New Zealand market. Specific processes for monitoring identified concentrations are set out below:

Risk	Source of concentration	Risk management measures
Inclusion of multiple classes of insurance business in the one event	Response by a multitude of the Branch's policies to the one event, material damage and business interruption.	Ensure appropriate levels of reinsurance are maintained at all times.
A large property loss	Fire or collapse affecting one building or a group of adjacent buildings	Maximum acceptance limits, property risk grading, risk accumulation processes including survey data base.
An accumulation of risks arising from a natural peril	Insured property/stock concentrations in a centralised area	Accumulation risk modelling, reinsurance protection

24 Actuarial Assumptions and Methods

(a) Incurred claim settlement patterns

The outstanding claims liability for non-Canterbury earthquake claims has been determined using the Bornhuetter-Ferguson (incurred claims) methodology. It has been assumed that incurred claims patterns for each group of business will continue to follow observed historic patterns.

In respect of Canterbury earthquake claims, a stochastic discrete distribution approach was employed.

Overall, the average weighted term to settlement of claims (of all types, net of reinsurance) is about 16 months (1.29 years) (2010: 5 months).



(b) Inflation and discount rates

Insurance costs are subject to inflationary pressures over time. However, the period between the valuation date and the settlement of most claims is short, and the valuation implicitly allows for past levels of inflation to continue in the future. Therefore, the impact on outstanding claims due to increases in claims costs as a result of inflation is limited.

Also in respect of Non-Canterbury earthquake claims, the short settlement period means the effect of discounting expected future payments is limited and therefore the estimates are not discounted for the time value of money.

Canterbury earthquake claims have been discounted for the time value of money. The average discount rate used in this calculation is 2.69% for the succeeding year and 3.57% for later years.

(c) Reinsurance

Outstanding claims estimates have been calculated on both a gross and net of reinsurance basis. The level of catastrophe reinsurance recoveries is affected by the threshold at which reinsurance recoveries can be claimed. This threshold is denominated in Japanese Yen, further details of which are in Note 22(c)(i).

(d) Expense allowance

The estimates of outstanding claims liabilities incorporate an allowance for both the future direct and indirect costs associated with those claims. Policy administration expenses are based on an analysis of recent experience.

(e) Risk margin

The overall risk margins for both outstanding claims and liability adequacy testing have been determined using stochastic techniques and have been determined allowing for diversification between groups of business and having regard to the inherent variation observed in claims development in each group of business. The undiversified risk margins for each group of business are applied to the net central estimates and the results aggregated, allowing for diversification, in order to arrive at an overall net provision that is intended to provide a probability of sufficiency of 75% (2010: 75%).

(f) Actuarial information

Craig Lough (Actuary, Melville Jessup Weaver) is the actuary that completed the Insurance Liability Valuation Report. He is a Fellow of the New Zealand Society of Actuaries. The actuarial calculations were completed in accordance with New Zealand Society of Actuaries Professional Standard No.4. The effective date of the actuary's report is 31 March 2011.

The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability, and there were no qualifications contained in the actuarial report. The key assumptions used in the compilation of the reserves as at 31 March 2011 are outlined in the note listed above.

The actuary has no financial interest in the Branch.

25 Subsequent events

Subsequent to year end, in June 2011, a further earthquake occurred in Christchurch. The Branch is still in the process of quantifying the effect of this event on its outstanding claims liability and reinsurance recoveries and an estimate of its financial effect cannot yet be made. The event does not affect the results for the March 2011 year and will be reflected in the results for the year to March 2012.





Independent Auditor's Report

To the Directors of Mitsui Sumitomo Insurance Company Limited - New Zealand Branch

Report on the Financial Statements

We have audited the accompanying financial statements of Mitsui Sumitomo Insurance Company Limited - New Zealand Branch ("the Branch") on pages 2 to 21. The financial statements comprise the balance sheet as at 31 March 2011 and the income statement and statement of movement in the head office account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand 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 these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). 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 the auditor's 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, the auditor considers internal control relevant to the Branch'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 Branch'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 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.

Our firm has also provided other services to the Branch in relation to taxation and regulatory services. Partners and employees of our firm may also deal with the Branch on normal terms within the ordinary course of trading activities of the business of the Branch. These matters have not impaired our independence as auditors of the Branch. The firm has no other relationship with, or interest in, the Branch.

Opinion

In our opinion the financial statements of Mitsui Sumitomo Insurance Company Limited - New Zealand Branch on pages 2 to 21:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the Branch as at 31 March 2011 and of its financial performance for the year ended on that date.

Canterbury earthquakes

We draw attention to Notes 10 and 19 to the financial statements which explain the considerable uncertainties that exist in measuring outstanding claims liabilities and reinsurance recoveries arising from the Canterbury earthquakes which occurred during the year. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Mitsui Sumitomo Insurance Company Limited - New Zealand Branch as far as appears from our examination of those records.



29 September 2011

Auckland

**MITSUI SUMITOMO INSURANCE
COMPANY, LIMITED**

Financial Statements - March 31, 2010 and 2011

(With Independent Auditors' Report Thereon)





Independent Auditors' Report

The Board of Directors
Mitsui Sumitomo Insurance Company, Limited

We have audited the accompanying balance sheets of Mitsui Sumitomo Insurance Company, Limited as of March 31, 2010 and 2011, the related statements of income and changes in net assets for the years then ended, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitsui Sumitomo Insurance Company, Limited as of March 31, 2010 and 2011, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan. ♦

KPMG AZSA LLC

Tokyo, Japan
May 17, 2011

— Ichiro Iijima
Director, Vice President Executive Officer
Mitsui Sumitomo Insurance Company, Limited

1.7 MAY 2011

Susumu Ichihara
Director, Managing Executive Officer
Mitsui Sumitomo Insurance Company, Limited

1.7 MAY 2011

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets

As of March 31, 2010 and 2011

	2010	2011
	(Yen in millions)	
<u>Assets</u>		
Cash, deposits and savings:		
Cash on hand	¥ 333	201
Deposits in banks	<u>183,053</u>	<u>172,915</u>
Total cash, deposits and savings	183,387	173,116
Call loans	33,700	52,000
Receivables under resale agreements	15,998	11,998
Monetary claims bought	102,027	106,278
Money trusts	10,524	9,619
Investments in securities:		
Government bonds	469,539	671,167
Municipal bonds	114,421	112,327
Corporate bonds	1,072,879	914,048
Stocks	1,723,919	1,509,706
Foreign securities	900,478	852,892
Other investments in securities	<u>46,138</u>	<u>40,247</u>
Total investments in securities	4,327,376	4,100,390
Loans:		
Policy loans	13,440	12,520
General loans	<u>705,147</u>	<u>674,733</u>
Total loans	718,587	687,254
Tangible fixed assets:		
Land	94,567	92,758
Buildings	123,153	116,608
Construction in progress	4,410	11,977
Other tangible fixed assets	<u>17,204</u>	<u>15,420</u>
Total tangible fixed assets	239,336	236,764
Intangible fixed assets		
Software	3,617	6,695
Other intangible fixed assets	<u>3,847</u>	<u>3,372</u>
Total intangible fixed assets	7,465	10,067

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

	2010	2011
	(Yen in millions)	
Other assets:		
Premiums receivable	¥ 3,448	2,990
Due from agents	82,707	86,437
Due from foreign agents	2	-
Co-insurance business receivable	7,898	6,990
Reinsurance business receivable	50,970	50,340
Foreign reinsurance business receivable	14,705	15,108
Agent business receivable	359	286
Other receivables	15,120	25,325
Accrued income	10,936	9,001
Guarantee deposits	19,185	18,956
Deposits with the Japan Earthquake Reinsurance Company	76,556	81,320
Suspense payments	40,585	52,445
Assets related to derivative transactions	13,839	20,160
Other assets	<u>690</u>	<u>2,522</u>
Total other assets	337,004	371,886
Deferred tax assets	-	42,372
Customers' liabilities under acceptances and guarantees	4,577	3,211
Bad debt reserve	<u>(8,004)</u>	<u>(5,954)</u>
Total assets	¥ <u>5,971,982</u>	<u>5,799,005</u>

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

	2010	2011
	(Yen in millions)	
<u>Liabilities and Net Assets</u>		
Underwriting funds:		
Outstanding claims	¥ 540,188	577,668
Underwriting reserve	<u>3,845,876</u>	<u>3,732,417</u>
Total underwriting funds	4,386,065	4,310,086
Bonds issued	94,969	164,963
Other liabilities:		
Co-insurance business payable	10,141	10,329
Reinsurance business payable	36,161	36,892
Foreign reinsurance business payable	12,037	10,760
Agent business payable	162	12
Payable under securities lending transactions	-	26,261
Income taxes payable	9,969	3,959
Guarantee money	23,683	30,869
Advance received	77	68
Other payables	29,822	22,179
Suspense receipts	16,186	16,541
Liabilities related to derivative transactions	16,372	14,100
Lease obligations	964	1,764
Asset retirement obligations	-	5,186
Other liabilities	<u>1</u>	<u>1</u>
Total other liabilities	155,581	178,927
Reserve for pension and retirement benefits	81,009	79,285
Reserve for retirement benefits for officers	2,003	1,696
Accrued bonuses for employees	10,375	10,434
Reserves under the special laws:		
Reserve for price fluctuation	<u>2,689</u>	<u>5,396</u>
Total reserves under the special laws	2,689	5,396
Deferred tax liabilities	29,397	-
Liabilities under acceptances and guarantees	<u>4,577</u>	<u>3,211</u>
Total liabilities	4,766,667	4,754,002

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

	2010	2011
	(Yen in millions)	
Common stock	¥ 139,595	139,595
Capital surplus:		
Additional paid-in capital	<u>93,107</u>	<u>93,107</u>
Total capital surplus	93,107	93,107
Retained earnings:		
Legal earned reserve	46,487	46,487
Other retained earnings:		
Special reserve	283,400	283,400
Reserve for advanced depreciation	8,304	8,249
Reserve for special account for advanced depreciation	1,269	6,297
Retained earnings brought forward	<u>63,430</u>	<u>27,297</u>
Total other retained earnings	<u>356,405</u>	<u>325,243</u>
Total retained earnings	402,893	371,731
Total stockholders' equity	635,596	604,434
Net unrealized gains/losses on investments	567,580	434,334
Net deferred gains/losses on hedge accounting for derivatives	<u>2,138</u>	<u>6,234</u>
Total valuation and translation adjustments	<u>569,718</u>	<u>440,568</u>
Total net assets	<u>1,205,315</u>	<u>1,045,003</u>
Total liabilities and net assets	¥ <u>5,971,982</u>	<u>5,799,005</u>

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statements of Income

For the years ended March 31, 2010 and 2011

	2010	2011
	(Yen in millions)	
<u>Ordinary income and expenses</u>		
Ordinary income:		
Underwriting income:		
Net premiums written	¥ 1,203,007	1,232,945
Deposit premiums from policyholders	145,026	138,584
Investment income on deposit premiums from policyholders	54,064	51,175
Reversal of outstanding claims	19,304	-
Reversal of underwriting reserve	103,605	136,946
Other underwriting income	122	101
Total underwriting income	1,525,130	1,559,754
Investment income:		
Interest and dividends received	117,477	111,826
Investment gains on money trusts	675	53
Gains on sales of securities	15,354	50,147
Gains on redemption of securities	2,352	2,043
Gains on derivative transactions	25,238	8,785
Other investment income	605	1,298
Transfer of investment income on deposit premiums from policyholders	(54,064)	(51,175)
Total investment income	107,640	122,980
Other ordinary income	4,163	3,147
Total ordinary income	1,636,934	1,685,881
Ordinary expenses:		
Underwriting expenses:		
Net claims paid	771,996	765,938
Loss adjustment expenses	74,487	75,572
Commissions and collection expenses	207,128	214,807
Maturity refunds to policyholders	278,423	307,797
Dividends to policyholders	1,062	1,305
Provision for outstanding claims	-	40,752
Foreign exchange losses	343	1,087
Other underwriting expenses	288	348
Total underwriting expenses	1,333,731	1,407,609
Investment expenses:		
Investment losses on money trusts	21	135
Losses on sales of securities	15,128	11,783
Impairment losses on securities	4,877	7,596
Losses on redemption of securities	4,459	2,710
Foreign exchange losses	190	3,517
Other investment expenses	17,695	5,523
Total investment expenses	42,373	31,267

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statements of Income (Continued)

	2010	2011
	(Yen in millions)	
Operating expenses and general and administrative expenses	¥ 218,916	212,925
Other ordinary expenses:		
Interest expenses	2,133	1,722
Provision for bad debt reserve	2,566	-
Losses on bad debts	17	3
Other ordinary expenses	<u>1,408</u>	<u>582</u>
Total other ordinary expenses	<u>6,126</u>	<u>2,308</u>
Total ordinary expenses	<u>1,601,148</u>	<u>1,654,111</u>
Ordinary profit	35,786	31,770
<u>Extraordinary income and losses</u>		
Extraordinary income:		
Gains on sales of fixed assets	3,103	10,041
Reversal of reserves under the special laws:		
Reserve for price fluctuation	<u>182</u>	<u>-</u>
Total reversal of reserves under the special laws	<u>182</u>	<u>-</u>
Other extraordinary income	<u>-</u>	<u>694</u>
Total extraordinary income	3,285	10,735
Extraordinary losses:		
Losses on sales of fixed assets	2,502	1,781
Impairment losses on fixed assets	3,431	3,338
Provision of reserves under the special laws:		
Provision of reserves for price fluctuation	<u>-</u>	<u>2,706</u>
Total provision of reserves under the special laws	<u>-</u>	<u>2,706</u>
Other extraordinary losses	<u>-</u>	<u>8,417</u>
Total extraordinary losses	<u>5,933</u>	<u>16,245</u>
Income before income taxes	33,138	26,261
Income taxes-current	14,961	2,186
Reversal of prior period's income taxes	(13,947)	-
Income taxes-deferred	<u>6,666</u>	<u>1,193</u>
Total income taxes	<u>7,680</u>	<u>3,379</u>
Net income	¥ <u>25,458</u>	<u>22,881</u>

