MITSUI SUMITOMO INSURANCE COMPANY LIMITED - NEW ZEALAND BRANCH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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 2014.

Information regarding the corporate governance policies, practices and processes of Mitsui Sumitomo Insurance Company Limited is available from www.ms-ad-hd.com/en/company/governance/corporate.html#relation.

Statement of Comprehensive Income

For the year ended 31 March 2014

	Notes	2014 $	2013 $
Gross earned premium	1	10,710,500	10,474,705
Reinsurance expense	2	(3,177,869)	(3,178,032)
Net Premium Revenue		**7,532,631**	**7,296,673**
Claims Expense	4	**(12,768,919)**	**(19,996,662)**
Reinsurance and Other Recoveries	1,4	**18,053,368**	**12,668,712**
Net Claims Expense		**5,284,449**	**(7,327,950)**
Commissions		(393,309)	(348,374)
Reinsurance commission income	1	397,821	416,567
Net Acquisition Costs		**4,512**	**68,193**
Underwriting Result		**12,821,592**	**36,916**
Operating Expenses	3	**(1,344,786)**	**(1,431,414)**
Investment income	1	1,618,804	2,834,157
Sundry income	1	2,077	10,883
Net Profit Before Tax		**13,097,687**	**1,450,542**
Taxation expense	5	-	-
Net Profit for the Period		**13,097,687**	**1,450,542**
Other comprehensive income for the period		-	-
Total Comprehensive Income for the Period		**13,097,687**	**1,450,542**

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

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Statement of Movement in Head Office Account

For the year ended 31 March 2014

	2014 $	2013 $
Opening Head Office Balance	3,001,541	1,550,999
Net Profit for the Period	13,097,687	1,450,542
Total Comprehensive Income for the Period	**13,097,687**	**1,450,542**
Funding from Head Office	17,955,629	-
Closing Head Office Balance	34,054,857	3,001,541

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

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Mitsui Sumitomo Insurance Company Limited - New Zealand Branch
Statement of Financial Position
As at 31 March 2014

	Notes	31 March 2014	31 March 2013
		$	$
Assets			
Cash and Cash Equivalents		61,743,069	87,097,252
Investment in Government Stock	6	513,386	535,279
Premium Receivables		1,893,341	2,493,486
Taxation Receivable		-	197
Other Current Assets	7	1,245,083	1,091,332
Reinsurance Receivable		378,843	200,047
Reinsurance Recoveries	8	42,670,039	42,597,925
Property, Plant and Equipment	9	36,653	47,643
Total Assets		**108,480,414**	**134,063,161**
Liabilities			
Accounts Payable	10	481,596	620,615
Reinsurance Payable		551,061	713,510
Other Current Liabilities	11	238,617	173,953
Unearned Premium Reserve	12	3,300,056	3,763,268
Outstanding Claims Liability	13	68,785,176	124,690,047
Due to Related Parties	17	1,069,051	1,100,227
Net Deferred Tax Liability	14	-	-
Total Liabilities		**74,425,557**	**131,061,620**
Net Assets		**34,054,857**	**3,001,541**
Head Office Account		**34,054,857**	**3,001,541**

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

For and on behalf of the Board of Directors

Director	Director
28 JUL 2014	28 JUL 2014
Date	Date

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Statement of Cash Flows

For the year ended 31 March 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Premiums received		10,847,433	10,871,016
Reinsurance and other recoveries received		17,802,458	453,117
Interest received		1,584,601	2,898,982
Claims paid		(68,673,790)	(28,164,943)
Reinsurance premiums paid		(3,168,120)	(2,924,328)
Net acquisition costs received		11,677	22,190
Income tax received		-	56,345
Operating expenses paid		(1,713,214)	(484,069)
Net cash used in operating activities	19	**(43,308,955)**	**(17,271,690)**
Cash flows from investing activities			
Payments for purchases of plant & equipment		(857)	(49,886)
Proceeds from sale of plant and equipment		-	5,217
Net cash used in investing activities		**(857)**	**(44,669)**
Cash flows from financing activities			
Funding from Head Office		17,955,629	-
Net cash from financing activities		**17,955,629**	**-**
Net decrease in cash and cash equivalents		**(25,354,183)**	**(17,316,359)**
Cash and cash equivalents at the beginning of the financial year		87,097,252	104,413,611
Cash and cash equivalents at the end of the financial year		**61,743,069**	**87,097,252**

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

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Reporting Entity

The financial statements are for Mitsui Sumitomo Insurance Company Limited - New Zealand Branch ("the 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 Branch operates as a fire and general insurer and reinsurer within New Zealand.

Basis of Preparation

Statement of compliance

The financial statements have been prepared in accordance with New Zealand 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 for profit oriented entities. The Branch is a profit oriented entity. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Insurance (Prudential Supervision) Act 2010. They also comply with International Financial Reporting Standards (IFRS). The Branch is classified as an issuer for the purpose of the Financial Reporting Act 1993.

The financial statements of the Branch are for the year ended 31 March 2014. The financial statements were authorised for issue by the Directors on the 28th of July 2014.

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 23. These relate to the outstanding claims liability and reinsurance recoveries in Notes 13 and 8 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 the historical cost basis, as modified by certain exceptions noted in the financial statements, with the principal exception being the measurement of investments at fair value and the measurement of the outstanding claims liability and related reinsurance recoveries as set out below.

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.

Significant Accounting Policies

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.

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Significant Accounting Policies (continued)

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 date to assess whether there are any deficiencies in the unearned premium reserve due to expected future claims and claims costs. The amount of these expected future claims is estimated using the present value of future claims and expenses plus an additional risk margin to reflect the inherent uncertainty in those estimated cash flows. This is compared to the unearned premium reserve net of deferred acquisition costs. Any deficiency is recognised in profit or loss after first writing down any deferred acquisition costs. Any shortfall after having written down acquisition costs is then recognised in profit or loss with the corresponding amount recognised in the Statement of Financial Position 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 2014 (2013: Nil).

Reinsurance Receivables and Recoveries

Reinsurance receivables, being amounts recoverable on paid claims, and reinsurance recoveries on outstanding claims liabilities are recognised in revenue. Reinsurance recoveries are measured at the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability. 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 profit or loss.

Significant Accounting Policies (continued)

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 profit or loss 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 profit or loss. 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 Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated 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 date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in profit or loss.

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

A financial asset is recognised in the Statement of Financial Position when the Branch becomes a party to the contractual provisions of the instrument. Initial recognition is at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset except for financial assets at fair value through profit or loss which exclude transaction costs.

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Branch commits to buy or sell the asset. Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Branch has transferred substantially all risk and rewards of ownership.

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 profit or loss using the effective interest rate method.

The Branch also holds cash and cash equivalents which back general insurance liabilities.

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Significant Accounting Policies (continued)

Property, Plant and Equipment

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

Motor vehicles	21%
Office equipment	36-40%

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

Premium Receivables

Premium receivables are recognised in the Statement of Financial Position 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 or if events or circumstances indicate that the amount may not be recoverable.

Payables

These amounts represent liabilities for goods and services provided to the Branch prior to the end of the period, which are unpaid. Payables 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 asset's 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 profit or loss. 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 funding provided by the Head office together with accumulated retained earnings, repayable at the discretion of the Branch which is the amount retained for the purpose of financial soundness. As a Branch there are no externally imposed capital restrictions to which the Branch must adhere. Refer to Note 20 Solvency.

New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Branch, except for NZ IFRS 9 Financial Instruments, which is expected to become mandatory for the Branch's March 2019 financial statements and could change the classification and measurement of financial assets. The Branch does not plan to adopt this standard early and the extent of the impact has not been determined.

1 Total Revenue

	2014 $	2013 $
This comprises:		
Gross written premium	10,247,287	11,513,343
Change in unearned premium provision	463,213	(1,038,638)
Gross Earned Premium	**10,710,500**	**10,474,705**
Reinsurance commission income	397,821	416,567
Reinsurance and other recoveries	18,053,368	12,668,712
Reinsurance Income	**18,451,189**	**13,085,279**
Investment income	**1,618,804**	**2,834,157**
Profit on disposal of property, plant and equipment	-	5,217
Other income	2,077	5,666
Sundry income	**2,077**	**10,883**
Total Revenue	**30,782,570**	**26,405,024**

1(a) Premium Revenue

	2014 $	2013 $
Direct	10,645,471	10,418,065
Reinsurance	65,029	56,640
Total Gross Earned Premium	**10,710,500**	**10,474,705**

1(b) Investment Income

	2014 $	2013 $
Financial assets at fair value through profit or loss (designated upon initial recognition)		
Interest income	30,000	29,962
Change in fair value	(21,893)	(7,544)
Cash and cash equivalents interest income	1,610,697	2,811,739
Total Investment Income	**1,618,804**	**2,834,157**

2 Reinsurance Expense

	2014 $	2013 $
Outward reinsurance premium expense	(3,080,057)	(3,254,576)
Change in unearned reinsurance premium provision	(97,812)	76,544
	(3,177,869)	(3,178,032)

3 Operating Expenses

	2014 $	2013 $
Management fee	783,315	893,182
Fees paid to auditors:		
audit	103,344	100,501
tax	11,660	6,845
Depreciation	11,847	2,274
Employee benefits	151,865	140,049
Other expenses	282,755	288,563
Total operating expenses	**1,344,786**	**1,431,414**

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4 Claims Expense	**2014** $	**2013** $
Direct	12,768,919	19,996,168
Reinsurance	-	494
	12,768,919	**19,996,662**

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.

2014	**Current Year** $	**Prior Years** $	**Total** $
Gross claims incurred - undiscounted	1,547,586	11,175,031	12,722,617
Discount movement	(10,806)	57,108	46,302
Gross claims incurred - discounted	**1,536,780**	**11,232,139**	**12,768,919**
Reinsurance and other recoveries - undiscounted	(166,635)	(17,871,649)	(18,038,284)
Discount movement	2,612	(17,696)	(15,084)
Reinsurance and other recoveries - discounted	**(164,023)**	**(17,889,345)**	**(18,053,368)**
Net claims incurred	**1,372,757**	**(6,657,206)**	**(5,284,449)**

2013	**Current Year** $	**Prior Years** $	**Total** $
Gross claims incurred - undiscounted	3,069,302	16,948,518	20,017,820
Discount movement	(39,938)	18,780	(21,158)
Gross claims incurred - discounted	**3,029,364**	**16,967,298**	**19,996,662**
Reinsurance and other recoveries - undiscounted	(1,190,981)	(11,486,393)	(12,677,374)
Discount movement	16,052	(7,390)	8,662
Reinsurance and other recoveries - discounted	**(1,174,929)**	**(11,493,783)**	**(12,668,712)**
Net claims incurred	**1,854,435**	**5,473,515**	**7,327,950**

From a net perspective, the prior year's reassessment shown above relates predominantly to the reduction in risk margin relating to the earthquake claims. This is a direct result of the settling of a number of claims throughout the year. There were also some significant savings on other non earthquake large claims during the year, which were settled for less than the carried reserve.

The estimated cost for open earthquake claims continue to be reviewed, resulting in a significant increase in the gross incurred claims relating to prior years. The increase from a net perspective however was mitigated by reinsurance relating to the February 2011 event.

Included in reinsurance recoveries is a gain of $1,255,458 (2013: $6,722,893) in relation to the impact of the movement in the Japan/New Zealand exchange rate on the retention under the Mitsui global catastrophe reinsurance programme which is denominated in Japanese Yen.

Details of the uncertainties that exist in measuring gross incurred claims and reinsurance recoveries arising from the Canterbury earthquakes are explained in Note 13.