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statement of Changes in Net Assets

For the year ended March 31, 2010

(Yen in millions)

Stockholders' equity:

Common stock:

Ending balance as of March 31, 2009	¥	<u>139,595</u>
Ending balance as of March 31, 2010		<u>139,595</u>

Capital surplus:

Additional paid-in capital:

Ending balance as of March 31, 2009	<u>93,107</u>
Ending balance as of March 31, 2010	<u>93,107</u>

Retained earnings:

Legal earned reserve:

Ending balance as of March 31, 2009	46,487
Ending balance as of March 31, 2010	<u>46,487</u>

Other retained earnings:

Special reserve:

Ending balance as of March 31, 2009	283,400
Ending balance as of March 31, 2010	<u>283,400</u>

Reserve for overseas investment losses:

Ending balance as of March 31, 2009	0
-------------------------------------	---

Changes for the year:

Reversal of reserve for overseas investment losses	<u>(0)</u>
--	------------

Total changes for the year	<u>(0)</u>
----------------------------	------------

Ending balance as of March 31, 2010	<u>-</u>
-------------------------------------	----------

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statement of Changes in Net Assets (Continued)

(Yen in millions)

Reserve for advanced depreciation:		
Ending balance as of March 31, 2009	¥	7,503
Changes for the year:		
Provision for reserve for advanced depreciation		851
Reversal of reserve for advanced depreciation		<u>(50)</u>
Total changes for the year		<u>800</u>
Ending balance as of March 31, 2010		<u>8,304</u>
Reserve for special account for advanced depreciation:		
Ending balance as of March 31, 2009		547
Changes for the year:		
Provision for reserve for special account for advanced depreciation		1,269
Reversal of reserve for special account for advanced depreciation		<u>(547)</u>
Total changes for the year		<u>722</u>
Ending balance as of March 31, 2010		<u>1,269</u>
Retained earnings brought forward:		
Ending balance as of March 31, 2009		76,871
Changes for the year:		
Reversal of reserve for overseas investment losses		0
Provision for reserve for advanced depreciation		(851)
Reversal of reserve for advanced depreciation		50
Provision of reserve for special account for advanced depreciation		<u>(1,269)</u>
Reversal of reserve for special account for advanced depreciation		547
Dividends paid		<u>(37,375)</u>
Net income		<u>25,458</u>
Total changes for the year		<u>(13,440)</u>
Ending balance as of March 31, 2010		<u>63,430</u>
Total stockholders' equity:		
Ending balance as of March 31, 2009		647,512
Changes for the year:		
Dividends paid		<u>(37,375)</u>
Net income		<u>25,458</u>
Total changes for the year		<u>(11,916)</u>
Ending balance as of March 31, 2010		<u>635,596</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statement of Changes in Net Assets (Continued)

(Yen in millions)

Valuation and translation adjustments:

Net unrealized gains/losses on investments:

Ending balance as of March 31, 2009 ¥ 284,248

Changes for the year:

Net changes of items other than stockholders' equity 283,332

Total changes for the year 283,332

Ending balance as of March 31, 2010 567,580

Net deferred gains/losses on hedge accounting for derivatives:

Ending balance as of March 31, 2009 9,671

Changes for the year:

Net changes of items other than stockholders' equity (7,532)

Total changes for the year (7,532)

Ending balance as of March 31, 2010 2,138

Total net assets:

Ending balance as of March 31, 2009 941,431

Changes for the year:

Dividends paid (37,375)

Net income 25,458

Net changes of items other than stockholders' equity 275,799

Total changes for the year 263,883

Ending balance as of March 31, 2010 ¥ 1,205,315

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statement of Changes in Net Assets

For the year ended March 31, 2011

(Yen in millions)

Stockholders' equity:

Common stock:

Ending balance as of March 31, 2010	¥	<u>139,595</u>
-------------------------------------	---	----------------

Ending balance as of March 31, 2011		<u>139,595</u>
-------------------------------------	--	----------------

Capital surplus:

Additional paid-in capital:

Ending balance as of March 31, 2010		<u>93,107</u>
-------------------------------------	--	---------------

Ending balance as of March 31, 2011		<u>93,107</u>
-------------------------------------	--	---------------

Retained earnings:

Legal earned reserve:

Ending balance as of March 31, 2010		46,487
-------------------------------------	--	--------

Ending balance as of March 31, 2011		<u>46,487</u>
-------------------------------------	--	---------------

Other retained earnings:

Special reserve:

Ending balance as of March 31, 2010		283,400
-------------------------------------	--	---------

Ending balance as of March 31, 2011		<u>283,400</u>
-------------------------------------	--	----------------

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statement of Changes in Net Assets (Continued)

(Yen in millions)

Reserve for advanced depreciation:		
Ending balance as of March 31, 2010	¥	8,304
Changes for the year:		
Reversal of reserve for advanced depreciation		<u>(54)</u>
Total changes for the year		<u>(54)</u>
Ending balance as of March 31, 2011		<u>8,249</u>
Reserve for special account for advanced depreciation:		
Ending balance as of March 31, 2010		1,269
Changes for the year:		
Provision for reserve for special account for advanced depreciation		<u>5,027</u>
Total changes for the year		<u>5,027</u>
Ending balance as of March 31, 2011		<u>6,297</u>
Retained earnings brought forward:		
Ending balance as of March 31, 2010		63,430
Changes for the year:		
Reversal of reserve for advanced depreciation		54
Provision of reserve for special account for advanced depreciation		<u>(5,027)</u>
Dividends paid		<u>(54,042)</u>
Net income		<u>22,881</u>
Total changes for the year		<u>(36,133)</u>
Ending balance as of March 31, 2011		<u>27,297</u>
Total stockholders' equity:		
Ending balance as of March 31, 2010		635,596
Changes for the year:		
Dividends paid		<u>(54,042)</u>
Net income		<u>22,881</u>
Total changes for the year		<u>(31,161)</u>
Ending balance as of March 31, 2011		<u>604,434</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statement of Changes in Net Assets (Continued)

(Yen in millions)

Valuation and translation adjustments:		
Net unrealized gains/losses on investments:		
Ending balance as of March 31, 2010	¥	567,580
Changes for the year:		
Net changes of items other than stockholders' equity		<u>(133,246)</u>
Total changes for the year		<u>(133,246)</u>
Ending balance as of March 31, 2011		<u>434,334</u>
Net deferred gains/losses on hedge accounting for derivatives:		
Ending balance as of March 31, 2010		2,138
Changes for the year:		
Net changes of items other than stockholders' equity		<u>4,096</u>
Total changes for the year		<u>4,096</u>
Ending balance as of March 31, 2011		<u>6,234</u>
Total net assets:		
Ending balance as of March 31, 2010		1,205,315
Changes for the year:		
Dividends paid		(54,042)
Net income		22,881
Net changes of items other than stockholders' equity		<u>(129,150)</u>
Total changes for the year		<u>(160,311)</u>
Ending balance as of March 31, 2011	¥	<u><u>1,045,003</u></u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation

As of and for the years ended March 31, 2010 and 2011

March 31, 2010

1. Basis of presentation

The accompanying non-consolidated financial statements have been translated from the non-consolidated financial statements of Mitsui Sumitomo 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, 2011

1. Basis of presentation

The accompanying non-consolidated financial statements have been translated from the non-consolidated financial statements of Mitsui Sumitomo 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.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

March 31, 2011

2. Accounting policies

2. Accounting policies

(1) Valuation policies and methods of securities and money trusts

(1) Valuation policies and methods of securities and money trusts

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

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

(Changes in accounting principles or accounting procedures)

Adoption of "Accounting Standard for Financial Instruments"

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

As a result, the scope of securities measured at fair value has been changed.

The effect of this adoption on the financial statements is immaterial.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

- (2) Valuation policies and methods of derivatives

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

- (3) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets 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.

- (4) Depreciation of intangible fixed assets

Capitalized software for internal use is amortized by using the straight-line method based on estimated useful lives.

- (5) Translation of foreign currency assets and liabilities

Translation of foreign currency assets and liabilities into Japanese yen complies with the provisions of the Accounting Standard for Foreign Currency Transactions.

March 31, 2011

- (2) Valuation policies and methods of derivatives

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

- (3) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets 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.

- (4) Depreciation of intangible fixed assets

Capitalized software for internal use is amortized by using the straight-line method based on estimated useful lives.

- (5) Translation of foreign currency assets and liabilities

Translation of foreign currency assets and liabilities into Japanese yen complies with the provisions of the Accounting Standard for Foreign Currency Transactions.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

March 31, 2011

(6) Accounting policies for reserves

(i) Bad debt reserve

The bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision to provide for future loan loss. 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 respective assets. The independent internal audit department reviewed those results.

(6) Accounting policies for reserves

(i) Bad debt reserve

The bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision to provide for future loan loss. 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 respective assets. The independent internal audit department reviewed those results.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

(ii) Reserve for pension and retirement benefits

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

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

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.

(Changes in accounting principles or accounting procedures)

Adoption of "Partial Amendments to Accounting Standard for Retirement Benefits"

The Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (ASBJ Statement No.19, July 31, 2008)" in the fiscal year ended March 31, 2010.

The adoption had no effect on the financial statements, because it resulted in the use of the same discounted rates as before.

(iii) Reserve for retirement benefit for officers

Reserve for retirement benefits that covers the cost for services rendered through the year ended March 31, 2005 when the retirement benefits for officers were terminated is established to provide for future retirement benefits

March 31, 2011

(ii) Reserve for pension and retirement benefits

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

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

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

(iii) Reserve for retirement benefit for officers

Reserve for retirement benefits that covers the cost for services rendered through the year ended March 31, 2005 when the retirement benefits for officers were terminated is established to provide for future retirement benefits

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

(including pension) for officers and operating officers.

(iv) Accrued bonuses for employees

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

(v) Reserve for price fluctuation

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.

(7) Hedge accounting

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

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations of the fair value or cash flows of the hedged items and the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. When hedged items and hedging instruments are highly and clearly interrelated or

March 31, 2011

(including pension) for officers and operating officers.

(iv) Accrued bonuses for employees

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

(v) Reserve for price fluctuation

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.

(7) Hedge accounting

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

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations of the fair value or cash flows of the hedged items and the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. When hedged items and hedging instruments are highly and clearly interrelated or

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

when interest rate swap transactions meet the criteria for applying the exceptional method, assessment of hedge effectiveness is not performed.

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

The hedge effectiveness testing is performed by assessing interest rate fluctuations that may affect pricing of both the hedged items and the hedging instruments.

(8) Accounting for consumption taxes

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

March 31, 2011

when interest rate swap transactions meet the criteria for applying the exceptional method, assessment of hedge effectiveness is not performed.

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

The hedge effectiveness testing is performed by assessing interest rate fluctuations that may affect pricing of the theoretical values of both the hedged items and the hedging instruments.

(8) Accounting for consumption taxes

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

3. Changes in accounting policies

(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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010March 31, 2011

Guidance No.21, March 31, 2008) in the fiscal year ended March 31, 2011. As a result of adoption of the standard and guidance, ordinary profit decreased by ¥301 million, and income before income taxes decreased by ¥2,584 million, respectively. The adoption of the standard and guidance resulted in a ¥5,121million change in asset retirement obligations.

- (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), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, December 26, 2008), 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.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Balance Sheets

As of and for the years ended March 31, 2010 and 2011

March 31, 2010

1. Government bonds, stocks and foreign securities include those which were loaned under securities lending agreements in the amount of ¥39,791 million.
2. The amount of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans are as follows:
 - (1) Loans to financially impaired parties and overdue loans amounted to ¥1,441 million and ¥2,426 million, respectively.

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

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

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

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

March 31, 2011

1. Government bonds and stocks include those which were loaned under securities lending agreements in the amount of ¥57,226 million.
2. The amount of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans are as follows:
 - (1) Loans to financially impaired parties and overdue loans amounted to ¥269 million and ¥2,065 million, respectively.

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

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

- (2) Loans overdue for 3 months or more amounted to ¥995 million.

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Balance Sheets (Continued)

March 31, 2010

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

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

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

3. Accumulated depreciation of tangible fixed assets amounted to ¥275,257 million. The acquisition costs of certain properties were reduced by ¥18,713 million representing deferred profit on sales of other properties.

4. The total amounts receivable from and payable to affiliated companies amounted to ¥8,483 million and ¥17,398 million, respectively.

March 31, 2011

- (3) Restructured loans amounted to ¥2,032 million.

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

- (4) The total of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more, and restructured loans amounted to ¥5,362 million.