5 Taxation Expense	**2014** $	**2013** $
Current tax expense		
Current period	-	(110)
Adjustment for prior periods	-	110
Deferred tax expense		
Origination and reversal of timing differences	-	-
Total Income Tax Expense	-	-
Reconciliation of effective tax rate		
Profit before tax	13,097,687	1,450,542
Income tax at Branch tax rate 28% (2013: 28%)	3,667,352	406,152
Non deductible expenses	140	157
Tax adjustment on unrecognised losses	(3,667,492)	(406,419)
Prior period under provision	-	110
Total Income Tax Expense	-	-

6 Investment in Government Stock	**2014 $**	**2013 $**
Fixed income securities - New Zealand Government Stock	513,386	535,279

7 Other Current Assets	**2014 $**	**2013 $**
Accrued income	153,286	97,190
Deferred acquisition costs	264,589	281,476
Deferred reinsurance premium	531,383	629,195
Prepaid expenses	45,743	83,471
GST receivable	250,082	-
	1,245,083	**1,091,332**

7(a) Deferred acquisition costs		
Deferred acquisition costs at 1 April	281,476	208,390
Acquisition costs deferred	376,422	421,460
Amortisation charged to the profit or loss	(393,309)	(348,374)
Deferred acquisition costs at 31 March	**264,589**	**281,476**

7(b) Deferred reinsurance premium		
Deferred reinsurance premium at 1 April	629,195	552,651
Reinsurance premium deferred	3,080,057	3,254,576
Reinsurance premium charged to the profit or loss	(3,177,869)	(3,178,032)
Deferred reinsurance premium at 31 March	**531,383**	**629,195**

8 Reinsurance Recoveries	**2014 $**	**2013 $**
Reinsurance recoveries arising from claims	**42,670,039**	**42,597,925**
Reinsurance and other recoveries receivable at 1 April	42,597,925	30,423,296
Recoveries on claims reassessed	17,889,345	11,493,783
Recoveries received	(17,981,254)	(494,083)
Recoveries on new claims	164,023	1,174,929
Reinsurance and other recoveries receivable at 31 March	**42,670,039**	**42,597,925**

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 still considerable uncertainties that exist surrounding the measurement of reinsurance recoveries as a result of the uncertainties surrounding the measurement of the related outstanding claims liabilities resulting from the Canterbury earthquakes. These uncertainties are discussed in Note 13.

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9 Property, Plant and Equipment

Cost	Motor vehicles $	Office equipment $	Total $
Balance at 1 April 2012	32,589	35,453	68,042
Additions	41,189	8,697	49,886
Disposals	(32,589)	(4,992)	(37,581)
Balance at 31 March 2013	41,189	39,158	80,347
Additions	-	857	857
Balance at 31 March 2014	**41,189**	**40,015**	**81,204**
Accumulated depreciation			
Balance at 1 April 2012	32,589	35,422	68,011
Charge for the year	1,373	901	2,274
Accumulated depreciation on assets sold	(32,589)	(4,992)	(37,581)
Balance at 31 March 2013	1,373	31,331	32,704
Charge for the year	7,997	3,850	11,847
Balance at 31 March 2014	**9,370**	**35,181**	**44,551**
Carrying amounts			
At 31 March 2013	39,816	7,827	47,643
At 31 March 2014	**31,819**	**4,834**	**36,653**

10 Accounts Payable

	2014 $	2013 $
Trade creditors and accruals	364,150	490,308
Government levies	117,446	47,115
GST payable	-	83,192
	481,596	**620,615**

11 Other Current Liabilities

	2014 $	2013 $
Unearned reinsurance commission	85,033	94,755
Non-resident withholding tax	153,584	79,198
	238,617	**173,953**

11(a) Unearned reinsurance commission

Unearned reinsurance commission at 1 April	94,755	67,672
Reinsurance commission deferred	388,099	443,650
Reinsurance commission recognised in profit or loss	(397,821)	(416,567)
Unearned reinsurance commission at 31 March	**85,033**	**94,755**

12 Unearned Premium Reserve

	2014 $	2013 $
Unearned premium liability	**3,300,056**	**3,763,268**
Unearned premium liability at 1 April	3,763,268	2,724,631
Deferral of premium on contracts written at year end	3,300,056	3,763,268
Prior year premium earned	(3,763,268)	(2,724,631)
Unearned premium liability at 31 March	**3,300,056**	**3,763,268**

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12 Unearned Premium Reserve (continued)

Liability adequacy test

A liability adequacy test ("LAT") was performed as at 31 March 2014 and 31 March 2013. Both tests identified a surplus the calculations for which are disclosed below:

	2014	2013
	$	$
Gross unearned premium	3,300,056	3,763,268
Deferred reinsurance premium	(531,383)	(629,195)
Deferred acquisition expenses	(264,589)	(281,476)
Premium available to meet expected claims cost	2,504,084	2,852,597
Net premium liability (including 75% probability of adequacy risk margin)	1,207,697	2,195,265
LAT result	Pass	Pass

The risk margin included in the Branch's expected future cash flows for future claims is 28% (2013: 14%). 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 risk margins adopted at this valuation are based on a review of the most recent experience.

13 Outstanding Claims Liability

	2014	2013
	$	$
13(a) Gross outstanding claims liability		
Central estimate of outstanding claims liabilities	64,083,427	114,115,825
Discount to present value	(23,364)	(60,812)
Risk margin	4,638,508	10,355,779
Claims handling expense	86,605	279,255
	68,785,176	**124,690,047**

There remains uncertainty surrounding the measurement of gross claims liabilities and the related reinsurance recoveries arising from the Canterbury earthquakes. The uncertainty arises from a number of factors including; a lack of historical data; longer than normal claims development periods; the number of aftershocks; complexities associated with determining key actuarial assumptions including the selection of a risk margin, discount rates and inflationary assumptions; and uncertainty surrounding the outcome of legal proceedings and applicable building standards. These uncertainties existed during the prior period and are likely to remain for the foreseeable future. However as the Canterbury earthquakes are settled the magnitude of this uncertainty decreases.

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 2014. Any changes to estimates will be recorded in the accounting period when they become known.

13(b) Claims development table

The following table shows the development of net undiscounted outstanding claims relative to the ultimate expected claims for the four most recent accident years.

Ultimate claims cost estimate	2009	2010	2011	2012	2013	2014	Total
	$	$	$	$	$	$	$
At end of accident year	-	-	130,285,081	8,353,454	2,613,262	1,427,174	**1,427,174**
One year later	-	823,291	140,506,924	8,631,171	1,862,865		**1,862,865**
Two years later	1,038,768	825,958	150,311,131	7,751,977			**7,751,977**
Three years later	1,038,231	827,912	169,156,948				**169,156,948**
Four years later	1,038,231	827,912					**827,912**
Five years later	1,038,231						**1,038,231**
Total current estimate of ultimate claims costs	**1,038,231**	**827,912**	**169,156,948**	**7,751,977**	**1,862,865**	**1,427,174**	**182,065,107**
Cumulative payments	1,038,206	735,914	111,721,950	2,258,165	1,258,468	968,977	117,981,680
Undiscounted central estimate	**25**	**91,998**	**57,434,998**	**5,493,812**	**604,397**	**458,197**	**64,083,427**
Discount	-	297	-	3,354	11,077	8,636	23,364
Discounted central estimate	**25**	**91,701**	**57,434,998**	**5,490,458**	**593,320**	**449,561**	**64,060,063**
Claims handling expense							86,605
Risk margin							4,638,508
Gross outstanding claims liability							**68,785,176**
Reinsurance recoveries on outstanding claims liability							**(42,670,039)**
Net outstanding claims liability							**26,115,137**

13 Outstanding Claims Liability (continued)

13(c) Reconciliation of movement in outstanding claims

	2014 $	2013 $
Outstanding claims liability at 1 April	124,690,047	132,858,328
Claims reassessed	11,232,139	16,967,298
Claims paid	(68,673,790)	(28,164,943)
New claims	1,536,780	3,029,364
Outstanding claims liability at 31 March	**68,785,176**	**124,690,047**

14 Deferred Tax

Deferred tax assets and liabilities are attributable to the following:

2014	Assets $	Liabilities $	Total $
Tax losses	74,085	-	74,085
Other items	-	(74,085)	(74,085)
Total	**74,085**	**(74,085)**	**-**

2013	Assets $	Liabilities $	Total $
Tax losses	78,813	-	78,813
Other items	-	(78,813)	(78,813)
Total	**78,813**	**(78,813)**	**-**

At 31 March 2014 the Branch has unused tax losses of $91,692,002 (2013: $104,790,191) for which no deferred tax asset is recognised.

15 Contingent Liabilities

The Branch has no contingent liabilities at balance date (2013: Nil).

16 Commitments

The Branch has no commitments for expenditure at balance date (2013: 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.

Transactions with Head Office:	2014 $	2013 $
Reinsurance premiums	696,478	692,314
Reinsurance recoveries	(17,611,971)	(237,498)
Reinsurance commission earned	(137,347)	(179,016)
Other expense paid/ recharged	(22,707)	(9,922)
Funding from Head Office	(17,955,629)	-
	(35,031,176)	**265,878**

The Branch is covered by the Mitsui global catastrophe reinsurance programme. This global cover is purchased by the Head Office and the premium is not expensed to the Branch.

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17 Related Party Information (continued)

	2014	2013
Outstanding balance with Head Office:	$	$
Due to related parties	1,069,051	1,100,227

Aioi Management New Zealand Ltd ("Aioi"), a related entity, provides motor vehicle claims handling services on behalf of the Branch.

	2014	2013
Transactions with Aioi:	$	$
Management fees paid	37,000	33,500
Outstanding balance with Aioi:		
Other current assets	45,743	83,471

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

Key Management Personnel ("KMP") are those persons who have authority and responsibility for planning, directing and controlling the activities of the Company. The remuneration for such KMP is set out in the table below:

	2014	2013
	$	$
Short-term employee benefits	146,489	133,469

18 Credit Rating

Mitsui Sumitomo Insurance Company Limited has received an A+ (2013: A+) credit rating from Standard and Poor's. The credit rating is an indication of the ability to pay current and future claims.

19 Reconciliation of the net profit for the period to the net cash flows from operating activities

	2014	2013
	$	$
Net profit for the period	13,097,687	1,450,542
Movement in financial assets at fair value through profit or loss	21,893	7,544
Profit on disposal of plant and equipment	-	(5,217)
Depreciation	11,847	2,274
Change in operating assets and liabilities		
Decrease/(increase) in premium receivables	600,145	(642,326)
Decrease in taxation receivable	197	56,345
Increase in reinsurance receivables	(178,796)	(40,966)
Increase in reinsurance recoveries	(72,114)	(12,174,629)
(Increase)/decrease in other current assets	(153,751)	404,795
(Decrease)/increase in accounts payable	(139,019)	176,383
(Decrease)/increase in reinsurance payable	(162,449)	367,328
Increase/(decrease) in other current liabilities	64,664	(9,997)
Decrease in outstanding claims liability	(55,904,871)	(8,168,281)
(Decrease)/increase in unearned premium reserve	(463,212)	1,038,637
(Decrease)/increase in amounts due to related parties	(31,176)	265,878
Net cash flow from operating activities	**(43,308,955)**	**(17,271,690)**

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20 Solvency

On 25 March 2013 the Branch was granted a full licence under the Insurance (Prudential Supervision) Act 2010 ('the Act"). As the Branch is a branch of an overseas insurer it is exempt under the Act from complying with the Solvency Standard for Non-life Insurance Business subject to the condition that the Company meets the equivalent Japanese non-Life solvency standard. The table below discloses the solvency margin for Mitsui Sumitomo Insurance Company Limited which includes the Branch, as disclosed in the MS and AD Insurance Group Holdings, Inc 2013 Annual Report and the 31 March 2014 Supplement to the Earnings Report available from www.ms-ad-hd.com, as calculated under the Japanese regulations. The 2013 Annual Report states that a solvency margin ratio of 200% or higher indicates that an insurance company has sufficient capability to pay insurance claims and other obligations.

	2014 Yen in millions (Unaudited)	2013 Yen in millions (Unaudited)
Solvency Margin Total Amount	2,120,694	1,958,579
Risk Amount	706,497	673,800
Solvency Margin Ratio	600.3%	581.3%

21 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 and the requirements of the Insurance (Prudential Supervision) Act 2010. 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 is 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.