3. Accumulated depreciation of tangible fixed assets amounted to ¥276,511 million. The acquisition costs of certain properties were reduced by ¥16,560 million representing deferred profit on sales of other properties.

4. The total amounts receivable from and payable to affiliated companies amounted to ¥8,525 million and ¥17,198 million, respectively.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Balance Sheets (Continued)

March 31, 2010

5. Significant components of deferred tax assets and liabilities as of March 31, 2010 are as follows (Yen in millions):

Deferred tax assets:		
Underwriting reserve	¥	180,141
Investments in securities		40,480
Reserve for pension and retirement benefits		29,244
Outstanding claims		20,057
Software		18,292
Others		<u>29,352</u>
Total gross deferred tax assets		317,568
Less valuation allowance		<u>(18,008)</u>
Total net deferred tax assets		299,560
Deferred tax liabilities:		
Unrealized gains on investments		(320,652)
Others		<u>(8,305)</u>
Total gross deferred tax liabilities		<u>(328,957)</u>
Total deferred tax assets net of deferred tax liabilities	¥	<u>(29,397)</u>

6. Guarantees and similar arrangements for subsidiaries are as follows:

(1) Guarantees

The Company guarantees insurance-related liabilities of its subsidiary, MSI corporate Capital Limited in the amount of ¥36,784 million.

(2) Arrangements similar to guarantee

The Company executes net worth maintenance agreements on behalf of Mitsui Sumitomo MetLife Insurance Co., Ltd. ("MSML") and four other foreign subsidiaries. MSML is an affiliated company of Mitsui Sumitomo Insurance Group Holdings, Inc. ("MSIGH") (current company name: MS&AD Insurance Group Holdings, Inc.) which is the Parent of the Company. Under these agreements, the Company's funding and other obligations are triggered if each of these companies falls under a situation that its net worth falls short of a predetermined level or it does not

March 31, 2011

5. Significant components of deferred tax assets and liabilities as of March 31, 2011 are as follows (Yen in millions):

Deferred tax assets:		
Underwriting reserve	¥	193,979
Reserve for pension and retirement benefits		28,622
Investments in securities		25,297
Outstanding claims		20,568
Software		18,557
Others		<u>32,422</u>
Total gross deferred tax assets		319,447
Less valuation allowance		<u>(17,388)</u>
Total net deferred tax assets		302,059
Deferred tax liabilities:		
Unrealized gains on investments		(245,374)
Others		<u>(14,311)</u>
Total gross deferred tax liabilities		<u>(259,686)</u>
Total deferred tax assets net of deferred tax liabilities	¥	<u>42,372</u>

6. Guarantees and similar arrangements for subsidiaries are as follows:

(1) Guarantees

The Company guarantees insurance-related liabilities of its subsidiary, MSI corporate Capital Limited in the amount of ¥32,347 million.

(2) Arrangements similar to guarantee

The Company executes net worth maintenance agreements on behalf of Mitsui Sumitomo MetLife Insurance Co., Ltd. ("MSML") and six other foreign subsidiaries. MSML is an affiliated company of MS&AD Insurance Group Holdings, Inc. ("MS&AD") which is the Parent of the Company. Under these agreements, the Company's funding and other obligations are triggered if each of these companies 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.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Balance Sheets (Continued)

March 31, 2010

maintain adequate liquidity for payment for its obligations.

The Company and MSIGH are jointly obligated for the agreement for MSML. The aggregated amount of liabilities and assets of the affiliated company and subsidiaries as of March 31, 2010 were ¥3,268,884 million (including underwriting funds in the amount of ¥3,171,800 million) and ¥3,428,452 million, respectively.

None of these companies were in a triggering situation mentioned above as of March 31, 2010.

7. The carrying values of the investments in equity and capital of affiliated companies amounted to ¥283,642 million and ¥15,193 million, respectively.
8. Securities of ¥61,341 million are pledged as collateral primarily for overseas operations and Real Time Gross Settlement system of current account at the Bank of Japan.

March 31, 2011

The Company and MS&AD are jointly obligated for the agreement for MSML. The aggregated amount of liabilities and assets of the affiliated company and subsidiaries as of March 31, 2011 were ¥3,245,476 million (including underwriting funds in the amount of ¥3,166,733 million) and ¥3,440,940 million, respectively.

None of these companies were in a triggering situation mentioned above as of March 31, 2011.

7. The carrying values of the investments in equity and capital of affiliated companies amounted to ¥331,447 million and ¥15,733 million, respectively.
8. Securities of ¥83,613 million are pledged as collateral primarily for overseas operations and Real Time Gross Settlement system of current account at the Bank of Japan.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Balance Sheets (Continued)

March 31, 2010March 31, 2011

9. Details of outstanding claims and underwriting reserve (Yen in millions)

9. Details of outstanding claims and underwriting reserve (Yen in millions)

(1) Details of outstanding claims:

(1) Details of outstanding claims:

Gross outstanding claims (except for (a))	¥	542,274
Reinsurance recoverable on unpaid losses		<u>(50,319)</u>
Net		491,954
Outstanding claims relating to earthquake and compulsory automobile liability insurance (a)		<u>48,233</u>
Total	¥	<u>540,188</u>

Gross outstanding claims (except for (a))	¥	675,244
Reinsurance recoverable on unpaid losses		<u>(158,094)</u>
Net		517,150
Outstanding claims relating to earthquake and compulsory automobile liability insurance (a)		<u>60,518</u>
Total	¥	<u>577,668</u>

(2) Details of underwriting reserve:

(2) Details of underwriting reserve:

Gross ordinary underwriting reserves	¥	1,032,161
Reinsurance recoverable on underwriting reserves		<u>(37,575)</u>
Net		994,585
Refund reserve		1,959,385
Reinsurance recoverable on refund reserve		<u>(11)</u>
Net		1,959,373
Other underwriting reserves		<u>891,917</u>
Total	¥	<u>3,845,876</u>

Gross ordinary underwriting reserves	¥	1,055,101
Reinsurance recoverable on underwriting reserves		<u>(39,614)</u>
Net		1,015,487
Refund reserve		1,847,433
Reinsurance recoverable on refund reserve		<u>(11)</u>
Net		1,847,422
Other underwriting reserves		<u>869,507</u>
Total	¥	<u>3,732,417</u>

10. Matters related to business combinations are as follows:

(Business combination through acquisition)

Acquisition of the non-life insurance business in Malaysia

The Company reached a basic agreement to form a strategic alliance involving the non-life and life insurance business with Hong Leong Financial Group (hereafter "Hong Leong Group"), a well established local conglomerate, on June 18, 2010. Under this agreement, the non-life insurance business of Hong Leong Assurance Berhad, a subsidiary of Hong Leong Group, was merged with and into that of MSIG

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Balance Sheets (Continued)

March 31, 2010March 31, 2011

Insurance (Malaysia) Bhd., the Company's consolidated subsidiary, on October 1, 2010. For other related matters, please refer to "Notes to the consolidated balance sheets 12. Merger of the non-life insurance business in Malaysia" in the consolidated financial statements.

10. Net assets per share as of March 31, 2010 were ¥858.24. No deductions from net assets were applicable in its computation. Outstanding common shares as of March 31, 2010 were 1,404,402 thousand shares.
11. Net assets per share as of March 31, 2011 were ¥744.09. No deductions from net assets were applicable in its computation. Outstanding common shares as of March 31, 2011 were 1,404,402 thousand shares.
11. There have been no events occurring subsequent to the balance sheet date which would have a material effect on the financial position or the results of operations of the Company for the future periods.
12. Significant event occurring subsequent to the balance sheet date which would have a material effect on the financial position or the results of operations of the Company for the future periods is as follows:

Strategic alliance with leading life insurer in Indonesia

The Company reached an agreement to form a strategic alliance with PT Asuransi Jiwa Sinar Mas, a leading Indonesian life insurer under one of the largest Indonesian business groups, Sinar Mas group.

For further details on the alliance, please refer to "Notes to the consolidated balance sheets 14. Strategic alliance with leading life insurer in Indonesia" in the consolidated financial statements.

12. Matters regarding retirement benefits are as follows (Yen in millions):
13. Matters regarding retirement benefits are as follows (Yen in millions):

(1) Details of retirement benefit obligation:

(1) Details of retirement benefit obligation:

Projected retirement benefit obligation	¥	264,730
Plan assets		(152,095)
Unfunded obligation		112,634
Unrecognized actuarial losses		(31,625)
Reserve for pension and retirement benefits	¥	81,009

Projected retirement benefit obligation	¥	273,022
Plan assets		(158,726)
Unfunded obligation		114,296
Unrecognized actuarial losses		(35,010)
Reserve for pension and retirement benefits	¥	79,285

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Balance Sheets (Continued)

March 31, 2010March 31, 2011

- (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	2.00 %
Expected rate of return on plan assets	3.00 %
Amortization period for prior service costs	4 years
Amortization period for unrecognized actuarial gains and losses:	
Defined benefit pension plan and termination allowance plan	10 years
Tax qualified defined benefit pension plan	4 years

The Company transferred its tax qualified defined benefit pension plan to defined benefit pension plan on April 1, 2006.

- (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	2.00 %
Expected rate of return on plan assets	3.00 %
Amortization period for prior service costs	4 years
Amortization period for unrecognized actuarial gains and losses:	10 years

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

14. Unutilized portion of commitment lines given to third parties amounted to ¥1,856 million.

15. "Subsidiary" and "affiliated company" appearing elsewhere in this balance sheet and notes thereto refer to those defined in Article 2 of the Corporate Accounting Regulations.

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

15. Unutilized portion of commitment lines given to third parties amounted to ¥1,788 million.

16. "Subsidiary" and "affiliated company" appearing elsewhere in this balance sheet and notes thereto refer to those defined in Article 2 of the Corporate Accounting Regulations.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Balance Sheets (Continued)

March 31, 2010March 31, 2011

- | | |
|---|---|
| 16. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise. | 17. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise. |
|---|---|

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Statements of Income

For the years ended March 31, 2010 and 2011

March 31, 2010

1. The aggregate amounts of income and expenses resulting from transactions with affiliated companies amounted to ¥40,110 million and ¥63,343 million, respectively.

2.

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

Gross premiums written	¥	1,415,948
Reinsurance premiums ceded		<u>212,940</u>
Net	¥	<u>1,203,007</u>

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

Gross claims paid	¥	934,849
Claim recoveries from ceded reinsurance		<u>162,852</u>
Net	¥	<u>771,996</u>

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

Commissions and collection expenses paid	¥	227,020
Reinsurance commissions received		<u>19,892</u>
Net	¥	<u>207,128</u>

- (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))	¥	(21,984)
Less reinsurance recoverable on unpaid losses		<u>3,659</u>
Net		(18,325)
Provision for (reversal of) outstanding claims relating to earthquake and compulsory automobile liability insurance (a)		<u>(978)</u>
Total	¥	<u>(19,304)</u>

March 31, 2011

1. The aggregate amounts of income and expenses resulting from transactions with affiliated companies amounted to ¥37,826 million and ¥63,321 million, respectively.

2.

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

Gross premiums written	¥	1,449,089
Reinsurance premiums ceded		<u>216,143</u>
Net	¥	<u>1,232,945</u>

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

Gross claims paid	¥	926,834
Claim recoveries from ceded reinsurance		<u>160,896</u>
Net	¥	<u>765,938</u>

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

Commissions and collection expenses paid	¥	235,212
Reinsurance commissions received		<u>20,405</u>
Net	¥	<u>214,807</u>

- (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))	¥	137,549
Less reinsurance recoverable on unpaid losses		<u>(108,805)</u>
Net		28,743
Provision for (reversal of) outstanding claims relating to earthquake and compulsory automobile liability insurance (a)		<u>12,008</u>
Total	¥	<u>40,752</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Statements of Income (Continued)

March 31, 2010March 31, 2011

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

Gross provision for (reversal of) ordinary underwriting reserves	¥	(647)
Less reinsurance recoverable on underwriting reserves		<u>(738)</u>
Net		(1,385)

Provision for (reversal of) refund reserve		(89,881)
Less reinsurance recoverable on refund reserve		<u>0</u>
Net		(89,880)

Provision for (reversal of) other underwriting reserves		<u>(12,339)</u>
Total	¥	<u><u>(103,605)</u></u>

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

Gross provision for (reversal of) ordinary underwriting reserves	¥	13,650
Less reinsurance recoverable on underwriting reserves		<u>(2,037)</u>
Net		11,613

Provision for (reversal of) refund reserve		(124,513)
Less reinsurance recoverable on refund reserve		<u>0</u>
Net		(124,513)

Provision for (reversal of) other underwriting reserves		<u>(24,046)</u>
Total	¥	<u><u>(136,946)</u></u>

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

Interest on deposits and savings	¥	2,475
Interest on call loans		28
Interest on securities purchased under resale agreements		23
Interest on monetary claims bought		1,821
Interest and dividends on investments in securities		90,385
Interest on loans		14,330
Rental income on properties		7,460
Other interest		<u>951</u>
Total	¥	<u><u>117,477</u></u>

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

Interest on deposits and savings	¥	2,115
Interest on call loans		23
Interest on securities purchased under resale agreements		21
Interest on monetary claims bought		1,660
Interest and dividends on investments in securities		87,382
Interest on loans		12,912
Rental income on properties		6,708
Other interest		<u>1,002</u>
Total	¥	<u><u>111,826</u></u>

3. The total of valuation gains and losses included in the investment gains and losses on money trusts is a gain in the amount of ¥1,406 million. The total of valuation gains and losses included in the gains and losses on derivative transactions is a gain in the amount of ¥26,900 million.