The Branch has a concentration of credit risk with ANZ Bank New Zealand Limited and ASB Bank Limited of $46,671,557 and $15,071,512 respectively (2013: $38,186,051 and $48,911,201 respectively) representing all cash and cash equivalents held. The Branch's reinsurance recoveries are spread over a number of counterparties and relate predominantly to the Canterbury earthquakes. The largest concentration with a single reinsurer is for $9,560,442 (2013: $9,202,475).

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				
	AA	A	BBB	Not Rated	Total
2014	$	$	$	$	$
Cash and Cash Equivalents	61,743,069	-	-	-	61,743,069
Investment in Government Stock	513,386	-	-	-	513,386
Premium Receivables	-	-	-	1,893,341	1,893,341
Other Current Assets - Accrued Income	153,286	-	-	-	153,286
Reinsurance Receivable	-	378,843	-	-	378,843
Reinsurance Recoveries	10,725,687	31,636,022	-	308,330	42,670,039
Total	**73,135,428**	**32,014,865**	**-**	**2,201,671**	**107,351,964**

	Credit Rating				
	AA	A	BBB	Not Rated	Total
2013	$	$	$	$	$
Cash and Cash Equivalents	87,097,252	-	-	-	87,097,252
Investment in Government Stock	535,279	-	-	-	535,279
Premium Receivables	-	-	-	2,493,486	2,493,486
Other Current Assets - Accrued Income	97,190	-	-	-	97,190
Reinsurance Receivable	-	200,047	-	-	200,047
Reinsurance Recoveries	10,362,638	30,070,208	1,501,586	663,493	42,597,925
Total	**98,092,359**	**30,270,255**	**1,501,586**	**3,156,979**	**133,021,179**

As at 31 March 2014 there are no assets that are past due or impaired (2013: Nil).

21 Financial Risk Management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Branch is unable to convert its financial assets into cash to pay for its financial obligations when they fall due. The Branch has processes in place to monitor and forecast its 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 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.

	Maturing in:				
	0 - 1 Year	1 - 2 Years	2 - 4 Years	No Term	Total
2014	$	$	$	$	$
Financial Liabilities					
Reinsurance Payable	551,061	-	-	-	551,061
Outstanding claims liability	4,775,318	63,995,247	14,611	-	68,785,176
Due to Related Parties	-	-	-	1,069,051	1,069,051
Trade creditors and accruals	364,150	-	-	-	364,150
Total	**5,690,529**	**63,995,247**	**14,611**	**1,069,051**	**70,769,438**

	Maturing in:				
	0 - 1 Year	1 - 2 Years	2 - 4 Years	No Term	Total
2013	$	$	$	$	$
Financial Liabilities					
Reinsurance Payable	713,510	-	-	-	713,510
Outstanding claims liability	3,947,983	120,662,102	79,962	-	124,690,047
Due to Related Parties	-	-	-	1,100,227	1,100,227
Trade creditors and accruals	490,308	-	-	-	490,308
Total	**5,151,801**	**120,662,102**	**79,962**	**1,100,227**	**126,994,092**

(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 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 $63,914 (2013: $486,416), and a corresponding decrease in reinsurance recoverable at 31 March 2014.

(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 their fair value as interest rates move. Financial assets with floating interest rates create exposure in respect of uncertainty in cash flows as interest rates move due to re-pricing.

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21 Financial Risk Management (continued)

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

Cash flow Sensitivity Analysis for Floating Rate Instruments

		Interest Rate Risk	
		-1%	+1%
	Carrying Amount	Profit/Equity	Profit/Equity
2014	$	$	$
Financial Assets			
Cash and Cash Equivalents	61,743,069	(617,431)	617,431

		Interest Rate Risk	
		-1%	+1%
	Carrying Amount	Profit/Equity	Profit/Equity
2013	$	$	$
Financial Assets			
Cash and Cash Equivalents	87,097,252	(870,973)	870,973

Fair Value Sensitivity Analysis for Fixed Rate Instruments

		Interest Rate Risk	
		-1%	+1%
	Carrying Amount	Profit/Equity	Profit/Equity
2014	$	$	$
Financial Assets			
Investment in Government Stock	513,386	5,218	(5,140)

		Interest Rate Risk	
		-1%	+1%
	Carrying Amount	Profit/Equity	Profit/Equity
2013	$	$	$
Financial Assets			
Investment in Government Stock	535,279	10,470	(10,214)

Analysis of Financial Assets/Liabilities

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

2014	Total $	Loans and Receivables $	Fair Value through Profit and Loss $
Financial Assets			
Cash and Cash Equivalents	61,743,069	61,743,069	-
Investment in Government Stock	513,386	-	513,386
Premium Receivables	1,893,341	1,893,341	-
Other Current Assets - Accrued Income	153,286	153,286	-
Reinsurance Receivable	378,843	378,843	-
Total	**64,681,925**	**64,168,539**	**513,386**

	Total $	Fair Value through Profit and Loss $	Financial Liabilities at amortised cost $
Financial Liabilities			
Accounts Payable - Trade Creditors and Accruals	364,150	-	364,150
Reinsurance Payable	551,061	-	551,061
Due to Related Parties	1,069,051	-	1,069,051
Total	**1,984,262**	**-**	**1,984,262**

21 Financial Risk Management (continued)

2013	Total $	Loans and Receivables $	Fair Value through Profit and Loss $
Financial Assets			
Cash and Cash Equivalents	87,097,252	87,097,252	-
Investment in Government Stock	535,279	-	535,279
Premium Receivables	2,493,486	2,493,486	-
Other Current Assets - Accrued Income	97,190	97,190	-
Reinsurance Receivable	200,047	200,047	-
Total	**90,423,254**	**89,887,975**	**535,279**

	Total $	Fair Value through Profit and Loss $	Financial Liabilities at amortised cost $
Financial Liabilities			
Accounts Payable - Trade Creditors and Accruals	490,308	-	490,308
Reinsurance Payable	713,510	-	713,510
Due to Related Parties	1,100,227	-	1,100,227
Total	**2,304,045**	**-**	**2,304,045**

Fair Value of Financial Instruments

Fair values of financial assets carried at fair value 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 (2013: 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.

22 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.

There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

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.

22 Insurance Risk (continued)

(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

23 Actuarial Assumptions and Methods

(a) Incurred claim settlement patterns

The outstanding claims liability for non-Canterbury earthquake claims has been determined using either the incurred chain ladder or the Bornhuetter-Fergusson (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, an individual claims assessment methodology was employed.

Overall, the average weighted term to settlement of claims (of all types, net of reinsurance) is approximately 22 months (2013: 22 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.

In respect of Non-Canterbury earthquake claims, the short settlement period means the effect of discounting expected future payments is limited. These estimates have been discounted to allow for the time value of money at a rate of 3.2% per annum (2013: 2.5%).

Canterbury earthquake claims have not been discounted for the time value of money due to the uncertainties in settlement.

(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 21(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 and claim handling expenses are based on an analysis of recent experience.

(e) Risk margin

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 9.0% (2013: 9.1%). This is largely driven by the risk margin assumptions relating to the Canterbury earthquake claims.

The non-earthquake risk margins for both outstanding claims and liability adequacy testing have been reviewed as part of the 2013 valuation and are based on stochastic modelling techniques. They 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 earthquake risk margins are comprised of two components; a claim by claim assessment for events that are below the catastrophe retention, and an allowance for exchange rate movements associated with the February 2011 event. These exclude any allowance for diversification. 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% (2013: 75%).

23 Actuarial Assumptions and Methods (continued)

(f) Impact of changes in assumptions

The table below illustrates how changes in key assumptions would impact on reported profit and net outstanding claims liabilities of the Branch.

Variable	Movement in variable	2014	2013
Discount Rate %	+1%	(3,688)	(13,477)
	-1%	3,759	13,751
IBNR Tail Strengthening	+1% p.a. for 4 quarters	108,237	137,256
Risk Margin %	+1%	214,766	717,364
	-1%	(214,766)	(717,364)

(g) Actuarial information

John Smeed (Actuary, Finity) is the actuary who 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 2014.

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 2014 are outlined in the note listed above.

The actuary has no financial interest in the Branch.

24 Events Occurring After Reporting Date

There are no matters past balance date that has significantly affected, or may significantly affect the Branch's operations, the results of these operations for the year ended 31 March 2014 or the Branch's financial position as at 31 March 2014.

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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 3 to 23. The financial statements comprise the statement of financial position as at 31 March 2014, the statements of comprehensive income, movement in head office account and cash flows 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 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 auditor of the Branch. The firm has no other relationship with, or interest in, the Branch.

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Opinion

In our opinion the financial statements on pages 3 to 23:

- 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 2014 and of its financial performance and cash flows for the year then ended.

Emphasis of matter

We draw attention to Notes 4 and 13 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 preceding years. 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.

KPMG

29 July 2014
Auckland

22 September 2014

The Directors
Mitsui Sumitomo Insurance Company Limited
C/- Nancy George
Auckland
New Zealand

Dear Directors

Review of Actuarial Information contained in Financial Statements as at 31 March 2014

Finity Consulting Pty Limited (Finity) has been asked by Mitsui Sumitomo Insurance Company Limited, New Zealand Branch (Mitsui NZ) to carry out a review of the 31 March 2014 actuarial information contained in the financial statements and provide an opinion as to its appropriateness. John Smeed is an employee of Finity and is the Appointed Actuary to Mitsui NZ. Finity has no relationship with Mitsui NZ apart from the Appointed Actuary role.

Actuarial Information

Mitsui NZ's policy is to seek and adopt the advice of the Appointed Actuary in respect of the actuarial information contained in its financial statements. We confirm that the financial statements as at 31 March 2014 have been prepared in accordance with this policy, and as such this satisfies the requirements of the Act.

Having carried out our actuarial review nothing has come to our attention that would lead us to believe that the actuarial information contained in the financial statements for Mitsui NZ as at 31 March 2014 is inappropriate.

Exemption from solvency standard

Mitsui NZ has been granted a Section 59 exemption under the Insurance (Prudential Supervision) Act 2010 Act, which applies to overseas insurers of approved jurisdictions. This provides an exemption from compliance with the New Zealand Solvency Standard for Non-life Insurance Business. Under this exemption, the Reserve Bank of New Zealand considers the solvency of Mitsui NZ based on the solvency ratio of Mitsui Sumitomo Insurance Company Limited under the Japanese Financial Services Agency ("FSA") requirements. Mitsui's solvency margin, calculated under FSA requirements, comfortably exceed the Japanese regulatory minimum. I have not reviewed these calculations but have relied on the work undertaken by the Japanese parent company. I also note that they are provided to the FSA in Japan.

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This review is being provided for the sole use of Mitsui NZ for the purpose stated above. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on for the purpose for which it is intended.

Yours sincerely

John Smeed
Appointed Actuary

Anita Samu

Fellows of the New Zealand Society of Actuaries

23 September 2014

The Directors
Mitsui Sumitomo Insurance Company Limited
C/- Nancy George
Auckland
New Zealand

Dear Directors

Review of Actuarial Information contained in Financial Statements as at 31 March 2014 - Mitsui Sumitomo Insurance Company Limited

Finity Consulting Pty Limited (Finity) has been asked by Mitsui Sumitomo Insurance Company Limited, New Zealand Branch (Mitsui NZ) to carry out a review of, and report on, actuarial information contained in the financial statements of Mitsui Sumitomo Insurance Company Limited (MSI) as at 31 March 2014, as required under sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010.

This report has been prepared by John Smeed, an employee of Finity and the Appointed Actuary to Mitsui NZ. Finity has no relationship with Mitsui NZ or MSI apart from the Appointed Actuary role in New Zealand.

Actuarial Information

Mitsui NZ has been granted exemption under Section 59 of the Insurance (Prudential Supervision) Act 2010, which applies to overseas insurers of approved jurisdictions. In accordance with this, we have relied upon the work undertaken by members of MSI staff in Japan in the preparation and review of the actuarial information contained in MSI's financial statements.