3. The total of valuation gains and losses included in the investment gains and losses on money trusts is a gain in the amount of ¥24 million. The total of valuation gains and losses included in the gains and losses on derivative transactions is a gain in the amount of ¥2,108 million.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Statements of Income (Continued)

March 31, 2010March 31, 2011

4. Net income per share for the year ended March 31, 2010 was ¥18.12.

Net income per share is computed based on the following figures: Net income and net income available to common stockholders, ¥25,458 million; and Average outstanding common shares during the year, 1,404,402 thousand shares. Earnings per share after adjustment for dilutive effect of shares is not presented as no dilutive securities exist.

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

Service costs	¥	10,496
Interest cost		5,202
Expected return on plan assets		(4,124)
Amortization of unrecognized actuarial losses		<u>5,581</u>
Net periodic pension cost		17,156
Contributions paid to defined contribution plan		<u>1,590</u>
Total	¥	<u>18,746</u>

6. A reconciliation of the significant difference between normal income tax rate and the effective tax rate after application of deferred tax accounting is as follows:

Normal income tax rate (Reconciliation)	36.1%
Tax credit for dividends received	(14.6%)
Deduction for foreign taxes	(3.0%)
Entertainment and other expenses not deductible for tax purposes	2.3%
Others	<u>2.4%</u>
Effective income tax rate	<u>23.2%</u>

4. Net income per share for the year ended March 31, 2011 was ¥16.29.

Net income per share is computed based on the following figures: Net income and net income available to common stockholders, ¥22,881 million; and Average outstanding common shares during the year, 1,404,402 thousand shares. Earnings per share after adjustment for dilutive effect of shares is not presented as no dilutive securities exist.

5. Other extraordinary losses include business integration costs (¥ 4,025 million), losses on cumulative adjustment for the adoption of "Accounting Standard for Asset Retirement Obligations" (¥ 2,256 million), and contributions relating to the building construction (¥2,136 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	¥	10,561
Interest cost		5,286
Expected return on plan assets		(4,562)
Amortization of unrecognized actuarial losses		<u>6,103</u>
Net periodic pension cost		17,388
Contributions paid to defined contribution plan		<u>1,640</u>
Total	¥	<u>19,029</u>

7. A reconciliation of the significant difference between normal income tax rate and the effective tax rate after application of deferred tax accounting is as follows:

Normal income tax rate (Reconciliation)	36.1%
Tax credit for dividends received	(22.4%)
Deduction for foreign taxes	(3.2%)
Entertainment and other expenses not deductible for tax purposes	2.8%
Decrease in valuation allowances	(2.3%)
Others	<u>1.9%</u>
Effective income tax rate	<u>12.9%</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Statements of Income (Continued)

March 31, 2010March 31, 2011

7. Impairment losses were recognized for the following assets (Yen in millions):

<u>Use</u>	<u>Asset category</u>	<u>Description of assets</u>	<u>Impairment losses</u>	
Rental properties	Land and buildings	2 properties, including buildings for rent in Aichi	Land	¥ 526
			Buildings	831
			Total	¥ <u>1,358</u>
Idle real estate and real estate for sale	Land and buildings	3 properties, including company residences in Chiba	Land	¥ 1,882
			Buildings	190
			Total	¥ <u>2,073</u>

Properties used for insurance operations are grouped as a single asset group for the entire insurance operations. Rental properties, idle real estate and real estate for sale constitute asset groups by their own. Carrying amounts of the above mentioned assets were reduced to their realizable values in view of falling property values or real estate for sale and the resulting decreases in the carrying amounts were recorded as an impairment loss in the aggregate amount of ¥3,431 million in the extraordinary losses.

The recoverable amounts of the assets concerned are determined at the higher of the net realizable values or the potential values in continued use. The net realizable values are measured based on the appraisal values by independent appraisers and the potential values in continued use are measured by discounting the future cash flows at the discount rate of 5.5%.

8. Impairment losses were recognized for the following assets (Yen in millions):

<u>Use</u>	<u>Asset category</u>	<u>Description of assets</u>	<u>Impairment losses</u>	
Rental properties	Land and buildings	6 properties, including buildings for rent in Aichi	Land	¥ 234
			Buildings	2,773
			Total	¥ <u>3,007</u>
Idle real estate and real estate for sale	Land and buildings	6 properties, including buildings for office in Hiroshima	Land	¥ 223
			Buildings	107
			Total	¥ <u>330</u>

Properties used for insurance operations are grouped as a single asset group for the entire insurance operations. Rental properties, idle real estate and real estate for sale constitute asset groups by their own. Carrying amounts of the above mentioned assets were reduced to their realizable values in view of falling property values or being unused, and the resulting decreases in the carrying amounts were recorded as an impairment loss in the aggregate amount of ¥ 3,338 million in the extraordinary losses.

The recoverable amounts of the assets concerned are determined at net realizable value. The net realizable values are measured based on the appraisal values by independent appraisers.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Statements of Income (Continued)

March 31, 2010March 31, 2011

8. Related party transactions are as follows
(Yen in millions):

<u>Category</u>	<u>Name of related party</u>	<u>Ownership</u>	<u>Business relationship</u>
subsidiaries	MITSUI SUMITOMO INSURANCE Loan Service Co., Ltd.	As a owner Direct 20% Indirect 80%	Dispatching officer positions Providing credit guarantees on the Company's consumer loans Administration of the Company's guarantee insurance

<u>Description of transactions</u>	<u>Trans-action amount</u>	<u>Account</u>	<u>Ending Balances</u>
Guarantees of third-party liabilities related to the transactions with the third parties	¥117,359	-	-

The Company has been provided with guarantees on its mortgage loans and other loans to third parties by MITSUI SUMITOMO INSURANCE Loan Service Co., Ltd. Transaction amount represents guaranteed amount of liabilities outstanding as of March 31, 2010.

Terms and conditions of transactions and the determination policies are as follows:

The Company entered into a comprehensive guarantee agreement with MITSUI SUMITOMO INSURANCE Loan Service Co., Ltd., which sets out terms and conditions by loan categories. The Company has been provided with guarantees based on the agreement.

9. Related party transactions are as follows
(Yen in millions):

<u>Category</u>	<u>Name of related party</u>	<u>Ownership</u>	<u>Business relationship</u>
subsidiaries	MS&AD Loan Service Co., Ltd.	As a owner Direct 12.6% Indirect 40.9%	Dispatching officer positions Providing credit guarantees on the Company's consumer loans Administration of the Company's housing loan guarantee insurance

<u>Description of transactions</u>	<u>Trans-action amount</u>	<u>Account</u>	<u>Ending Balances</u>
Guarantees of third-party liabilities related to the transactions with the third parties	¥115,745	-	-

The Company has been provided with guarantees on its mortgage loans and other loans to third parties by MS&AD Loan Service Co., Ltd. Transaction amount represents guaranteed amount of liabilities outstanding as of March 31, 2011.

Terms and conditions of transactions and the determination policies are as follows:

The Company entered into a comprehensive guarantee agreement with MS&AD Loan Service Co., Ltd., which sets out terms and conditions by loan categories. The Company has been provided with guarantees based on the agreement.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Statements of Income (Continued)

March 31, 2010March 31, 2011

- | | |
|---|--|
| 9. "Subsidiary" and "affiliated company" appearing elsewhere in this statement of income and notes thereto refer to those defined in Article 2 of the Corporate Accounting Regulations. | 10. "Subsidiary" and "affiliated company" appearing elsewhere in this statement of income and notes thereto refer to those defined in Article 2 of the Corporate Accounting Regulations. |
| 10. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise. | 11. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise. |

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Statements of Changes in Net Assets

For the years ended March 31, 2010 and 2011

March 31, 2010

1. There is no treasury stock requiring disclosure of type and number thereof.
2. Since the Company prepares the statement of changes in net assets, the notes regarding type and number of shares issued and dividend are omitted herein. These notes are presented in the notes to the statement of changes in net assets as included in the financial statements.
3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2011

1. There is no treasury stock requiring disclosure of type and number thereof.
2. Since the Company prepares the statement of changes in net assets, the notes regarding type and number of shares issued and dividend are omitted herein. These notes are presented in the notes to the statement of changes in net assets as included in the financial statements.
3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.



MITSUI SUMITOMO INSURANCE
COMPANY, LIMITED

Consolidated Financial Statements - March 31, 2010 and 2011

(With Independent Auditors' Report Thereon)





Independent Auditors' Report

The Board of Directors
Mitsui Sumitomo Insurance Company, Limited

We have audited the accompanying consolidated balance sheets of Mitsui Sumitomo Insurance Company, Limited and consolidated subsidiaries as of March 31, 2010 and 2011, the related consolidated statements of income, changes in net assets and cash flows for the years then ended, and the related consolidated statement of comprehensive income for the year ended March 31, 2011, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsui Sumitomo Insurance Company, Limited and consolidated subsidiaries as of March 31, 2010 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

KPMG AZSA LLC

Tokyo, Japan
May 17, 2011

Ichiro Iijima
Director, Vice President Executive Officer
Mitsui Sumitomo Insurance Company, Limited

17 MAY 2011

Susumu Ichihara
Director, Managing Executive Officer
Mitsui Sumitomo Insurance Company, Limited

17 MAY 2011

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Balance Sheets

As of March 31, 2010 and 2011

	2010	2011
	(Yen in millions)	
<u>Assets</u>		
Cash, deposits and savings	¥ 297,098	306,669
Call loans	33,700	52,000
Receivables under resale agreements	15,998	11,998
Monetary claims bought	108,158	115,190
Money trusts	10,592	9,676
Investments in securities	4,363,277	4,089,812
Loans	718,625	687,286
Tangible fixed assets:		
Land	100,852	98,813
Buildings	129,027	121,646
Construction in progress	4,427	12,001
Other tangible fixed assets	18,995	16,907
Total tangible fixed assets	253,302	249,369
Intangible fixed assets:		
Software	8,488	10,370
Goodwill	50,940	58,177
Other intangible fixed assets	3,990	3,496
Total intangible fixed assets	63,419	72,044
Other assets	429,155	456,241
Deferred tax assets	6,058	49,077
Bad debt reserve	(9,061)	(7,786)
Total assets	¥ 6,290,327	6,091,581

Liabilities and Net Assets

Underwriting funds:		
Outstanding claims	¥ 728,646	761,045
Underwriting reserve	<u>3,937,762</u>	<u>3,817,209</u>
Total underwriting funds	4,666,409	4,578,254
 Bonds issued	 94,969	 164,963
Other liabilities	192,491	210,842
Reserve for pension and retirement benefits	81,948	79,939
Reserve for retirement benefits for officers	2,003	1,696
Accrued bonuses for employees	11,412	11,946
 Reserves under the special laws:		
Reserve for price fluctuation	<u>2,689</u>	<u>5,396</u>
Total reserve under the special laws	2,689	5,396
 Deferred tax liabilities	 <u>32,148</u>	 <u>3,822</u>
 Total liabilities	 5,084,072	 5,056,862

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Balance Sheets (Continued)

	2010	2011
	(Yen in millions)	
Common stock	¥ 139,595	139,595
Capital surplus	93,107	93,107
Retained earnings	<u>433,290</u>	<u>402,749</u>
Total stockholders' equity	<u>665,993</u>	<u>635,452</u>
Net unrealized gains/losses on investments	574,244	439,903
Net deferred gains/losses on hedge accounting for derivatives	2,138	6,234
Foreign currency translation adjustments	<u>(40,309)</u>	<u>(61,551)</u>
Total accumulated other comprehensive income	536,072	384,586
Minority interests	<u>4,188</u>	<u>14,679</u>
Total net assets	<u>1,206,255</u>	<u>1,034,719</u>
Total liabilities and net assets	¥ <u>6,290,327</u>	<u>6,091,581</u>

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Statements of Income

For the years ended March 31, 2010 and 2011

	2010	2011
	(Yen in millions)	
Ordinary income and expenses		
Ordinary income:		
Underwriting income:		
Net premiums written	¥ 1,361,758	1,392,072
Deposit premiums from policyholders	145,026	138,584
Investment income on deposit premiums from policyholders	54,064	51,175
Reversal of outstanding claims	52,496	-
Reversal of underwriting reserve	104,614	139,353
Other underwriting income	<u>2,486</u>	<u>2,046</u>
Total underwriting income	1,720,446	1,723,231
Investment income:		
Interest and dividends received	124,094	120,653
Investment gains on money trusts	675	53
Gains on sales of securities	19,146	53,936
Gains on redemption of securities	1,727	2,044
Gains on derivative transactions	24,777	9,119
Other investment income	3,205	2,839
Transfer of investment income on deposit premiums from policyholders	<u>(54,064)</u>	<u>(51,175)</u>
Total investment income	119,561	137,472
Other ordinary income		
Gains from equity method investments	416	237
Other ordinary income	<u>6,461</u>	<u>4,408</u>
Total other ordinary income	<u>6,878</u>	<u>4,645</u>
Total ordinary income	1,846,886	1,865,349
Ordinary expenses:		
Underwriting expenses:		
Net claims paid	894,109	857,438
Loss adjustment expenses	78,381	79,559
Commissions and collection expenses	228,323	235,957
Maturity refunds to policyholders	278,423	307,797
Dividends to policyholders	1,062	1,305
Provision for outstanding claims	-	51,894
Other underwriting expenses	<u>1,519</u>	<u>2,842</u>
Total underwriting expenses	1,481,820	1,536,795
Investment expenses:		
Investment losses on money trusts	21	135
Losses on sales of securities	16,992	12,690
Impairment losses on securities	6,065	8,431
Losses on redemption of securities	4,435	2,785
Other investment expenses	<u>19,077</u>	<u>10,361</u>
Total investment expenses	<u>46,594</u>	<u>34,404</u>