We have sought and been provided with appropriate assurances by MSI management that the actuarial information has been prepared in accordance with accepted principles and methods.

This review is being provided for the sole use of Mitsui NZ for the purpose stated above in order to comply with the requirements of section 77 and 78 of the Act. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on for the purpose for which it is intended.

Yours sincerely

J Smeed.

John Smeed
Appointed Actuary

Anita Samu.

Anita Samu

Fellows of the New Zealand Society of Actuaries

Tue 23 September 2014 5:01 PM

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MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Financial Statements - March 31, 2013 and 2014

(With Independent Auditor's Report Thereon)

Yuji Ito
Director, Managing Executive Officer
Mitsui Sumitomo Insurance Company, Limited

23 JUN 2014

Masahiro Matsumoto
Director, Managing Executive Officer
Mitsui Sumitomo Insurance Company, Limited

23 JUN 2014

Independent Auditor's Report

To the Board of Directors of Mitsui Sumitomo Insurance Company, Limited:

We have audited the accompanying financial statements of Mitsui Sumitomo Insurance Company, Limited, which comprise the balance sheets as at March 31, 2013 and 2014, and the statements of income and statements of changes in net assets for the years then ended, and the related notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mitsui Sumitomo Insurance Company, Limited as at March 31, 2013 and 2014, and their financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Significant Items for Presenting Financial Statements in the notes to the financial statements which describes early adoption of the "Accounting Standard for Retirement Benefits" and the "Guidance on Accounting Standard for

Retirement Benefits" from the year ended March 31, 2014.

KPMG AZSA LLC

June 23, 2014
Tokyo, Japan

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets

As of March 31, 2013 and 2014

Assets

		2013	2014
		(Yen in millions)	
Assets			
Cash, deposits and savings:			
Cash on hand	¥	193	174
Deposits in banks		188,693	188,554
Total cash, deposits and savings		188,886	188,728
Call loans		69,000	50,000
Receivables under resale agreements		48,545	23,997
Monetary claims bought		83,966	65,781
Money trusts		9,978	10,371
Investments in securities:			
Government bonds		928,961	1,188,375
Municipal bonds		110,703	97,187
Corporate bonds		675,448	587,928
Stock		1,640,679	1,809,709
Foreign securities		738,873	803,384
Other securities		23,252	16,034
Total investments in securities		4,117,917	4,502,619
Loans:			
Policy loans		10,740	9,834
General loans		565,291	528,389
Total loans		576,032	538,224
Tangible fixed assets:			
Land		88,895	87,736
Buildings		134,195	136,237
Construction in progress		5,319	2,528
Other tangible fixed assets		13,506	12,436
Total tangible fixed assets		241,916	238,938
Intangible fixed assets:			
Software		8,069	37,594
Other intangible fixed assets		35,247	2,507
Total intangible fixed assets		43,316	40,101

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

		2013	2014
		(Yen in millions)	
Other assets:			
Premiums receivable	¥	3,551	4,032
Due from agencies		103,303	105,621
Co-insurance accounts receivable		8,733	9,161
Reinsurance accounts receivable		67,342	57,037
Foreign reinsurance accounts receivable		153,664	91,483
Agency business accounts receivable		232	213
Other receivables		25,544	28,363
Accrued income		6,408	6,180
Guarantee deposits		18,119	12,414
Deposits with the Japan Earthquake Reinsurance Company		9,236	9,932
Suspense payments		39,544	39,659
Variation margins of futures markets		-	0
Derivative financial instruments		50,360	41,154
Other assets		1,488	1,329
Total other assets		487,529	406,584
Customers' liabilities under acceptances and guarantees		39,825	49,094
Bad debt reserve		(5,500)	(16,423)
Total assets	¥	5,901,413	6,098,017

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

		2013	2014
		(Yen in millions)	
Liabilities and Net Assets			
Liabilities			
Policy liabilities:			
Outstanding claims	¥	643,869	652,310
Underwriting reserves		3,337,789	3,293,219
Total policy liabilities		3,981,659	3,945,530
Bonds issued		241,176	176,185
Other liabilities:			
Co-insurance accounts payable		11,690	11,925
Reinsurance accounts payable		50,603	54,777
Foreign reinsurance accounts payable		23,274	27,092
Agency business accounts payable		24	34
Borrowings		50,000	100,000
Income taxes payable		4,652	4,890
Deposits received		20,314	16,166
Unearned income		108	103
Other payables		36,686	25,853
Suspense receipts		19,591	23,096
Derivative financial instruments		13,692	9,119
Cash collateral received under derivative transactions		60,839	62,061
Lease obligations		2,064	1,706
Asset retirement obligations		5,128	4,634
Other liabilities		1	2,858
Total other liabilities		298,674	344,318
Reserve for pension and retirement benefits		87,390	139,895
Reserve for retirement benefits for officers		1,257	1,070
Accrued bonuses for employees		10,588	11,249
Reserves under the special laws:			
Reserve for price fluctuation		5,151	19,731
Total reserves under the special laws		5,151	19,731
Deferred tax liabilities		43,610	101,331
Acceptances and guarantees		39,825	49,094
Total liabilities		4,709,334	4,788,409

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

		2013	2014
		(Yen in millions)	
Net Assets			
Shareholders' equity:			
Common stock	¥	139,595	139,595
Capital surplus:			
Additional paid-in capital		93,107	93,107
Total capital surplus		93,107	93,107
Retained earnings:			
Legal earned reserve		46,487	46,487
Other retained earnings:			
Tax-exempted reserve for accelerated depreciation		15,660	15,385
Retained earnings brought forward		182,416	178,484
Total other retained earnings		198,077	193,869
Total retained earnings		244,565	240,357
Total shareholders' equity		477,268	473,061
Valuation and translation adjustments:			
Net unrealized gains/(losses) on investments in securities		688,381	813,116
Net deferred gains/(losses) on hedges		26,428	23,430
Total valuation and translation adjustments		714,810	836,547
Total net assets		1,192,079	1,309,608
Total liabilities and net assets	¥	5,901,413	6,098,017

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statements of Income

For the years ended March 31, 2013 and 2014

		2013	2014
		(Yen in millions)	
Ordinary income and expenses			
Ordinary income:			
Underwriting income:			
Net premiums written	¥	1,313,831	1,386,533
Deposit premiums from policyholders		119,925	113,037
Investment income on deposit premiums from policyholders		44,061	41,343
Reversal of outstanding claims		54,330	-
Reversal of underwriting reserves		116,824	44,570
Foreign exchange gains		12,253	971
Other underwriting income		60	107
Total underwriting income		1,661,287	1,586,564
Investment income:			
Interest and dividends income		101,814	112,260
Investment gains on money trusts		290	295
Gains on sales of securities		56,176	55,999
Gains on redemption of securities		1,184	1,778
Gains on derivative transactions		6,894	9,829
Foreign exchange gains		4,627	1,460
Other investment income		872	1,352
Transfer of investment income on deposit premiums from policyholders		(44,061)	(41,343)
Total investment income		127,798	141,633
Other ordinary income		3,798	3,176
Total ordinary income		1,792,884	1,731,374
Ordinary expenses:			
Underwriting expenses:			
Net claims paid		887,436	823,665
Loss adjustment expenses		76,390	77,425
Commissions and collection expenses		228,670	239,034
Maturity refunds to policyholders		280,598	238,511
Dividends to policyholders		839	594
Provision for outstanding claims		-	8,441
Other underwriting expenses		500	493
Total underwriting expenses		1,474,436	1,388,165
Investment expenses:			
Investment losses on money trusts		48	-
Losses on sales of securities		2,988	1,188
Impairment losses on securities		28,382	3,391
Losses on redemption of securities		879	714
Other investment expenses		5,951	3,120
Total investment expenses		38,250	8,415

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statements of Income (Continued)

		2013	2014
		(Yen in millions)	
Operating expenses and general and administrative expenses	¥	206,538	214,537
Other ordinary expenses:			
Interest expense		7,128	7,003
Provision for bad debts		263	11,018
Losses on bad debts		1	2
Other ordinary expenses		899	234
Total other ordinary expenses		8,293	18,258
Total ordinary expenses		1,727,518	1,629,375
Ordinary profit/(loss)		65,366	101,998
Extraordinary income and losses			
Extraordinary income:			
Gains on sales of fixed assets		1,891	4,162
Total extraordinary income		1,891	4,162
Extraordinary losses:			
Losses on sales of fixed assets		1,337	2,611
Impairment losses on fixed assets		355	240
Provision for reserves under the special laws:			
Provision for reserve for price fluctuation		2,511	14,580
Total provision for reserves under the special laws		2,511	14,580
Other extraordinary losses		-	4,182
Total extraordinary losses		4,204	21,615
Income/(loss) before income taxes		63,053	84,545
Income taxes-current		1,714	2,512
Income taxes-deferred		18,681	23,985
Total income taxes		20,395	26,497
Net income/(loss)	¥	42,657	58,047

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statements of Changes in Net Assets

For the years ended March 31, 2013 and 2014

2013

(Yen in millions)

	Shareholders' equity						
		Capital surplus	Retained earnings				
				Other retained earnings			
	Common stock	Additional paid-in capital	Legal earned reserve	Special reserve	Tax-exempted reserve for accelerated depreciation	Retained earnings brought forward	Total Shareholders' equity
Beginning balance	¥ 139,595	93,107	46,487	283,400	15,900	(121,482)	457,008
Cumulative effect of changing accounting policies							-
Beginning balance (adjusted)	139,595	93,107	46,487	283,400	15,900	(121,482)	457,008
Changes for the year							
Reversal of special reserve				(283,400)		283,400	-
Provision for tax-exempted reserve for accelerated depreciation							-
Reversal of tax-exempted reserve for accelerated depreciation					(239)	239	-
Dividends paid						(22,397)	(22,397)
Net income/(loss)						42,657	42,657
Net changes of items other than shareholders' equity							
Total changes for the year	-	-	-	(283,400)	(239)	303,899	20,259
Ending balance	¥ 139,595	93,107	46,487	-	15,660	182,416	477,268

	Valuation and translation adjustments		
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Total net assets
Beginning balance	¥ 459,287	16,384	932,680
Cumulative effect of changing accounting policies			-
Beginning balance (adjusted)	459,287	16,384	932,680
Changes for the year			
Reversal of special reserve			-
Provision for tax-exempted reserve for accelerated depreciation			-
Reversal of tax-exempted reserve for accelerated depreciation			-
Dividends paid			(22,397)
Net income/(loss)			42,657
Net changes of items other than shareholders' equity	229,094	10,044	239,138
Total changes for the year	229,094	10,044	259,398
Ending balance	¥ 688,381	26,428	1,192,079

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statements of Changes in Net Assets (Continued)

2014

(Yen in millions)

	Shareholders' equity						
		Capital surplus	Retained earnings				
				Other retained earnings			
	Common stock	Additional paid-in capital	Legal earned reserve	Special reserve	Tax-exempted reserve for accelerated depreciation	Retained earnings brought forward	Total Shareholders' equity
Beginning balance	¥ 139,595	93,107	46,487	-	15,660	182,416	477,268
Cumulative effect of changing accounting policies						(36,157)	(36,157)
Beginning balance (adjusted)	139,595	93,107	46,487	-	15,660	146,259	441,110
Changes for the year							
Reversal of special reserve							-
Provision for tax-exempted reserve for accelerated depreciation					8	(8)	-
Reversal of tax-exempted reserve for accelerated depreciation					(284)	284	-
Dividends paid						(26,097)	(26,097)
Net income/(loss)						58,047	58,047
Net changes of items other than shareholders' equity							
Total changes for the year	-	-	-	-	(275)	32,225	31,950
Ending balance	¥ 139,595	93,107	46,487	-	15,385	178,484	473,061

	Valuation and translation adjustments		
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Total net assets
Beginning balance	¥ 688,381	26,428	1,192,079
Cumulative effect of changing accounting policies			(36,157)
Beginning balance (adjusted)	688,381	26,428	1,155,921
Changes for the year			
Reversal of special reserve			-
Provision for tax-exempted reserve for accelerated depreciation			-
Reversal of tax-exempted reserve for accelerated depreciation			-
Dividends paid			(26,097)
Net income/(loss)			58,047
Net changes of items other than shareholders' equity	124,735	(2,998)	121,736
Total changes for the year	124,735	(2,998)	153,686
Ending balance	¥ 813,116	23,430	1,309,608

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Significant Items for Presenting Financial Statements

For the years ended March 31, 2013 and 2014

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 (hereinafter referred to as "the Company") prepared in accordance with the provisions set forth in the Corporate Accounting Regulations, the Enforcement Regulations of the Japanese Insurance Business Act and related rules, and regulations applicable to the non-life insurance industry in general, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying non-consolidated financial statements are expressed in Japanese yen. As permitted by the regulations under the Corporate Accounting Regulations, amounts are rounded down to the nearest million of Japanese yen, except for those stated otherwise. As a result, the totals shown in the accompanying non-consolidated financial statements in Japanese yen do not necessarily agree with the sums of the individual amounts.

2. Accounting policies

(1) Valuation policies and methods of securities (including those included in Cash, deposits and savings, and Monetary claims bought, as set forth in the Enforcement Regulations of the Japanese Insurance Business Act) and money trusts

(i) Investments in subsidiaries and affiliated companies are valued at cost determined by the moving average method.

(ii) Available-for-sale securities (except for those without practically determinable fair value) are valued at their year-end market prices.
Net unrealized gains and losses are reported as a separate line item of net assets, and cost of sales is calculated by the moving average method.

(iii) Available-for-sale securities without practically determinable fair value are valued at cost determined using the moving average method.

(iv) Money trusts which hold investment securities and are specifically managed for the Company are valued at their year-end market prices.

(2) Valuation policies and methods of derivative financial instruments

All derivative financial instruments, except for those such as foreign exchange forward contracts to which the allocation method is applied and interest rate swaps to which the exceptional method is applied, are valued at fair value.

(3) Depreciation methods 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 methods of intangible fixed assets

Intangible fixed assets are amortized by the straight-line method. Capitalized software for internal use is amortized by the straight-line method based on its estimated useful life (5 years).

(5) Translation of foreign currency assets and liabilities

Foreign currency monetary assets and liabilities are translated into Japanese yen in accordance with the provisions of the Accounting Standard for Foreign Currency Transactions.

(6) Accounting policies for reserves

(i) Bad debt reserve

Bad debt reserve is established under the internal standards for self-assessment of assets and the policy for write-off and provision. Bad debt reserve for loans to debtors who are legally deemed to be insolvent due to bankruptcy or special liquidation, or whose notes are under suspension at clearing houses, and loans to debtors who are deemed to be substantially insolvent is provided based on the balance remaining after deducting the resale value of collateral and the amount collectible through guarantees.

Bad debt reserve for loans to debtors who are likely to become insolvent in the future is provided based on the balance remaining after deducting the resale value of collateral, the amount collectible through guarantees and the amount expected to be repaid by the debtors in consideration of their solvency.

For loans other than those described above, bad debt reserve is calculated by multiplying the amount of the outstanding balances by the historical bad debt ratios.

Bad debt reserve for all loans and receivables is provided based on the assessment under the internal standards for self-assessment of assets. The assessment is performed by the departments which are responsible for respective assets and its results are reviewed by the independent internal audit departments.

(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 obligations and plan assets at the year-end.

(a) Attribution method of retirement benefits over service period
In computing retirement benefit obligations, the estimated retirement benefits are attributed to the periods up to the current year using the plan's benefit formula.

(b) Actuarial gains and losses and past service costs
Actuarial gains and losses are amortized, commencing from the following year, using the straight-line method over a certain number of years (10 years) that do not exceed the expected average remaining service period of the employees at the time of occurrence.

Past service costs are amortized using the straight-line method over a certain number of years (4 years) that do not exceed the average remaining service period of employees at the time of occurrence.

(Changes in accounting policies)

The Company has adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No.26 issued on May 17, 2012, the "Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 on May 17, 2012, the "Guidance"), effective from the beginning of the year commencing on April 1, 2013. In accordance with the Accounting Standard and the Guidance, the Company has reviewed the calculation method for retirement benefit obligations and service costs and changed the attribution method of retirement benefits over service period from the straight-line basis to the plan's benefit formula basis.

In accordance with the transitional accounting treatment prescribed in Paragraph 37 of the Accounting Standard, the effect of changing calculation method for retirement benefit obligations and service costs is added to, or subtracted from, the beginning balance of Retained earnings brought forward of the current year.

The effects of adoption of the Accounting Standard and the Guidance were to decrease Retained earnings brought forward at the beginning of the year by ¥36,157 million, and to increase Ordinary profit and Income/(loss) before income taxes by ¥577 million.

(iii) Reserve for retirement benefit for officers

Reserve for retirement benefits that covers the cost for services rendered by officers and operating officers of the Company through the year ended March 31, 2005 when the retirement benefit plans for officers were terminated is established based on the estimated amounts to be paid at the year-end to provide for future retirement benefits (including pension) for officers and operating officers of the Company.

(iv) Accrued bonuses for employees

Accrued bonuses for employees are determined based on the estimated amounts to be paid at the year-end to provide for future bonuses for employees and operating officers.

(v) Reserve for price fluctuation

Reserve for price fluctuation is recognized under Article 115 of the Insurance Business Act to provide for possible losses arising from price fluctuation of investment assets such as equity securities.

(7) Hedge accounting

Under accounting principles generally accepted in Japan ("Japanese GAAP"), several models are allowed for hedge accounting. Two fundamental approaches are the deferred hedge method and the fair value hedge method. Under the deferred hedge method, gains and losses on changes in fair value of derivative financial instruments are deferred and accounted for as a separate line item of net assets. Under the fair value hedge method, which is allowed only with respect to available-for-sale securities being the hedged items, gains and losses on changes in fair value of hedging instruments, are recognized in earnings together with the corresponding gains or losses on the hedged items attributable to the risks being hedged.

In addition, for certain derivative financial instruments, exceptional treatments are permitted under Japanese GAAP. Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts or currency swaps can be accounted for by the allocation method. Under this method, the foreign exchange forward contracts and currency swaps used as hedging instruments are not measured at fair value, since gains and losses on the derivatives are assumed to be offset with changes in fair value of the corresponding hedged items and hedged items are translated at the foreign exchange rates that are stipulated in the foreign exchange forward contracts or currency swaps (hedging instruments). Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differentials paid or received under the swap agreements are recognized and included in interest expense or income of hedged items (the exceptional method).

Gains and losses on equity forward contracts used for hedging risks of variability in fair value of investments in equity securities are accounted for under the deferred hedge method. Gains and losses on currency swaps and foreign exchange forward contracts used for hedging foreign currency risks are accounted for under either the deferred hedge method, the fair value hedge method or the allocation method. Interest rate swap contracts for hedging risks of variability in cash flows of loans, bonds and borrowings arising from fluctuations in interest rates are accounted for under the deferred hedge method or the exceptional method when they meet certain criteria.

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations in fair value or cash flows of hedged items and hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. When the hedged items and the hedging instruments are highly and clearly interrelated or when the interest rate swap transactions meet the criteria for application of the exceptional method, hedge effectiveness is not assessed.

Certain interest rate swap contracts used for the ALM (Asset and Liability Management) for the purpose of adequate control of risks of interest rate variability are accounted for under the deferred hedge method and tested for hedge effectiveness 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 of interest rate swaps used for the ALM is evaluated on a portfolio basis, based on whether upward and downward movements in value of the hedged items and the hedging instruments offset each other within certain range, in respect to changes in the interest rate.

(8) Other significant items for preparation of financial statements

(i) Accounting for retirement benefits

The accounting treatment for unrecognized actuarial gains and losses and unrecognized past service costs related to retirement benefits in non-consolidated financial statements differs from those in consolidated financial statements.

(ii) Accounting for consumption taxes

Consumption taxes received or paid are not included in income or expenses, except for those relating to Loss adjustment expenses and Operating expenses and general and administrative expenses. Consumption taxes excluded from income and expense are recorded at the net amount on the balance sheet. Non-deductible consumption taxes are recognized as expense for the period, except for those relating to purchase of depreciable fixed assets which are not charged to expenses but deferred as Suspense payments and amortized over a period of five years on a straight-line basis.

Notes to Balance Sheets

As of March 31, 2013 and 2014

1. The amounts of investments in securities loaned under securities lending agreements are as follows:

(Yen in millions)

March 31, 2013	March 31, 2014
27,914	36,720

(Note) The amounts in the above table are included in Stock and Foreign securities under Investments in securities as of March 31, 2013 and in Stock and Foreign securities under Investments in securities as of March 31, 2014.

2. The amounts of loans to borrowers in bankruptcy, overdue loans, loans overdue for 3 months or more and restructured loans are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Loans to borrowers in bankruptcy	139	6
Overdue loans	2,242	2,762
Loans overdue for 3 months or more	785	529
Restructured loans	3,031	2,855
Total	6,199	6,153

(Note) Loans to borrowers in bankruptcy represent those, excluding any part of bad debts that have been written off, on which accrued interest receivables are not recognized because repayments of the principal or interest have been overdue for considerable periods and they are regarded uncollectible (hereafter, this category is referred to as "Loans not accruing interest") and which meet the conditions prescribed in Article 96, Section 1-3 or 1-4 of the Corporation Tax Act Enforcement Ordinance (Cabinet Order No.97, 1965).

Overdue loans represent loans not accruing interest excluding (a) loans to borrowers in bankruptcy and (b) loans that have been granted grace for interest payments in order to assist debtors' operational restructuring or financial recovery.

Loans overdue for 3 months or more represent those of which principal or interest has been past due for 3 months or more after the contractual due date for repayment of the principal or interest. The loans to borrowers in bankruptcy and overdue loans are excluded from this category.

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

3. The amounts of accumulated depreciation and accelerated depreciation of tangible fixed assets are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Accumulated depreciation	273,967	272,996
Accelerated depreciation	15,610	15,119

(Note) As permitted under Japanese tax legislation for the purpose of deferral in recognizing taxable income, acquisition cost of certain qualifying properties is reduced to offset the taxable income that resulted from sales of assets to be replaced by the acquired assets or receipt of governmental subsidies provided for the acquisition of the new assets. The total amounts deducted from the original acquisition cost of the qualifying properties held by the Company as of March 31, 2013 and 2014 were ¥15,610 million and ¥15,119 million, respectively.

4. The total amounts receivable from and payable to affiliated companies are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Total amounts receivable	12,772	11,281
Total amounts payable	16,635	15,105

5. Significant components of Deferred tax assets and liabilities are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Deferred tax assets:		
Underwriting reserves	154,127	136,963
Reserve for pension and retirement benefits	27,408	42,948
Tax loss carried forward	42,354	31,599
Investments in securities	32,877	31,486
Software	14,028	13,053
Outstanding claims	16,939	12,895
Others	24,850	33,602
Total gross deferred tax assets	312,585	302,549
Less valuation allowance	(27,539)	(25,704)
Total net deferred tax assets	285,046	276,845
Deferred tax liabilities:		
Net unrealized gains/(losses) on investments in securities	(307,695)	(359,038)
Others	(20,960)	(19,138)
Total gross deferred tax liabilities	(328,656)	(378,176)
Total deferred tax liabilities net of deferred tax assets	(43,610)	(101,331)

(Revision of the amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rate)

In accordance with the Act for Partial Revision of the Income Tax Act etc. (Act No.10 of 2014) promulgated on March 31, 2014, the special corporate tax for reconstruction will not be imposed from the year commencing on April 1, 2014.

As a result, the statutory income tax rate to be used to measure deferred tax assets and liabilities for temporary differences that are expected to be reversed during the year commencing on April 1, 2014 will be reduced from the current 33.2% to 30.7%.