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Statements of Income (Continued)

	2010	2011
	(Yen in millions)	
Operating expenses and general and administrative expenses	¥ 262,352	254,519
Other ordinary expenses:		
Interest expenses	2,244	1,727
Provision for bad debt reserve	2,053	102
Losses on bad debts	131	30
Other ordinary expenses	<u>2,039</u>	<u>1,181</u>
Total other ordinary expenses	<u>6,469</u>	<u>3,041</u>
Total ordinary expenses	<u>1,797,236</u>	<u>1,828,760</u>
Ordinary profit	49,650	36,589
<u>Extraordinary income and losses</u>		
Extraordinary income:		
Gains on sales of fixed assets	3,591	10,050
Reversal of reserves under the special laws:		
Reserve for price fluctuation	<u>182</u>	<u>-</u>
Total reversal of reserves under the special laws	<u>182</u>	<u>-</u>
Other extraordinary income	<u>-</u>	<u>1,639</u>
Total extraordinary income	3,773	11,690
Extraordinary losses:		
Losses on sales of fixed assets	2,538	1,801
Impairment losses on fixed assets	3,431	3,338
Provision of reserves under the special laws:		
Provision of reserve for price fluctuation	<u>-</u>	<u>2,706</u>
Total provision of reserves under the special laws	<u>-</u>	<u>2,706</u>
Other extraordinary losses	<u>-</u>	<u>8,418</u>
Total extraordinary losses	<u>5,969</u>	<u>16,265</u>
Income before income taxes	47,454	32,013
Income taxes-current	18,633	5,365
Reversal of prior period's income taxes	(13,947)	-
Income taxes-deferred	<u>7,172</u>	<u>533</u>
Total income taxes	<u>11,857</u>	<u>5,899</u>
Income before minority interests	<u>-</u>	<u>26,113</u>
Minority interests	<u>781</u>	<u>739</u>
Net income	¥ <u>34,815</u>	<u>25,373</u>

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Statement of Comprehensive Income

For the year ended March 31, 2011

		2011 (Yen in millions)
Income before minority interests	¥	26,113
Other comprehensive income:		
Net unrealized gains (losses) on investments		(134,260)
Net deferred gains (losses) on hedge accounting for derivatives		4,096
Foreign currency translation adjustments		(22,463)
Share of other comprehensive income of equity investees accounted for by equity method		(93)
Total other comprehensive income		(152,720)
Total comprehensive loss		<u>(126,607)</u>
Allocation:		
Comprehensive loss attributable to shareholders of the parent	¥	(126,113)
Comprehensive loss attributable to minority interests		(494)

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2010

(Yen in millions)

Stockholders' equity:

Common stock:

Ending balance as of March 31, 2009 ¥ 139,595

Ending balance as of March 31, 2010 139,595

Additional paid-in capital:

Ending balance as of March 31, 2009 93,107

Ending balance as of March 31, 2010 93,107

Retained earnings:

Ending balance as of March 31, 2009 436,906

Changes for the year:

Dividends paid (37,375)

Changes in the scope of consolidation (1,055)

Net income 34,815

Total changes for the year (3,615)

Ending balance as of March 31, 2010 433,290

Total stockholders' equity:

Ending balance as of March 31, 2009 669,609

Changes for the year:

Dividend paid (37,375)

Changes in the scope of consolidation (1,055)

Net income 34,815

Total changes for the year (3,615)

Ending balance as of March 31, 2010 665,993

Valuation and translation adjustments:

Net unrealized gains/losses on investments :

Ending balance as of March 31, 2009 288,487

Changes for the year:

Net changes of items other than stockholders' equity 285,756

Total changes for the year 285,756

Ending balance as of March 31, 2010 574,244

Net deferred gains/losses on hedge accounting for derivatives:

Ending balance as of March 31, 2009 9,671

Changes for the year:

Net changes of items other than stockholders' equity (7,532)

Total changes for the year (7,532)

Ending balance as of March 31, 2010 2,138

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Statement of Changes in Net Assets (Continued)

(Yen in millions)

Foreign currency translation adjustments:		
Ending balance as of March 31, 2009	¥	(49,625)
Changes for the year:		
Net changes of items other than stockholders' equity		<u>9,316</u>
Total changes for the year		<u>9,316</u>
Ending balance as of March 31, 2010		<u>(40,309)</u>
Total valuation and translation adjustments:		
Ending balance as of March 31, 2009		248,532
Changes for the year:		
Net changes of items other than stockholders' equity		<u>287,540</u>
Total changes for the year		<u>287,540</u>
Ending balance as of March 31, 2010		<u>536,072</u>
Minority interests:		
Ending balance as of March 31, 2009		9,952
Changes for the year:		
Net changes of items other than stockholders' equity		<u>(5,764)</u>
Total changes for the year		<u>(5,764)</u>
Ending balance as of March 31, 2010		<u>4,188</u>
Total net assets:		
Ending balance as of March 31, 2009		928,094
Changes for the year:		
Dividends paid		(37,375)
Changes in the scope of consolidation		(1,055)
Net income		34,815
Net changes of items other than stockholders' equity		<u>281,775</u>
Total changes for the year		<u>278,160</u>
Ending balance as of March 31, 2010	¥	<u>1,206,255</u>

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2011

(Yen in millions)

Stockholders' equity:	
Common stock:	
Ending balance as of March 31, 2010	¥ <u>139,595</u>
Ending balance as of March 31, 2011	<u>139,595</u>
Additional paid-in capital:	
Ending balance as of March 31, 2010	<u>93,107</u>
Ending balance as of March 31, 2011	<u>93,107</u>
Retained earnings:	
Ending balance as of March 31, 2010	433,290
Changes for the year:	
Dividends paid	(54,042)
Changes in the scope of consolidation	(1,871)
Net income	<u>25,373</u>
Total changes for the year	<u>(30,540)</u>
Ending balance as of March 31, 2011	<u>402,749</u>
Total stockholders' equity:	
Ending balance as of March 31, 2010	665,993
Changes for the year:	
Dividends paid	(54,042)
Changes in the scope of consolidation	(1,871)
Net income	<u>25,373</u>
Total changes for the year	<u>(30,540)</u>
Ending balance as of March 31, 2011	<u>635,452</u>
Accumulated other comprehensive income:	
Net unrealized gains/losses on investments:	
Ending balance as of March 31, 2010	574,244
Changes for the year:	
Net changes of items other than stockholders' equity	<u>(134,340)</u>
Total changes for the year	<u>(134,340)</u>
Ending balance as of March 31, 2011	<u>439,903</u>
Net deferred gains/losses on hedge accounting for derivatives:	
Ending balance as of March 31, 2010	2,138
Changes for the year:	
Net changes of items other than stockholders' equity	<u>4,096</u>
Total changes for the year	<u>4,096</u>
Ending balance as of March 31, 2011	<u>6,234</u>

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Statement of Changes in Net Assets (Continued)

(Yen in millions)

Foreign currency translation adjustments:		
Ending balance as of March 31, 2010	¥	(40,309)
Changes for the year:		
Net changes of items other than stockholders' equity		<u>(21,242)</u>
Total changes for the year		<u>(21,242)</u>
Ending balance as of March 31, 2011		<u>(61,551)</u>
Total accumulated other comprehensive income:		
Ending balance as of March 31, 2010		536,072
Changes for the year:		
Net changes of items other than stockholders' equity		<u>(151,486)</u>
Total changes for the year		<u>(151,486)</u>
Ending balance as of March 31, 2011		<u>384,586</u>
Minority interests:		
Ending balance as of March 31, 2010		4,188
Changes for the year:		
Net changes of items other than stockholders' equity		<u>10,491</u>
Total changes for the year		<u>10,491</u>
Ending balance as of March 31, 2011		<u>14,679</u>
Total net assets:		
Ending balance as of March 31, 2010		1,206,255
Changes for the year:		
Dividends paid		(54,042)
Changes in the scope of consolidation		(1,871)
Net income		25,373
Net changes of items other than stockholders' equity		<u>(140,994)</u>
Total changes for the year		<u>(171,535)</u>
Ending balance as of March 31, 2011	¥	<u>1,034,719</u>

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Statements of Cash Flows

For the years ended March 31, 2010 and 2011

	2010	2011
	(Yen in millions)	
I. Cash flows from operating activities:		
Income before income taxes	¥ 47,454	32,013
Depreciation	21,276	20,106
Impairment losses on fixed assets	3,431	3,338
Amortization of goodwill	3,617	3,404
Amortization of negative goodwill	(20)	-
Increase (decrease) in outstanding claims	(55,769)	42,751
Decrease in underwriting reserves	(105,182)	(138,353)
Increase (decrease) in bad debt reserve	2,331	(1,106)
Increase (decrease) in reserve for pension and retirement benefits	1,283	(1,993)
Decrease in reserve for retirement benefits for officers	(307)	(307)
Increase in accrued bonuses for employees	143	566
Increase (decrease) in reserve for price fluctuation	(182)	2,706
Interest and dividends income	(124,094)	(120,653)
Investment related losses	6,621	(32,073)
Derivative transactions related gains	(24,777)	(9,119)
Interest expenses	2,244	1,727
Foreign exchange losses	363	3,456
Losses (gains) on disposal of tangible fixed assets	(1,053)	(8,249)
Equity in losses (earnings) of affiliates	(416)	(237)
Increase in other assets	(15,166)	(21,049)
Increase (decrease) in other liabilities	(6,322)	667
Others, net	14,259	8,333
Subtotal	(230,265)	(214,070)
Interest and dividends received	125,825	120,418
Interest paid	(2,321)	(1,737)
Income taxes paid	(16,581)	(20,177)
Net cash used in operating activities (a)	(123,343)	(115,567)

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Consolidated Statements of Cash Flows (Continued)

	2010	2011
	(Yen in millions)	
II. Cash flows from investing activities:		
Net decrease (increase) in deposits and savings	¥ 22,611	(19,174)
Proceeds from sales and redemption of monetary claims bought	4,934	4,578
Purchase of money trusts	(13)	(3,500)
Proceeds from sales of money trusts	5,400	3,568
Purchase of securities	(542,788)	(762,400)
Proceeds from sales and redemption of securities	700,581	794,964
Investment in loans	(148,806)	(128,357)
Collection of loans	184,162	158,522
Increase (decrease) in cash received under securities lending transactions	(60,508)	26,261
Proceeds from acquisition of business	-	3,995
Others, net	(391)	5,745
Subtotal (b)	<u>165,182</u>	<u>84,205</u>
(a + b)	<u>41,838</u>	<u>(31,362)</u>
Acquisitions of tangible fixed assets	(16,213)	(16,853)
Proceeds from sales of tangible fixed assets	5,365	12,400
Acquisitions of intangible fixed assets	(6,418)	(4,838)
Others, net	(569)	(1,614)
Net cash provided by investing activities	147,345	73,298
III. Cash flows from financing activities:		
Proceeds from issuance of bonds	-	69,986
Redemption of bonds	(70,000)	-
Dividends paid to shareholders	(37,375)	(28,490)
Dividends paid to minority shareholders	(910)	(334)
Others, net	(756)	(707)
Net cash provided by (used in) financing activities	(109,041)	40,454
IV. Effect of exchange rate changes on cash and cash equivalents	<u>8,554</u>	<u>(12,874)</u>
V. Net change in cash and cash equivalents	<u>(76,485)</u>	<u>(14,688)</u>
VI. Cash and cash equivalents at beginning of year	<u>438,869</u>	<u>361,067</u>
VII. Increase in cash and cash equivalents relating to comprehensive transfer of insurance contracts	-	27,479
VIII. Effect of change in scope of consolidation	<u>(1,316)</u>	<u>(1,811)</u>
IX. Cash and cash equivalents at the end of year	¥ <u>361,067</u>	<u>372,047</u>

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation

As of and for the years ended March 31, 2010 and 2011

March 31, 2010

1. Basis of presentation

The accompanying consolidated financial statements have been translated from the consolidated financial statements of Mitsui Sumitomo 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, 2011

1. Basis of presentation

The accompanying consolidated financial statements have been translated from the consolidated financial statements of Mitsui Sumitomo 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.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

March 31, 2011

2. Principles of consolidation

(1) Number of consolidated subsidiaries 33 companies

Major consolidated subsidiaries are as follows:

MSIG Holdings (Americas), Inc.
Mitsui Sumitomo Insurance (London Management) Ltd.
MSIG Mingtai Insurance Co., Ltd.

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

Mitsui Sumitomo Insurance Company (Hong Kong), Limited has been excluded from the scope of consolidation during the fiscal year due to immateriality as a result of business restructuring. Thousand Fortune Islands Corporation, which was consolidated due to the financial relationship that the company had held its debenture, has also been excluded due to the debenture redemption.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

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

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

2. Principles of consolidation

(1) Number of consolidated subsidiaries 32 companies

Major consolidated subsidiaries are as follows:

MSIG Holdings (Americas), Inc.
Mitsui Sumitomo Insurance (London Management) Ltd.
MSIG Mingtai Insurance Co., Ltd.

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

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

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

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

March 31, 2011

3. Equity method

- (1) Number of affiliate companies accounted for under the equity method 3 companies

Major company accounted for under the equity method is as follows:
Sumitomo Mitsui Asset Management Company, Limited

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

4. Fiscal year of consolidated subsidiaries

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

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

3. Equity method

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

Major companies accounted for under the equity method are as follows:
Sumitomo Mitsui Asset Management Company, Limited
Hong Leong Assurance Berhad

Hong Leong Assurance Berhad became an equity method affiliate during the fiscal year due to acquisitions of shares.

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

4. Fiscal year of consolidated subsidiaries

Fiscal year end of consolidated subsidiaries, representing MSIG Holdings (Americas), Inc. and 30 other companies, is December 31 which is different from that of the Company. The Company uses their financial statements as of their most current fiscal year-end for consolidation purposes because the time lag does not exceed a three-month period.

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

March 31, 2011

5. Accounting policies

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

- (i) Securities held to maturity are valued at amortized cost.
- (ii) Stocks of unconsolidated subsidiaries and affiliates that are not accounted for under the equity method are valued at cost determined by the moving average method.
- (iii) Available for sale securities for which fair value is available are valued at fair value as of March 31, 2010. 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.
- (iv) Available for sale securities for which fair value is deemed to be extremely difficult to determine are valued at cost determined by the moving average method.
- (v) Securities managed as a major component of trust assets in the money trust are valued at fair value.

(Changes in accounting principles or accounting procedures)

Adoption of "Accounting Standard for Financial Instruments"

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

As a result, the scope of securities measured at fair value has been changed.

The effect of this adoption on the consolidated financial statements was immaterial.

5. Accounting policies

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

- (i) Securities held to maturity are valued at amortized cost.
- (ii) Stocks of unconsolidated subsidiaries and affiliates that are not accounted for under the equity method are valued at cost determined by the moving average method.
- (iii) Available for sale securities for which fair value is available 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.
- (iv) Available for sale securities for which fair value is deemed to be extremely difficult to determine are valued at cost determined by the moving average method.
- (v) Securities managed as a major component of trust assets in the money trust are valued at fair value.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010March 31, 2011

- | | |
|--|--|
| <p>(2) Derivative financial instruments are valued at fair value. Foreign exchange contracts and interest rate swaps that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates or the interest rates under those contracts were originally applied to the underlying financial instruments.</p> | <p>(2) Derivative financial instruments are valued at fair value. Foreign exchange contracts and interest rate swaps that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates or the interest rates under those contracts were originally applied to the underlying financial instruments.</p> |
| <p>(3) Depreciation methods of assets are as follows:</p> <p>(i) Depreciation of tangible fixed assets held by the Company and domestic subsidiaries is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line method is applied. Depreciation of tangible fixed assets held by foreign subsidiaries is mainly computed using the straight-line method.</p> <p>(ii) Capitalized software for internal use is amortized by using the straight-line method based on estimated useful lives.</p> | <p>(3) Depreciation methods of assets are as follows:</p> <p>(i) Depreciation of tangible fixed assets held by the Company and domestic subsidiaries is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line method is applied. Depreciation of tangible fixed assets held by foreign subsidiaries is mainly computed using the straight-line method.</p> <p>(ii) Capitalized software for internal use is amortized by using the straight-line method based on estimated useful lives.</p> |
| <p>(4) Accounting policies for significant reserves</p> <p>(i) Bad debt reserve</p> <p>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</p> | <p>(4) Accounting policies for significant reserves</p> <p>(i) Bad debt reserve</p> <p>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</p> |

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

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 for assets. The assessment was performed by the departments which are responsible for respective assets. The independent internal audit departments reviewed those results.

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

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

March 31, 2011

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 for assets. The assessment was performed by the departments which are responsible for respective assets. The independent internal audit departments reviewed those results.

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

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

(ii) Reserve for pension and retirement benefits

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

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

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

In estimating retirement benefit obligation of some consolidated subsidiaries, the Company uses the simplified method.

(Changes in accounting principles or accounting procedures)

Adoption of "Partial Amendments to Accounting Standard for Retirement Benefits"

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

March 31, 2011

(ii) Reserve for pension and retirement benefits

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

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

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

In estimating retirement benefit obligation of some consolidated subsidiaries, the Company uses the simplified method.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

- (iii) Reserve for retirement benefits for officers

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

- (iv) Accrued bonuses

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

- (v) Reserve for price fluctuation

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.

- (5) Translation of foreign currency assets and liabilities

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

March 31, 2011

- (iii) Reserve for retirement benefits for officers

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

- (iv) Accrued bonuses

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

- (v) Reserve for price fluctuation

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.

- (5) Translation of foreign currency assets and liabilities

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

March 31, 2011

(6) Accounting for consumption taxes

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

(6) Accounting for consumption taxes

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

(7) Hedge accounting

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

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations of the fair value or cash flows of the hedged items and the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. When hedged items and hedging instruments are highly and clearly interrelated or when interest rate swap transactions meet the criteria for applying the exceptional method, assessment of

(7) Hedge accounting

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

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations of the fair value or cash flows of the hedged items and the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. When hedged items and hedging instruments are highly and clearly interrelated or when interest rate swap transactions meet the criteria for applying the exceptional method, assessment of

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

hedge effectiveness is not performed.

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

6. Valuation of assets and liabilities of the consolidated subsidiaries

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

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

March 31, 2011

hedge effectiveness is not performed.

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

6. Goodwill is amortized using the straight-line method over 20 years. Insignificant amount of goodwill is charged to expense as incurred in the entire amount.
7. Changes in accounting principles or accounting procedures

- (i) 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.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010March 31, 2011

As a result of the adoption of the standard and guidance, ordinary profit decreased by ¥301 million, and income before income taxes decreased by ¥2,586 million, respectively. The adoption of the standard and guidance resulted in a ¥5,123 million change in asset retirement obligations.

- (ii) Adoption of “Accounting Standard for Business Combinations” and related matters

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

8. Changes in presentation

- (i) Consolidated balance sheets and Consolidated Statement of Changes in Net Assets

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Basis of Presentation (Continued)

March 31, 2010

March 31, 2011

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 "Cabinet Office Ordinance for Partial Amendment to the Enforcement Ordinance of the Banking Law, etc." (Cabinet Office Ordinance No. 5, March 25, 2011), "Valuation and translation adjustments" and "Total valuation and translation adjustments" as of and for the fiscal year ended March 31, 2010 are presented as "Accumulated other comprehensive income" and "Total accumulated other comprehensive income", respectively.

(ii) Consolidated statements of income

As a result of the adoption of the format in the exhibit of the "Enforcement Regulations of the Insurance Business Law, etc." (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" (Cabinet Office Ordinance No. 41, September 21, 2010), "Income before minority interests" started to be presented.

- | | |
|--|--|
| <p>8. 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.</p> | <p>9. 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.</p> |
|--|--|

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets

As of March 31, 2010 and 2011

March 31, 2010

March 31, 2011

- | | | | | | | | | | | | | | |
|---|------------------------------------|---------|--|--------|--|--------|--|------------------------------------|---------|--|---------|--|--------|
| <p>1. Accumulated depreciation of tangible fixed assets amounted to ¥284,918 million. The acquisition costs of certain properties were reduced by ¥18,713 million representing deferred profit on sales of other properties.</p> <p>2. Costs of equity investments in unconsolidated subsidiaries and affiliates are as follows (Yen in millions):</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Investments in securities (Stocks)</td> <td style="text-align: right;">¥10,880</td> </tr> <tr> <td>Investments in securities (Foreign securities)</td> <td style="text-align: right;">¥7,972</td> </tr> <tr> <td>Investments in securities (Other securities)</td> <td style="text-align: right;">¥6,164</td> </tr> </table> <p>3. The amount of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans are as follows:</p> <p>(1) Loans to financially impaired parties and overdue loans amounted to ¥1,441 million and ¥2,426 million, respectively.</p> <p>Loans to financially impaired parties represent those loans, excluding the portion of the loans that were written off, on which accrued interest receivable is not recognized because repayments of principal or interest were overdue for considerable periods and they are regarded uncollectible and which meet the conditions prescribed in Article 96, Section 1-3 and 1-4 of the Corporation Tax Law Enforcement Ordinance (1965 Cabinet Order No.97). Hereafter, this last category is referred to as "Loans not accruing interest".</p> <p>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</p> | Investments in securities (Stocks) | ¥10,880 | Investments in securities (Foreign securities) | ¥7,972 | Investments in securities (Other securities) | ¥6,164 | <p>1. Accumulated depreciation of tangible fixed assets amounted to ¥285,808 million. The acquisition costs of certain properties were reduced by ¥16,560 million representing deferred profit on sales of other properties.</p> <p>2. Costs of equity investments in unconsolidated subsidiaries and affiliates are as follows (Yen in millions):</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Investments in securities (Stocks)</td> <td style="text-align: right;">¥11,245</td> </tr> <tr> <td>Investments in securities (Foreign securities)</td> <td style="text-align: right;">¥32,647</td> </tr> <tr> <td>Investments in securities (Other securities)</td> <td style="text-align: right;">¥6,713</td> </tr> </table> <p>3. The amount of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans are as follows:</p> <p>(1) Loans to financially impaired parties and overdue loans amounted to ¥269 million and ¥2,065 million, respectively.</p> <p>Loans to financially impaired parties represent those loans, excluding the portion of the loans that were written off, on which accrued interest receivable is not recognized because repayments of principal or interest were overdue for considerable periods and they are regarded uncollectible and which meet the conditions prescribed in Article 96, Section 1-3 and 1-4 of the Corporation Tax Law Enforcement Ordinance (1965 Cabinet Order No.97). Hereafter, this last category is referred to as "Loans not accruing interest".</p> <p>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</p> | Investments in securities (Stocks) | ¥11,245 | Investments in securities (Foreign securities) | ¥32,647 | Investments in securities (Other securities) | ¥6,713 |
| Investments in securities (Stocks) | ¥10,880 | | | | | | | | | | | | |
| Investments in securities (Foreign securities) | ¥7,972 | | | | | | | | | | | | |
| Investments in securities (Other securities) | ¥6,164 | | | | | | | | | | | | |
| Investments in securities (Stocks) | ¥11,245 | | | | | | | | | | | | |
| Investments in securities (Foreign securities) | ¥32,647 | | | | | | | | | | | | |
| Investments in securities (Other securities) | ¥6,713 | | | | | | | | | | | | |

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010March 31, 2011

difficulty.

difficulty.

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

- (2) Loans overdue for 3 months or more amounted to ¥995 million.

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

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

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

- (3) Restructured loans amounted to ¥2,032 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 loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans amounted to ¥6,766 million.

- (4) The total of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans amounted to ¥5,362 million.

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

4. Securities in the amount of ¥109,851 million, Cash and deposits in the amount of ¥1,495 million and Tangible fixed assets in the amount of ¥234 million are pledged as collateral for overseas operations and Real Time Gross Settlement system of current account at the Bank of Japan.

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

5. Investments in securities include those that were loaned under securities lending agreements in the amount of ¥57,226 million.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010March 31, 2011

6. Matters regarding retirement benefits are as follows (Yen in millions):

(1) Details of retirement benefit obligation:

Projected retirement benefit obligation	¥	268,960
Plan assets		<u>(153,654)</u>
Unfunded obligation		115,306
Unrecognized actuarial losses		<u>(33,357)</u>
Reserve for pension and retirement benefits	¥	<u>81,948</u>

(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	Mainly 2.00 %
Expected rate of return on plan assets	Mainly 3.00 %
Amortization period for prior service costs	4 years
Amortization period for unrecognized actuarial gains and losses:	
Tax qualified defined benefit pension plan	4 years
Other than tax qualified defined benefit pension plan	Mainly 10 years

The Company transferred its tax qualified defined benefit pension plan to defined benefit pension plan on April 1, 2006.

6. Matters regarding retirement benefits are as follows (Yen in millions):

(1) Details of retirement benefit obligation:

Projected retirement benefit obligation	¥	277,186
Plan assets		<u>(160,481)</u>
Unfunded obligation		116,704
Unrecognized actuarial losses		<u>(36,764)</u>
Reserve for pension and retirement benefits	¥	<u>79,939</u>

(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	Mainly 2.00 %
Expected rate of return on plan assets	Mainly 3.00 %
Amortization period for prior service costs	4 years
Amortization period for unrecognized actuarial gains and losses	Mainly 10 years

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010

7. The Company provides guarantees to the transactions of a limited partnership entity. Aggregate net present value of those transactions was ¥177,933 million, in a negative liability position. This amount was not included in Customers' liabilities under acceptances and guarantees and Liabilities under acceptances and guarantees since there is no substantial exposure.
8. The Company executes a net worth maintenance agreement on behalf of Mitsui Sumitomo Metlife Insurance Company, Limited ("MSML") which is an affiliated company of MSIGH (current company name: MS & AD Insurance Group Holdings, Inc.). Under this agreement, the Company's funding and other obligations are triggered if MSML falls under a situation that its net worth falls short of a predetermined level or it does not maintain adequate liquidity for payment for its obligations. The Company and MSIGH are jointly obligated for the agreement. The aggregated amount of liabilities and assets of MSML as of March 31, 2010 were ¥3,081,115 million (including Underwriting funds in the amount of ¥3,068,340 million) and ¥3,116,508 million, respectively. This agreement does not provide any guarantees for payment for its obligations. MSML was not in a triggering situation mentioned above as of March 31, 2010.
9. Unutilized portion of commitment lines given to third parties amounted to ¥1,856 million.