The effect of the change in income tax rate was to increase Deferred tax liabilities (net of Deferred tax assets) by ¥4,795 million, and Income taxes–deferred by ¥5,386 million and to decrease Underwriting reserves by ¥1,462 million and Net income by ¥3,924 million.

6. Guarantees and similar arrangements for subsidiaries and affiliated companies

March 31, 2013

(Guarantees)

The Company provides a guarantee of ¥41,444 million to the insurance business operated by MSI Corporate Capital Limited, a subsidiary of the Company.

(Arrangements similar to guarantees)

The Company has net worth maintenance agreements with Mitsui Sumitomo Primary Life Insurance Company, Limited ("MSPL"), a subsidiary of MS&AD Insurance Group Holdings, Inc., and seven foreign subsidiaries of the Company. Under these agreements, the Company's funding and other obligations to these companies are triggered if each of these companies falls into a situation where their net worth falls short of a predetermined level or they are unable to maintain adequate liquidity to meet their obligations. Under the agreement with MSPL, MS&AD Insurance Group Holdings, Inc. is also liable for the obligations to MSPL. The aggregate amounts of total liabilities and total assets of these companies were ¥3,968,144 million (including Policy liabilities of ¥3,892,117 million) and ¥4,230,846 million, respectively.

None of these companies were in the triggering situation mentioned above as of March 31, 2013.

March 31, 2014

(Guarantees)

The Company provides a guarantee of ¥44,968 million to the insurance business operated by MSI Corporate Capital Limited, a subsidiary of the Company.

(Arrangements similar to guarantees)

The Company has net worth maintenance agreements with Mitsui Sumitomo Primary Life Insurance Company, Limited ("MSPL"), a subsidiary of MS&AD Insurance Group Holdings, Inc., and seven foreign subsidiaries of the Company. Under these agreements, the Company's funding and other obligations to these companies are triggered if each of these companies falls into a situation where their net worth falls short of a predetermined level or they are unable to maintain adequate liquidity to meet their obligations. Under the agreement with MSPL, MS&AD Insurance Group Holdings, Inc. is also liable for the obligations to MSPL. The aggregate amounts of total liabilities and total assets of these companies were ¥4,376,730 million (including Policy liabilities of ¥4,267,612 million) and ¥4,676,066 million, respectively.

None of these companies were in the triggering situation mentioned above as of March 31, 2014.

7. The carrying amounts of equity investments in affiliated companies are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Stock	434,797	433,491
Capital	16,892	16,597

8. The amounts of pledged assets are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Investments in securities	82,841	81,073

(Note) The amounts in the above table primarily consist of collateral assets required for overseas operations and for Real Time Gross Settlement of the current account with the Bank of Japan.

9. Details of Outstanding claims and Underwriting reserves are as follows:

(1) Details of Outstanding claims are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Gross outstanding claims (except for (b))	740,708	678,211
Reinsurance recoverable on unpaid losses	147,550	77,693
Net (a)	593,158	600,518
Outstanding claims relating to earthquakes and compulsory automobile liability insurance (b)	50,711	51,792
Total (a) + (b)	643,869	652,310

(2) Details of Underwriting reserves are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Gross ordinary underwriting reserves	1,129,390	1,186,784
Reinsurance recoverable on underwriting reserves	53,249	62,812
Net (a)	1,076,141	1,123,971
Gross refund reserves	1,629,676	1,541,330
Reinsurance recoverable on refund reserves	5	6
Net (b)	1,629,670	1,541,323
Other underwriting reserves (c)	631,978	627,924
Total (a) + (b) + (c)	3,337,789	3,293,219

10. The amounts of net assets per share are as follows:

	March 31, 2013	March 31, 2014
Net assets per share (in Yen)	848.81	932.50
Amounts deducted from net assets (Yen in millions)	-	-
Outstanding common stock (in thousands of shares)	1,404,402	1,404,402

11. Among receivables under resale agreements, the amounts of those which the Company has the right to sell or pledge are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Commercial papers	12,098	18,998
Securities	449	-

(Note) Commercial papers and securities above are all held by the Company.

12. Guarantees to transactions conducted by a limited partnership entity

March 31, 2013

The Company provides guarantees to transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥192,440 million in a negative liability position as of March 31, 2013. This amount was not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

March 31, 2014

The Company provides guarantees to transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥170,034 million in a negative liability position as of March 31, 2014. This amount was not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

13. The unutilized balance of commitment lines given to third parties are as follows:

(Yen in millions)

March 31, 2013	March 31, 2014
648	640

14. "Subsidiary" and "Affiliated company" appearing elsewhere in the balance sheets and notes thereto refer to those defined in Article 2 of the Corporate Accounting Regulations.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Statements of Income

For the years ended March 31, 2013 and 2014

1. The aggregate amounts of income and expenses resulting from transactions with affiliated companies are as follows:

(Yen in millions)

	For the year ended March 31, 2013	For the year ended March 31, 2014
Income	44,032	55,462
Expenses	67,312	73,897

2.

(1) Details of Net premiums written are as follows:

(Yen in millions)

	For the year ended March 31, 2013	For the year ended March 31, 2014
Gross premiums written	1,595,189	1,709,307
Less reinsurance premiums ceded	281,358	322,773
Net	1,313,831	1,386,533

(2) Details of Net claims paid are as follows:

(Yen in millions)

	For the year ended March 31, 2013	For the year ended March 31, 2014
Gross claims paid	1,204,712	1,069,052
Less claim recoveries from reinsurance ceded	317,275	245,387
Net	887,436	823,665

(3) Details of Commissions and collection expenses are as follows:

(Yen in millions)

	For the year ended March 31, 2013	For the year ended March 31, 2014
Commissions and collection expenses paid	252,265	266,660
Less reinsurance commissions received	23,594	27,625
Net	228,670	239,034

(4) Details of Provision for/(reversal of) outstanding claims are as follows:

(Yen in millions)

	For the year ended March 31, 2013	For the year ended March 31, 2014
Gross provision for outstanding claims (except for (b))	(185,881)	(62,496)
Less reinsurance recoverable on unpaid losses	(132,615)	(69,856)
Net (a)	(53,266)	7,359
Provision for/(reversal of) outstanding claims relating to earthquakes and compulsory automobile liability insurance (b)	(1,063)	1,081
Total (a) + (b)	(54,330)	8,441

(5) Details of Provision for/(reversal of) underwriting reserves are as follows:

(Yen in millions)

	For the year ended March 31, 2013	For the year ended March 31, 2014
Gross provision for ordinary underwriting reserves	49,333	57,393
Less reinsurance recoverable on underwriting reserves	10,098	9,562
Net (a)	39,235	47,830
Provision for/(reversal of) refund reserves	(122,921)	(88,346)
Less reinsurance recoverable on refund reserves	(1)	0
Net (b)	(122,919)	(88,347)
Reversal of other underwriting reserves (c)	(33,140)	(4,054)
Total (a) + (b) + (c)	(116,824)	(44,570)

(6) Details of Interest and dividends income are as follows:

(Yen in millions)

	For the year ended March 31, 2013	For the year ended March 31, 2014
Interest on deposits and savings	3,309	1,376
Interest on call loans	27	46
Interest on receivables under resale agreements	57	77
Interest on monetary claims bought	1,381	1,190
Interest and dividends income on investments in securities	81,505	94,708
Interest on loans	9,950	8,542
Rental income on properties	5,399	6,183
Other interest and dividends income	182	135
Total	101,814	112,260

3. The total valuation gains/(losses) included in Investment gains and losses on money trusts are as follows:

(Yen in millions)

For the year ended March 31, 2013	For the year ended March 31, 2014
271	(157)

The total valuation gains/(losses) included in Gains on derivative transactions are as follows:

(Yen in millions)

For the year ended March 31, 2013	For the year ended March 31, 2014
3,317	6,975

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Statements of Income (Continued)

4. The amounts of net income/(loss) per share are as follows:

	For the year ended March 31, 2013	For the year ended March 31, 2014
Net income/(loss) per share (in Yen)	30.37	41.33
Net income/(loss) attributable to common stock (Yen in millions)	42,657	58,047
Average outstanding common shares during the year (in thousands of shares)	1,404,402	1,404,402

(Notes)
1. Since there was no potential dilution for the year ended March 31, 2013, diluted net income/(loss) per share is not disclosed.
2. Since there was no potential dilution for the year ended March 31, 2014, diluted net income/(loss) per share is not disclosed.

5. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2014

Other extraordinary losses represent costs related to reorganization by function that was agreed among MS&AD Insurance Group Holdings, Inc., the parent company of the Company, and insurance subsidiaries within the Group including the Company.

6. Reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

(%)

	For the year ended March 31, 2013	For the year ended March 31, 2014
Statutory income tax rate	33.2	33.2
Increase/(decrease) from:		
Tax exempted dividends income	(9.6)	(10.1)
Effects of changes in income tax rate	3.3	8.8
Increase/(decrease) in valuation allowance	3.5	(2.3)
Non-deductible expenses such as entertainment expenses	1.0	0.7
Others	0.9	1.0
Effective income tax rate	32.3	31.3

7. Related party transactions are as follows:

For the year ended March 31, 2013

Category	Company name	Voting rights (%)	Relationship	Transactions	Amounts (Yen in millions)	Account	Balances (Yen in millions)
Affiliated companies	MS&AD Loan Services Company, Limited	Direct 12.6% Indirect 25.8%	Temporary transfer of director Credit guarantee related to consumer loans provided by the Company Administrative service related to housing loan guarantee insurance underwritten by the Company	Debt guarantee related to transaction with third parties	109,799	-	-

MS&AD Loan Services Company Limited ("MS&AD Loan Services") provides the guarantee mainly for the Company's housing loans that are executed to third party customers. Transaction amounts represent guaranteed amounts outstanding as of March 31, 2013.

Terms and conditions of transactions and the policy to determine terms and conditions are as follows:

The Company and MS&AD Loan Services have a comprehensive guarantee contract where the Company receives guarantee services from MS&AD Loan Services for loans provided by the Company to third party debtors. Terms and conditions of the guarantee contract are determined based on each type of the loans to third parties.

For the year ended March 31, 2014

Category	Company name	Voting rights (%)	Relationship	Transactions	Amounts (Yen in millions)	Account	Balances (Yen in millions)
Affiliated companies	MS&AD Loan Services Company, Limited	Direct 12.6% Indirect 25.8%	Temporary transfer of director Credit guarantee related to consumer loans provided by the Company Administrative service related to housing loan guarantee insurance underwritten by the Company	Debt guarantee related to transactions with third parties	105,730	-	-

MS&AD Loan Services Company Limited ("MS&AD Loan Services") provides the guarantee mainly for the Company's housing loans that are executed to third party customers. Transaction amounts represent guaranteed amounts outstanding as of March 31, 2014.

Terms and conditions of transactions and the policy to determine terms and conditions are as follows:

The Company and MS&AD Loan Services have a comprehensive guarantee contract where the Company receives guarantee services from MS&AD Loan Services for loans provided by the Company to third party debtors. Terms and conditions of the guarantee contract are determined based on each type of the loans to third parties.

8. "Subsidiary" and "Affiliated company" appearing elsewhere in the statements of income and notes thereto refer to those defined in Article 2 of the Corporate Accounting Regulations.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Financial Statements - March 31, 2013 and 2014

(With Independent Auditor's Report Thereon)

Yuji Ito
Director, Managing Executive Officer
Mitsui Sumitomo Insurance Company, Limited

23 JUN 2014

Masahiro Matsumoto
Director, Managing Executive Officer
Mitsui Sumitomo Insurance Company, Limited

23 JUN 2014

KPMG

Independent Auditor's Report

To the Board of Directors of Mitsui Sumitomo Insurance Company, Limited:

We have audited the accompanying consolidated financial statements of Mitsui Sumitomo Insurance Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui Sumitomo Insurance Company, Limited and its consolidated subsidiaries as at March 31, 2013 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Significant Accounting Policies in the notes to the consolidated financial statements which describes early adoption of the "Accounting

Standard for Retirement Benefits" and the "Guidance on Accounting Standard for Retirement Benefits" on the calculation method for retirement benefit obligations and service costs from the year ended March 31, 2014.