March 31, 2011

7. The Company provides guarantees to the transactions of a limited partnership entity. Aggregate net present value of those transactions was ¥73,106 million, in a negative liability position. This amount was not included in Customers' liabilities under acceptances and guarantees and Liabilities under acceptances and guarantees since there is no substantial exposure.
8. The Company executes a net worth maintenance agreement on behalf of Mitsui Sumitomo Metlife Insurance Company, Limited ("MSML") which is an affiliated company of MS & AD Insurance Group Holdings, Inc. Under this agreement, the Company's funding and other obligations are triggered if MSML falls under a situation that its net worth falls short of a predetermined level or it does not maintain adequate liquidity for payment for its obligations. The Company and MS & AD Insurance Group Holdings, Inc. are jointly obligated for the agreement. The aggregated amount of liabilities and assets of MSML as of March 31, 2011 were ¥3,015,418 million (including Underwriting funds in the amount of ¥3,003,150 million) and ¥3,069,708 million, respectively. This agreement does not provide any guarantees for payment for its obligations. MSML was not in a triggering situation mentioned above as of March 31, 2011.
9. Unutilized portion of commitment lines given to third parties amounted to ¥1,788 million.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010March 31, 2011

10. Matters regarding financial instruments are as follows:

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

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

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

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

10. Matters regarding financial instruments are as follows:

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

The Company and its subsidiaries ("Group") make investments in financial instruments, while maintaining liquidity, in order to maximize net asset value sustainably under the appropriate risk management.

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

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010

(ii) Details of financial instruments and associated risks

The Group's financial assets mainly consist of securities including bonds, stocks and foreign securities, as well as loans and other instruments.

Most of the securities are classified as "available-for-sale securities" and the others are classified as "held-to-maturity securities." Risks pertaining to investments include market risks, credit risks and market liquidity risks. Market risks arise from fluctuation in interest rates, stock prices, exchange rates and other market indicators. Credit risks arise from deterioration in the financial condition of the issuer and counterparty of loans. Market liquidity risks refer to such situation as being forced to execute transactions at extremely unfavorable prices under turmoil of market.

Without applying hedge accounting, the Company utilizes derivative transactions represented by interest rate swaps for the purpose of controlling interest rate risks and forward exchange contracts and currency options for the purpose of hedging currency risks. Also, in order to generate investment income with consideration given to associated risks, the Company utilizes derivative instruments referring to interest rate, foreign currency, equity price and bond price, credit derivatives, and weather derivatives. The consolidated subsidiaries also utilize forward exchange contracts for the purpose of hedging currency risks.

For derivative transactions to which hedge accounting is applied, please refer to "Basis of consolidated financial statements-5. Accounting policies-(7) Hedge accounting".

In general, derivative transactions involve risks of fluctuations in fair

March 31, 2011

(ii) Details of financial instruments and associated risks

The Group's financial assets mainly consist of securities including bonds, stocks and foreign securities, as well as loans and other instruments.

Risks pertaining to investments include market risks, credit risks and market liquidity risks. Market risks arise from fluctuation in interest rates, stock prices, foreign exchange rates and other market indicators. Credit risks arise from deterioration in the financial condition of the issuer and counterparty of loans. Market liquidity risks refer to such situation as being forced to execute transactions at extremely unfavorable prices under turmoil of market.

The Company utilizes derivative transactions represented by interest rate swaps, forward exchange contracts and currency options for the purpose of hedging interest rate risks and currency risks. In addition to the derivative transactions mentioned above, the Company utilizes credit derivatives and weather derivatives in order to generate investment income with consideration given to associated risks. The consolidated subsidiaries also utilize forward exchange contracts for the purpose of hedging currency risks. For derivative transactions to which hedge accounting is applied, please refer to "Basis of consolidated financial statements-5. Accounting policies-(7) Hedge accounting".

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010

value of derivative instruments (“market risk”) and risks of changes in events that underlie the derivative transactions. Derivative transactions also are exposed to risks of nonperformance as a result of insolvency of the counterparty (“credit risk”).

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

(iii) Risk management structure relating to financial instruments

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

Checks and balances are maintained through a routine management system in which back-offices and risk management department operate independently from the trading department, to monitor that operations, types of instruments in use, position limit, risk amount and loss cut are compliant with the rules. In addition, the risk management department assesses and analyzes risks pertaining to financial instruments, and regularly reports on the result to the Board of Directors.

March 31, 2011

insolvency of the counterparty (“credit risk”).

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

(iii) Risk management structure relating to financial instruments

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

Checks and balances are maintained through a routine management system in which back-offices and risk management department operate independently from the trading department, to monitor that operations, types of instruments in use, position limit, risk amount and loss cut are compliant with the rules. In addition, the risk management department assesses and analyzes risks pertaining to financial instruments, and regularly reports on the result to the Board of Directors.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010

a. Market risk management

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

b. Credit risk management

The Group establishes the credit risk management system that implements rules for credit risk management. For loans, the trading department and the risk management department maintain the credit risk management structure by credit screening, credit limit, credit information management, internal credit rating, requiring collateral and guarantees, and dealing with bad loans. For securities and derivatives, the trading department and the risk management department manage credit risk of security issuers and derivative counterparties by regular monitoring of credit information and fair values.

March 31, 2011

a. Market risk management

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

b. Credit risk management

The Group establishes the credit risk management system that implements rules for credit risk management. For loans, the trading department and the risk management department maintain the credit risk management structure by credit screening, credit limit, credit information management, internal credit rating, requiring collateral and guarantees, and dealing with bad loans. For securities and derivatives, the trading department and the risk management department manage credit risk of security issuers and derivative counterparties by regular monitoring of credit information and fair values.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010

c. Liquidity risk management

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

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

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

(2) Fair value of financial instruments

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

March 31, 2011

c. Liquidity risk management

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

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

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

(2) Fair value of financial instruments

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheet (Continued)

March 31, 2010March 31, 2011

<u>Consolidated</u> <u>balance sheet</u>				<u>Consolidated</u> <u>balance sheet</u>			
	<u>amount</u>	<u>Fair Value</u>	<u>Difference</u>		<u>amount</u>	<u>Fair Value</u>	<u>Difference</u>
	(Yen in millions)				(Yen in millions)		
(i) Cash, deposits & savings	¥ 297,098	297,098	-	(i) Cash, deposits & savings	¥ 306,669	306,669	-
(ii) Call loans	33,700	33,700	-	(ii) Call loans	52,000	52,000	-
(iii) Receivables under resale agreement	15,998	15,998	-	(iii) Receivables under resale agreement	11,998	11,998	-
(iv) Monetary claims bought	108,158	108,158	-	(iv) Monetary claims bought	115,190	115,190	-
(v) Money trusts	¥ 10,592	10,592	-	(v) Money trusts	¥ 9,676	9,676	-
(vi) Securities				(vi) Securities			
Securities held to maturity	245	245	-	Available for sale securities	3,898,682	3,898,682	-
Available for sale securities	4,203,480	4,203,480	-	(vii) Loans	687,286	-	-
(vii) Loans	718,625	-	-	Bad debt reserve (*1)	(2,182)	-	-
Bad debt reserve (*1)	(4,014)	-	-		<u>685,104</u>	<u>696,198</u>	<u>11,094</u>
	<u>714,610</u>	<u>722,755</u>	<u>8,145</u>	Total assets	<u>¥ 5,079,322</u>	<u>5,090,416</u>	<u>11,094</u>
Total assets	<u>¥5,383,886</u>	<u>5,392,031</u>	<u>8,145</u>	Bond issued	<u>¥ 164,963</u>	<u>167,301</u>	<u>2,337</u>
Bond issued	<u>¥ 94,969</u>	<u>98,150</u>	<u>3,180</u>	Total liabilities	<u>¥ 164,963</u>	<u>167,301</u>	<u>2,337</u>
Total liabilities	<u>¥ 94,969</u>	<u>98,150</u>	<u>3,180</u>	Derivative transaction (*2)			
Derivative transaction (*2)				Hedge accounting not applied	¥ (3,719)	(3,719)	-
Hedge accounting not applied	¥ (6,118)	(6,118)	-	Hedge accounting applied	9,948	9,948	-
Hedge accounting applied	3,895	3,895	-		<u>¥ 6,229</u>	<u>¥ 6,229</u>	<u>-</u>
	<u>¥ (2,222)</u>	<u>¥ (2,222)</u>	<u>-</u>				

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

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

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

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010March 31, 2011

(Note 1) Determination of fair value of financial instruments

(Note 1) Determination of fair value of financial instruments

AssetsAssets

(i) Cash, deposits & savings

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

(i) Cash, deposits & savings

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

(ii) Call loans

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

(ii) Call loans

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

(iii) Receivables under resale agreement

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

(iii) Receivables under resale agreement

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

(iv) Monetary claims bought

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

(iv) Monetary claims bought

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

(v) Money trusts

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

(v) Money trusts

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010

(vi) Securities

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

March 31, 2011

(vi) Securities

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010March 31, 2011

(vii) Loans

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

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

(vii) Loans

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

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010

March 31, 2011

Liabilities

Bonds issued

With regard to bonds issued, "Reference prices for Over-the-Counter bond transactions" published by Japan Securities Dealers Association are deemed as the fair value.

Derivative transaction

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

(Note 2)

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

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

Liabilities

Bonds issued

With regard to bonds issued, "Reference prices for Over-the-Counter bond transactions" published by Japan Securities Dealers Association are deemed as the fair value.

Derivative transaction

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

(Note 2)

Financial instruments held as of March 31, 2011 and not included in the above table, because determination of their fair values is impracticable, are summarized as follows:

Unlisted stocks of unconsolidated subsidiaries and affiliates (Carrying amount on the consolidated balance sheet: ¥50,606 million), other unlisted stocks (Carrying amount on the consolidated balance sheet: ¥96,408 million), partnership investment comprised of unlisted stocks (Carrying amount on the consolidated balance sheet: ¥42,498 million) and bonds for which reasonable estimate of fair value is not available due to difficulty in determining assumptions (e.g. issuer in bankruptcy, difficulty in estimating future cash flows, etc.) (Carrying amount on the consolidated balance sheet: ¥1,616 million) are not included in the scope of fair value disclosure.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010March 31, 2011

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

(1) Qualitative information on investment and leasing property:

The Company and certain consolidated subsidiaries own office buildings for lease, etc. in Tokyo and other areas.

(2) Fair value of investment and leasing property (Yen in millions):

Carrying amount as of March 31, 2010	Fair value as of March 31, 2010
¥45,335	111,981

(Note)

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

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

(1) Qualitative information on investment and leasing property:

The Company and certain consolidated subsidiaries own office buildings for lease, etc. in Tokyo and other areas.

(2) Fair value of investment and leasing property (Yen in millions):

Carrying amount as of March 31, 2011	Fair value as of March 31, 2011
¥39,760	103,016

(Note)

1. Carrying amount represents the cost of acquisition less accumulated depreciation.
2. Fair value as of March 31, 2011 is primarily based on appraisals by qualified external 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.

12. Matters related to business combinations are as follows:

(Business combination through acquisition)
Acquisition of non-life insurance business in Malaysia

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010

March 31, 2011

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

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

- (i) Name of the counterparty and the description of the acquired business
Company name:

Hong Leong Assurance Berhad

Description of business:
non-life insurance

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

- (iii) Date of the business combination
October 1, 2010

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010

March 31, 2011

- (iv) Legal form of business combination
Transfer of the common shares of
MSIG Insurance (Malaysia) Bhd as
consideration for the business transfer
- (2) Period of the acquired company's
financial results included in the
consolidated statement of income
From October 1, 2010 to December 31,
2010
- (3) Acquisition cost and its breakdown of the
acquired business, and number of shares
transferred and its valuation
 - (i) Acquisition cost and its breakdown of
the acquired business
Consideration transferred:
Common shares of MSIG
Insurance (Malaysia) Bhd
Acquisition cost:
¥16,808 million.
 - (ii) Number of shares transferred and
their valuation
The number of shares transferred by
MSIG Insurance (Malaysia) Bhd was
99,942,858 and their value was
¥16,808 million.
- (4) Goodwill, reason for recognizing
goodwill, amortization method and
amortization period
 - (i) Amount of goodwill
¥16,808 million
 - (ii) Reason for recognizing goodwill
Due to the potential excess earnings
expected in the business development
in the future
 - (iii) Amortization method and
amortization period
Straight-line method over 20 years
- (5) Amounts of assets acquired and liabilities
assumed on the day of the business

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010March 31, 2011

combination (Yen in millions)

(i) Assets

Total assets	¥ 8,906
(Cash, deposits and savings	¥ 4,464)
(Investments in securities	¥ 3,075)

(ii) Liabilities

Total liabilities	¥ 8,906
(Underwriting funds	¥ 7,565)

12. Net assets per share as of March 31, 2010 was ¥855.92. Minority interests in the amount of ¥4,188 million were deducted from net assets in its computation. Outstanding common shares as of March 31, 2010 were 1,404,402 thousand shares.