KPMG AZSA LLC

June 23, 2014
Tokyo, Japan

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

As of March 31, 2013 and 2014

		2013	2014
		(Yen in millions)	
Assets			
Assets			
Cash, deposits and savings	¥	364,202	382,389
Call loans		69,000	50,000
Receivables under resale agreements		48,545	23,997
Monetary claims bought		92,035	72,859
Money trusts		10,081	10,510
Investments in securities		4,168,404	4,646,523
Loans		573,049	538,241
Tangible fixed assets:			
Land		95,315	95,154
Buildings		138,916	141,514
Construction in progress		5,435	2,902
Other tangible fixed assets		15,277	14,717
Total tangible fixed assets		254,944	254,289
Intangible fixed assets:			
Software		10,693	40,570
Goodwill		52,915	53,633
Other intangible fixed assets		35,430	4,517
Total intangible fixed assets		99,039	98,721
Other assets		594,301	530,860
Deferred tax assets		5,422	5,432
Customers' liabilities under acceptances and guarantees		37,000	46,000
Bad debt reserve		(6,930)	(18,390)
Total assets	¥	6,309,097	6,641,435

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets (Continued)

Liabilities and Net Assets		2013	2014
		(Yen in millions)	
Liabilities			
Policy liabilities:			
Outstanding claims	¥	854,260	894,619
Underwriting reserves		3,436,125	3,416,524
Total policy liabilities		4,290,386	4,311,143
Bonds issued		241,176	176,185
Other liabilities		341,237	402,617
Reserve for pension and retirement benefits		88,094	-
Liabilities for pension and retirement benefits		-	143,603
Reserve for retirement benefits for officers		1,257	1,070
Accrued bonuses for employees		12,115	13,150
Reserves under the special laws:			
Reserve for price fluctuation		5,151	19,731
Total reserves under the special laws		5,151	19,731
Deferred tax liabilities		47,720	104,907
Acceptances and guarantees		37,000	46,000
Total liabilities		5,064,139	5,218,411
Net Assets			
Shareholders' equity:			
Common stock		139,595	139,595
Capital surplus		93,107	93,107
Retained earnings		294,854	291,919
Total shareholders' equity		527,558	524,622
Accumulated other comprehensive income/(loss):			
Net unrealized gains/(losses) on investments in securities		696,390	819,141
Net deferred gains/(losses) on hedges		26,428	23,430
Foreign currency translation adjustments		(26,332)	33,073
Accumulated actuarial gains/(losses) on retirement benefits		-	(2,397)
Total accumulated other comprehensive income/(loss)		696,486	873,247
Minority interests		20,913	25,153
Total net assets		1,244,958	1,423,024
Total liabilities and net assets	¥	6,309,097	6,641,435

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

For the years ended March 31, 2013 and 2014

		2013	2014
		(Yen in millions)	
Ordinary income and expenses			
Ordinary income:			
Underwriting income:			
Net premiums written	¥	1,479,560	1,604,360
Deposit premiums from policyholders		119,925	113,037
Investment income on deposit premiums from policyholders		44,061	41,343
Life insurance premiums		1,582	3,912
Reversal of outstanding claims		54,844	1,200
Reversal of underwriting reserves		111,774	38,834
Other underwriting income		12,916	2,973
Total underwriting income		1,824,666	1,805,663
Investment income:			
Interest and dividends income		108,749	118,064
Investment gains on money trusts		290	295
Gains on sales of securities		59,639	60,762
Gains on redemption of securities		1,225	1,806
Gains on derivative transactions		4,877	6,224
Other investment income		6,544	3,060
Transfer of investment income on deposit premiums from policyholders		(44,061)	(41,343)
Total investment income		137,265	148,870
Other ordinary income:			
Other ordinary income		4,834	5,400
Total other ordinary income		4,834	5,400
Total ordinary income		1,966,766	1,959,933
Ordinary expenses:			
Underwriting expenses:			
Net claims paid		977,795	939,509
Loss adjustment expenses		81,133	83,585
Commissions and collection expenses		249,207	267,632
Maturity refunds to policyholders		280,598	238,511
Dividends to policyholders		839	594
Life insurance claims		5	6
Other underwriting expenses		2,155	2,062
Total underwriting expenses		1,591,733	1,531,902
Investment expenses:			
Investment losses on money trusts		48	-
Losses on sales of securities		4,275	2,836
Impairment losses on securities		21,772	796
Losses on redemption of securities		1,017	1,486
Other investment expenses		6,815	5,783
Total investment expenses		33,928	10,902

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income (Continued)

		2013	2014
		(Yen in millions)	
Operating expenses and general and administrative expenses	¥	251,442	273,641
Other ordinary expenses:			
Interest expense		7,160	7,176
Provision for bad debts		429	10,827
Losses on bad debts		48	35
Losses on equity method investments		3,702	9,606
Other ordinary expenses		2,144	2,853
Total other ordinary expenses		13,485	30,499
Total ordinary expenses		1,890,590	1,846,946
Ordinary profit/(loss)		76,176	112,987
Extraordinary income and losses			
Extraordinary income:			
Gains on sales of fixed assets		1,939	4,392
Total extraordinary income		1,939	4,392
Extraordinary losses:			
Losses on sales of fixed assets		1,439	2,684
Impairment losses on fixed assets		355	240
Provision for reserves under the special laws:			
Provision for reserve for price fluctuation		2,511	14,580
Total provision for reserves under the special laws		2,511	14,580
Other extraordinary losses		-	4,182
Total extraordinary losses		4,306	21,688
Income/(loss) before income taxes and minority interests		73,809	95,691
Income taxes - current		5,290	8,520
Income taxes - deferred		19,965	26,213
Total income taxes		25,256	34,733
Income/(loss) before minority interests		48,553	60,958
Minority interests		1,726	2,500
Net income/(loss)	¥	46,826	58,457

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2013 and 2014

		2013	2014
		(Yen in millions)	
Income/(loss) before minority interests	¥	48,553	60,958
Other comprehensive income/(loss):			
Net unrealized gains/(losses) on investments in securities		230,970	122,336
Net deferred gains/(losses) on hedges		10,044	(2,998)
Foreign currency translation adjustments		46,072	63,221
Share of other comprehensive income/(loss) of equity method investments		4,581	594
Total other comprehensive income/(loss)		291,668	183,154
Total comprehensive income/(loss)	¥	340,221	244,113
Allocation:			
Comprehensive income/(loss) attributable to shareholders of the parent	¥	336,656	238,629
Comprehensive income/(loss) attributable to minority interests		3,564	5,483

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2013 and 2014

2013

(Yen in millions)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Beginning balance	¥ 139,595	93,107	270,696	503,399
Cumulative effect of changing accounting policies				-
Beginning balance (adjusted)	139,595	93,107	270,696	503,399
Changes for the year:				
Dividends paid			(22,397)	(22,397)
Net income/(loss)			46,826	46,826
Changes in scope of consolidation			(270)	(270)
Changes in scope of application of equity method				-
Net changes of items other than shareholders' equity				
Total changes for the year	-	-	24,158	24,158
Ending balance	¥ 139,595	93,107	294,854	527,558

	Accumulated other comprehensive income/(loss)					Minority interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)		
Beginning balance	¥ 464,851	16,384	(76,138)	-	405,097	14,310	922,807
Cumulative effect of changing accounting policies					-		-
Beginning balance (adjusted)	464,851	16,384	(76,138)	-	405,097	14,310	922,807
Changes for the year:							
Dividends paid							(22,397)
Net income/(loss)							46,826
Changes in scope of consolidation							(270)
Changes in scope of application of equity method							-
Net changes of items other than shareholders' equity	231,538	10,044	49,806	-	291,389	6,602	297,991
Total changes for the year	231,538	10,044	49,806	-	291,389	6,602	322,150
Ending balance	¥ 696,390	26,428	(26,332)	-	696,486	20,913	1,244,958

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Net Assets (Continued)

2014

(Yen in millions)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Beginning balance	¥ 139,595	93,107	294,854	527,558
Cumulative effect of changing accounting policies			(36,157)	(36,157)
Beginning balance (adjusted)	139,595	93,107	258,697	491,400
Changes for the year:				
Dividends paid			(26,097)	(26,097)
Net income/(loss)			58,457	58,457
Changes in scope of consolidation				-
Changes in scope of application of equity method			862	862
Net changes of items other than shareholders' equity				
Total changes for the year	-	-	33,222	33,222
Ending balance	¥ 139,595	93,107	291,919	524,622

	Accumulated other comprehensive income/(loss)					Minority interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)		
Beginning balance	¥ 696,390	26,428	(26,332)	-	696,486	20,913	1,244,958
Cumulative effect of changing accounting policies					-		(36,157)
Beginning balance (adjusted)	696,390	26,428	(26,332)	-	696,486	20,913	1,208,800
Changes for the year:							
Dividends paid							(26,097)
Net income							58,457
Changes in scope of consolidation							-
Changes in scope of application of equity method							862
Net changes of items other than shareholders' equity	122,750	(2,998)	59,405	(2,397)	176,760	4,240	181,001
Total changes for the year	122,750	(2,998)	59,405	(2,397)	176,760	4,240	214,223
Ending balance	¥ 819,141	23,430	33,073	(2,397)	873,247	25,153	1,423,024

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended March 31, 2013 and 2014

		2013	2014
		(Yen in millions)	
I. Cash flows from operating activities:			
Income/(loss) before income taxes and minority interests	¥	73,809	95,691
Adjustments for:			
Depreciation		22,234	25,702
Impairment losses on fixed assets		355	240
Amortization of goodwill		3,820	4,140
Increase/(decrease) in outstanding claims		(56,148)	(3,230)
Increase/(decrease) in underwriting reserves		(112,312)	(38,760)
Increase/(decrease) in bad debt reserve		153	10,797
Increase/(decrease) in reserve for pension and retirement benefits		3,508	-
Increase/(decrease) in reserve for retirement benefits for officers		(198)	(186)
Increase/(decrease) in accrued bonuses for employees		546	765
Increase/(decrease) in liabilities for pension and retirement benefits		-	(285)
Increase/(decrease) in reserve for price fluctuation		2,511	14,580
Interest and dividends income		(108,749)	(118,064)
Losses/(gains) on investments in securities		(33,800)	(57,449)
Losses/(gains) on derivative transactions		(4,877)	(6,224)
Interest expense		7,160	7,176
Foreign exchange losses/(gains)		(4,859)	(116)
Losses/(gains) on disposal of tangible fixed assets		(502)	(1,744)
Losses/(gains) on equity method investments		3,702	9,606
Decrease/(increase) in other assets		(53,371)	81,731
Increase/(decrease) in other liabilities		62,224	9,315
Other, net		6,101	9,576
Subtotal		(188,690)	43,262
Interest and dividends received		104,330	113,039
Interest paid		(7,253)	(7,195)
Income taxes refunded/(paid)		(5,586)	(6,060)
Net cash provided by/(used in) operating activities (a)		(97,200)	143,046

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

		2013	2014
		(Yen in millions)	
II. Cash flows from investing activities:			
Net decrease/(increase) in deposits and savings	¥	(9,225)	3,817
Purchase of monetary claims bought		(9,494)	(39,490)
Proceeds from sales and redemption of monetary claims bought		14,366	53,465
Purchase of money trusts		(13)	(815)
Proceeds from sales of money trusts		-	13
Purchase of securities		(702,806)	(1,058,434)
Proceeds from sales and redemption of securities		716,798	850,044
Investment in loans		(116,167)	(100,386)
Collection of loans		167,467	135,168
Other, net		3,551	3,524
Subtotal (b)		64,475	(153,093)
(a + b)		(32,724)	(10,047)
Acquisition of tangible fixed assets		(15,621)	(19,631)
Proceeds from sales of tangible fixed assets		6,344	7,972
Acquisition of intangible fixed assets		(24,869)	(10,537)
Other, net		(763)	1,366
Net cash provided by/(used in) investing activities		29,565	(173,923)
III. Cash flows from financing activities:			
Proceeds from borrowings		50,000	50,000
Redemption of bonds		(30,000)	(65,000)
Dividends paid to minority shareholders		(825)	(1,172)
Other, net		(1,260)	(1,389)
Net cash provided by/(used in) financing activities		17,913	(17,561)
IV. Effect of exchange rate changes on cash and cash equivalents		15,654	20,227
V. Net increase/(decrease) in cash and cash equivalents		(34,066)	(28,211)
VI. Cash and cash equivalents at beginning of year		458,269	426,068
VII. Increase in cash and cash equivalents due to inclusion in scope of consolidation		1,865	-
VIII. Cash and cash equivalents at end of year	¥	426,068	397,857

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Significant Accounting Policies

For the years ended March 31, 2013 and 2014

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 Act 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. In preparing the accompanying consolidated financial statements, certain additional information has been provided to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The accompanying consolidated financial statements are expressed in Japanese yen. As permitted by the regulations under the Corporate Accounting Regulations, amounts are rounded down to the nearest million of Japanese yen, except for those stated otherwise. As a result, the totals shown in the accompanying consolidated financial statements in Japanese yen do not necessarily agree with the sums of the individual amounts.