13. Net assets per share as of March 31, 2011 was ¥726.31. Minority interests in the amount of ¥14,679 million were deducted from net assets in its computation. Outstanding common shares as of March 31, 2011 were 1,404,402 thousand shares.

14. Significant subsequent event that occurred after the balance sheet date and would have a material effect on the financial position or the results of operations of the Company and its consolidated subsidiaries for the future periods is as follows:

Strategic alliance with leading life insurer in Indonesia

The Company reached an agreement to form a strategic alliance with PT Asuransi Jiwa Sinarmas ("Sinarmas Life"), a leading Indonesian life insurer under one of the largest Indonesian business groups, Sinar mas. The details are as follows:

(1) Purpose of the alliance

The Company intends to expand the business base and improve profitability in the Asian market, which is strategically important and considered as one of the growth areas for its overseas business, through the entry into the life insurance market in Indonesia.

(2) Overview of the alliance

The Company will solely subscribe for new shares of Sinar Mas Life (a private company) through a third-party allotment. The amount

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Balance Sheets (Continued)

March 31, 2010

March 31, 2011

to be invested is 7 trillion Indonesian Rupiah (approximately ¥67.2 billion). Following the transaction, PT Sinar Mas Multiartha TBK (a financial holding company of Sinar Mas Group) and the Company will each have a 50% stake. (Exchange rate: IDR1= ¥0.0096). After execution of the investment, the Company will send board members and staff and actively be involved in the management. Bringing in a variety of expertise of life insurance market the Company has developed in Japan and overseas, the Company sets out to further strengthen Sinarmas Life's insurance distribution capabilities of protection products to tap the massive middle-class market and sales of saving products to the existing high net worth customers.

(3) Date of the alliance

The Company plans to launch the alliance in this summer, subject to approval of the Indonesian Ministry of Finance (Indonesian life insurance authorities).

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

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Statements of Income

For the years ended March 31, 2010 and 2011

March 31, 2010

1. Business expenses mainly consist of:

Commission expenses ¥237,997 million
Salary ¥128,813 million

Business expenses represent the aggregate amount of loss adjustment expenses, operating expenses and general and administrative expenses and commissions and collection expenses presented in the statement of income.

2. Impairment losses were recognized for the following assets (Yen in millions):

<u>Use</u>	<u>Asset category</u>	<u>Description of assets</u>	<u>Impairment losses</u>
Rental properties	Land and buildings	2 properties, including buildings for rent in Aichi	Land ¥ 526 Buildings <u>831</u> Total ¥ <u>1,358</u>
Idle real estate and real estate for sale	Land and buildings	3 properties, including company residences in Chiba	Land ¥ 1,882 Buildings <u>190</u> Total ¥ <u>2,073</u>

Properties used for insurance operations are grouped as a single asset group for the entire insurance operations. Rental properties, idle real estate and real estate for sale constitute asset groups by their own. Carrying amounts of the above mentioned assets were reduced to their realizable values in view of falling property values or being scheduled for sale, and the resulting decreases in the carrying amounts were recorded as impairment losses on fixed assets in the aggregate amount of ¥ 3,431 million in the extraordinary losses.

March 31, 2011

1. Business expenses mainly consist of:

Commission expenses ¥243,759 million
Salary ¥129,542 million

Business expenses represent the aggregate amount of loss adjustment expenses, operating expenses and general and administrative expenses and commissions and collection expenses presented in the statement of income.

2. Other extraordinary income includes gains on changes in equity of a subsidiary resulting from the acquisition of the business in consideration of shares in a subsidiary.

3. Impairment losses were recognized for the following assets (Yen in millions):

<u>Use</u>	<u>Asset category</u>	<u>Description of assets</u>	<u>Impairment losses</u>
Rental properties	Land and buildings	6 properties, including buildings for rent in Aichi	Land ¥ 234 Buildings <u>2,773</u> Total ¥ <u>3,007</u>
Idle real estate and real estate for sale	Land and buildings	6 properties, including buildings for office in Hiroshima	Land ¥ 223 Buildings <u>107</u> Total ¥ <u>330</u>

Properties used for insurance operations are grouped as a single asset group for the entire insurance operations. Rental properties, idle real estate and real estate for sale constitute asset groups by their own. Carrying amounts of the above mentioned assets were reduced to their realizable values in view of falling property values or being unused, and the resulting decreases in the carrying amounts were recorded as impairment losses on fixed assets in the aggregate amount of ¥ 3,338 million in the extraordinary losses.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Statements of Income (Continued)

March 31, 2010

The realizable values of the assets concerned are determined at the higher of the net sale values or the potential values in continued use. The net sale values are computed based on the appraisal values by independent appraisers or the potential values in continued use are computed by discounting the future cash flows at the discount rate of 5.5%.

3. Consolidated net income per share for the year ended March 31, 2010 was ¥24.79.

Consolidated net income per share is computed based on the following figures: Consolidated net income and Consolidated net income available to common stockholders, ¥34,815 million; and Average outstanding common shares during the year, 1,404,402 thousand shares. Earnings per share after adjustment for dilutive effect of shares is not presented as no dilutive securities exist.

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

March 31, 2011

The realizable values of the assets concerned are determined at net sale value. The net sale values are computed based on the appraisal values by independent appraisers.

4. Other extraordinary losses include business integration costs (¥ 4,025 million), losses on cumulative adjustment for the adoption of "Accounting Standard for Asset Retirement Obligations" (¥ 2,257 million), and contributions relating to the building construction (¥ 2,136 million).

5. Consolidated net income per share for the year ended March 31, 2011 was ¥18.60.

Consolidated net income per share is computed based on the following figures: Consolidated net income and Consolidated net income available to common stockholders, ¥25,373 million; and Average outstanding common shares during the year, 1,404,402 thousand shares. Earnings per share after adjustment for dilutive effect of shares is not presented as no dilutive securities exist.

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Statement of Comprehensive Income

For the year ended March 31, 2011

March 31, 2010

March 31, 2011

1. Comprehensive income for the fiscal year ended March 31, 2010 (Yen in millions)

Comprehensive income attributable to shareholders of the parent	¥ 322,355
Comprehensive income attributable to minority interests	891
Total	<u>¥ 323,247</u>

2. Other comprehensive income for the fiscal year ended March 31, 2010 (Yen in millions)

Other comprehensive income	
Net unrealized gains on investments	284,228
Net deferred losses on hedge accounting for derivatives	(7,532)
Foreign currency translation adjustments	10,930
Share of other comprehensive income of affiliates accounted for by equity method	24
Total	<u>¥ 287,650</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2010 and 2011

March 31, 2010

1. Type and number of shares issued and treasury stock

	(Thousand of shares)			
	March 31, 2009	Increase	Decrease	March 31, 2010
Issued:				
Common				
shares	1,404,402	-	-	1,404,402
Total	1,404,402	-	-	1,404,402

(Note) There is no treasury stock requiring disclosure.

March 31, 2011

1. Type and number of shares issued and treasury stock

	(Thousand of shares)			
	March 31, 2010	Increase	Decrease	March 31, 2011
Issued:				
Common				
shares	1,404,402	-	-	1,404,402
Total	1,404,402	-	-	1,404,402

(Note) There is no treasury stock requiring disclosure.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

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

March 31, 2010

March 31, 2011

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
Meeting of board of directors held on May 20, 2009	Common shares	¥ 13,000	¥9.25	March 31, 2009	June 1, 2009
Meeting of board of directors held on November 19, 2009	Common shares	¥ 5,500	¥ 3.91	-	November 30, 2009
Meeting of board of directors held on January 29, 2010	Common shares	¥12,500	¥8.90	-	February 5, 2010
Meeting of board of directors held on February 12, 2010	Common shares	¥ 6,375	¥ 4.53	-	February 19, 2010

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
Meeting of board of directors held on May 20, 2010	Common shares	¥ 14,000	¥9.96	March 31, 2010	June 1, 2010
Meeting of board of directors held on June 29, 2010	Common shares	¥ 1,550	¥ 1.10	-	July 2, 2010
Meeting of board of directors held on August 12, 2010	Common shares	¥8,300	¥5.90	-	August 13, 2010
Meeting of board of directors held on November 19, 2010	Common shares	¥ 4,640	¥ 3.30	-	December 1, 2010

<u>Resolution</u>	<u>Type of share</u>	<u>Type of assets for dividends and book value</u>	<u>Dividend per share</u>	<u>Date of record</u>	<u>Effective date</u>	
Meeting of board of directors held on September 30, 2010	Common shares	Common shares of Inter Risk Research Institute and Consulting, Inc., MS&AD Staffing Service Company, Limited, MS&AD Research Institute Company, Limited and MS&AD Business Support Company, Limited	¥ 154	¥0.11	-	October 1, 2010
Meeting of board of directors held on February 28, 2011	Common shares	Treasury Discount Bills	¥ 25,398	¥ 18.08	-	March 16, 2011

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

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

March 31, 2010

- (2) Dividends to be made effective in the following year for which the date of record is in the current reporting period (Yen in millions, except for dividend per share in Yen)

<u>Resolution</u>	<u>Type of share</u>	<u>Aggregate amount of dividends</u>	<u>Source of dividend</u>	<u>Dividend per share</u>	<u>Date of record</u>	<u>Effective date</u>
Meeting of board of directors held on May 20, 2010	Common share	¥ 14,000	Retained earnings	¥ 9.96	March 31, 2010	June 1, 2010

March 31, 2011

- (2) Dividends to be made effective in the following year for which the date of record is in the current reporting period (Yen in millions, except for dividend per share in Yen)

<u>Resolution</u>	<u>Type of share</u>	<u>Type of assets for dividends and book value</u>	<u>Source of dividend</u>	<u>Dividend per share</u>	<u>Date of record</u>	<u>Effective date</u>
Meeting of board of directors held on May 19, 2011	Common share	Treasury Discount Bills ¥ 11,198	Retained earnings	¥ 7.97	March 31, 2011	June 10, 2011

3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.
3. “Total valuation and transaction adjustments” in the previous fiscal year is now presented as “Total accumulated other comprehensive income”.
4. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Statements of Cash Flows

For the years ended March 31, 2010 and 2011

March 31, 2010

March 31, 2011

1. Reconciliation of balance sheet items to cash and cash equivalents outstanding

	(Yen in millions)
Cash, deposits and savings	¥ 297,098
Call loans	33,700
Receivables under resale agreements	15,998
Monetary claims bought	108,158
Money trust	10,592
Securities	4,363,277
Time deposit with an original maturity of more than three months	(58,176)
Monetary claims bought other than cash equivalents	(73,359)
Money trust other than cash equivalents	(9,092)
Securities other than cash equivalents	(4,327,130)
Cash and cash equivalents	¥ <u>361,067</u>

1. Reconciliation of balance sheet items to cash and cash equivalents outstanding

	(Yen in millions)
Cash, deposits and savings	¥ 306,669
Call loans	52,000
Receivables under resale agreements	11,998
Monetary claims bought	115,190
Money trust	9,676
Securities	4,089,812
Time deposit with an original maturity of more than three months	(73,694)
Monetary claims bought other than cash equivalents	(70,278)
Money trust other than cash equivalents	(8,976)
Securities other than cash equivalents	(4,060,350)
Cash and cash equivalents	¥ <u>372,047</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Statements of Cash Flows (Continued)

March 31, 2010March 31, 2011

2. Details of increases in assets and liabilities derived from comprehensive transfer of insurance contracts

The details of increases in assets and liabilities derived from the comprehensive transfer of insurance contracts from Sumi-Sei General Insurance Company to the Company are as follows:

	(Yen in millions)
Total assets	¥ 1,402
Total liabilities	30,759
(Underwriting funds	30,669)

The settlement amount of ¥27,479 million determined based on the difference (¥29,356 million) between the assets and liabilities after deducting the amount (¥1,876 million) corresponding to agency commissions relating to the transferred contracts is presented as "Increase in cash and cash equivalents relating to comprehensive transfer of insurance contracts".

2. Significant non-cash transaction

Assets and liabilities recorded on new finance lease transactions in the current year amounted to ¥465 million.

3. Significant non-cash transactions

- (1) The details of increases in assets and liabilities due to the acquisition of the non-life insurance business of Hong Leong Assurance Berhad in exchange for the transfer of common shares of MSIG (Malaysia) Berhad, the Company's consolidated subsidiary, are as follows:

	(Yen in millions)
Total assets	¥ 8,906
(Cash, deposits and savings	4,464)
(Investments in securities	3,075)
Goodwill	16,808
Total liabilities	8,906
(Underwriting funds	7,565)

Cash and cash equivalents included in total assets are presented as " Proceeds from acquisition of business ".

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Consolidated Statements of Cash Flows (Continued)

March 31, 2010March 31, 2011

- | | |
|--|---|
| <p>3. Cash flows from investing activities include cash flows from investments made as part of the insurance business.</p> | <p>(2) Asset retirement obligations newly recorded in the current year amounted to ¥5,186 million</p> <p>(3) Assets and liabilities recorded on new finance lease transactions in the current year amounted to ¥1,634 million.</p> <p>4. Cash flows from investing activities include cash flows from investments made as part of the insurance business.</p> |
|--|---|