2. Scope of consolidation

(1) Number of consolidated subsidiaries

35 companies

Major consolidated subsidiaries are as follows:

MSIG Holdings (Americas), Inc.
Mitsui Sumitomo Insurance (London Management) Ltd.
MSIG Insurance (Malaysia) Bhd.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiary is as follows:

MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited

Certain subsidiaries including the above subsidiary are not consolidated, as they are not considered to affect, in all material aspects, the consolidated financial conditions and business performance, in view of the size of their total assets, ordinary income, net income and retained earnings attributable to the Company.

3. Application of equity method

(1) Number of affiliated companies accounted for under the equity method

8 companies

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Significant Accounting Policies (Continued)

Major affiliated companies accounted for under the equity method are as follows:

Sumitomo Mitsui Asset Management Company, Limited
PT. Asuransi Jiwa Sinarmas MSIG

Changes in scope of application of equity method

Cholamandalam MS General Insurance Company Limited and BPI/MS Insurance Corporation have become equity method affiliates since the year ended March 31, 2014 due to an increased significance to the consolidated financial statements.

(2) Other affiliated companies, including unconsolidated subsidiaries (e.g. MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited, and Hong Leong MSIG Takaful Berhad), are stated at cost as their effects on consolidated net income and retained earnings are not considered material, individually and in aggregate.

4. Fiscal year of consolidated subsidiaries

The fiscal year end of consolidated subsidiaries, MSIG Holdings (Americas), Inc. and 33 other companies, is December 31 which is different from that of the Company. The Company uses their financial statements as of their latest fiscal year end for consolidation purposes because the intervening period does not exceed three months.

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

5. Accounting policies

(1) Valuation policies and methods of securities (including those included in Cash, deposits and savings and Monetary claims bought as set forth in the Enforcement Regulations of the Japanese Insurance Business Act)

(i) Held-to-maturity securities are valued at amortized cost.

(ii) Investments in unconsolidated subsidiaries and affiliated companies that are not accounted for under the equity method are valued at cost determined by the moving average method.

(iii) Available-for-sale securities (except for those without practically determinable fair value) are valued at their year-end market prices.

Net unrealized gains and losses are reported as a separate line item of net assets and cost of sales is calculated by the moving average method.

(iv) Available-for-sale securities without practically determinable fair value are valued at cost determined using the moving average method.

(v) Money trusts which hold investment securities and are specifically managed for the Company are valued at their year-end market prices.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Significant Accounting Policies (Continued)

(2) Valuation policies and methods of derivative financial instruments

All derivative financial instruments, except for those such as foreign exchange forward contracts to which the allocation method is applied and interest rate swaps to which the exceptional method is applied, are valued at fair value.

(3) Depreciation methods of significant depreciable assets

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

Depreciation of tangible fixed assets held by foreign consolidated subsidiaries is mainly computed using the straight-line method.

(ii) Intangible fixed assets are amortized by the straight-line method. Capitalized software for internal use is amortized by the straight-line method based on its estimated useful life.

(4) Accounting policies for significant reserves

(i) Bad debt reserve

As for the Company, bad debt reserve is established under the internal standards for self-assessment of assets and the policy for write-off and provision.

Bad debt reserve for loans to debtors who are legally deemed to be insolvent due to bankruptcy or special liquidation, or whose notes are under suspension at clearing houses, and loans to debtors who are deemed to be substantially insolvent is provided based on the balance remaining after deducting the resale value of collateral and the amount collectible through guarantees.

Bad debt reserve for loans to debtors who are likely to become insolvent in the future is provided based on the balance remaining after deducting the resale value of collateral, the amount collectible through guarantees and the amount expected to be repaid by the debtors in consideration of their solvency.

For loans other than those described above, bad debt reserve is calculated by multiplying the outstanding balances by the historical bad debt ratios.

Bad debt reserve for all loans and receivables is provided based on the assessment under the internal standards for self-assessment of assets. The assessment is performed by the departments which are responsible for respective assets and its results are reviewed by the independent internal audit departments.

As for domestic consolidated subsidiaries, bad debt reserve is provided under their internal standards for self-assessment of assets and policies for write-off and provision similar to those of the Company.

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

(ii) Reserve for retirement benefits for officers

Reserve for retirement benefits that covers the cost for services rendered by officers and operating officers of the Company through the year ended March 31, 2005 when the retirement benefits plans for officers were terminated is established based on the estimated amounts to be paid at the year-end to provide for future retirement benefits (including pension) for officers and operating officers of the Company.

(iii) Accrued bonuses for employees

Accrued bonuses for employees are determined based on the estimated amounts to be paid at the year-end to provide for future bonuses for employees and operating officers.

(iv) Reserve for price fluctuation

As for the Company, reserve for price fluctuation is recognized under Article 115 of the Insurance Business Act to provide for possible losses arising from price fluctuation of investment assets such as equity securities.

(5) Accounting for retirement benefits

(i) Attribution method of retirement benefits over service period
In computing retirement benefit obligations, the estimated retirement benefits are attributed to the periods up to the current year using the plan's benefit formula.

(ii) Accounting for actuarial gains and losses and past service costs
Actuarial gains and losses are amortized, commencing from the following year, using the straight-line method over a certain number of years (mainly 10 years) that do not exceed the expected average remaining service period of employees at the time of occurrence.

Past service costs are amortized using the straight-line method over a certain number of years (4 years) that do not exceed the average remaining service period of employees at the time of occurrence.

(Changes in accounting policies)

The Company has adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No.26 issued on May 17, 2012, the "Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 on May 17, 2012, the "Guidance"), effective from the beginning of the year commencing on April 1, 2013. In accordance with the Accounting Standard and the Guidance, the Company has reviewed the calculation method for retirement benefit obligations and service costs and changed the attribution method of retirement benefits over service period from the straight-line basis to the plan's benefit formula basis. The excess of retirement benefit obligations over plan assets is reported as Liabilities for pension and retirement benefits from March 31, 2014 (the end of the year). Accordingly, unrecognized actuarial gains and losses and unrecognized past service costs are reported as Liabilities for pension and retirement benefits and this effect is added to, or subtracted from, Accumulated actuarial gains/(losses) on retirement benefits in Accumulated other comprehensive income/(loss).

In accordance with the transitional accounting treatment prescribed in Paragraph 37 of the Accounting Standard, the effect of changing calculation method for retirement benefit obligations and service costs is added to, or subtracted from, the beginning balance of Retained earnings of the year ended March 31, 2014.

The effects of adoption of the Accounting Standard and the Guidance were to decrease Retained earnings of the beginning of the year by ¥36,157 million and to increase Ordinary profit and Income/(loss) before income taxes and minority interests by ¥577 million. In addition, Liabilities for pension and retirement benefits were reported in the amount of ¥143,603 million and Accumulated other comprehensive income decreased by ¥2,397 million.

(6) Translation of foreign currency assets and liabilities

Foreign currency monetary assets and liabilities of the Company are translated into Japanese yen using the spot exchange rate prevailing at the year-end. The foreign exchange gains and losses resulting from the translation are recognized in earnings.

Foreign currency assets and liabilities of consolidated foreign subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year-ends, while shareholders' equity is translated at the historical rates. Income and expenses of consolidated foreign subsidiaries are translated into Japanese yen using the average exchange rate for the year. Differences arising from such translations are included in Foreign currency translation adjustments and Minority interests in Net Assets.

(7) Accounting for consumption taxes

Consumption taxes received or paid by the Company and its domestic consolidated subsidiaries are not included in income or expenses, except for those relating to Loss adjustment expenses and Operating expenses and general and administrative expenses incurred by the Company. Consumption taxes excluded from income and expenses are recorded at the net amount on the balance sheet.

Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchase of depreciable fixed assets which are not charged to expenses but deferred as Other assets and amortized over a period of five years on a straight-line basis.

(8) Hedge accounting

Under accounting principles generally accepted in Japan ("Japanese GAAP"), several models are allowed for hedge accounting. Two fundamental approaches are the deferred hedge method and the fair value hedge method. Under the deferred hedge method, gains and losses on changes in fair value of derivative financial instruments are deferred and accounted for as a separate line item of net assets. Under the fair value hedge method, which is allowed only with respect to available-for-sale securities being the hedged items, gains and losses on changes in fair value of hedging instruments are recognized in earnings together with the corresponding gains and losses on the hedged items attributable to the risks being hedged.

In addition, for certain derivative instruments, exceptional treatments are permitted under Japanese GAAP. Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts or currency swaps can be accounted for by the allocation method. Under this method, the foreign exchange forward contracts and currency swaps used as hedging instruments are not measured at fair value since gains and losses on the derivatives are assumed to be offset with changes in fair value of the corresponding hedged items and hedged items are translated at the foreign exchange rates that are stipulated in the foreign exchange forward contracts or currency swaps (hedging instruments). Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differentials paid or received under the swap agreements are recognized and included in interest expense or income of hedged items (the exceptional method).

As for the Company, gains and losses on equity forward contracts used for hedging risks of variability in fair value of investments in equity securities are accounted for under the deferred hedge method. Gains and losses on currency swaps and foreign exchange forward contracts used for hedging foreign currency risks are accounted for under either the deferred hedge method, the fair value hedge method or the allocation method. Interest rate swap contracts for hedging risks of variability in cash flows of loans, bonds and borrowings arising from fluctuations in interest rates are accounted for under the deferred hedge method or the exceptional method when they meet certain criteria.

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations in fair value or cash flows of hedged items and hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. When the hedged items and the hedging instruments are highly and clearly interrelated or when the interest rate swap transactions meet the criteria for application of the exceptional method, hedge effectiveness is not assessed.

Certain interest rate swap contracts used for the ALM (Asset and Liability Management) for the purpose of adequate control of risks of interest rate variability are accounted for under the deferred hedge method and tested for hedge effectiveness 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 of interest rate swaps used for the ALM is evaluated on a portfolio basis, based on whether upward and downward movements in value of the hedged item and the hedging instruments offset each other within certain range, in respect to changes in the interest rate.

6. Goodwill

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

7. Cash and cash equivalents on the consolidated statement of cash flows

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

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Balance Sheets

As of March 31, 2013 and 2014

1. The amounts of accumulated depreciation and accelerated depreciation of tangible fixed assets are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Accumulated depreciation	285,088	286,617
Accelerated depreciation	15,610	15,119

(Note) As permitted under Japanese tax legislation for the purpose of deferral in recognizing taxable income, acquisition cost of certain qualifying properties is reduced to offset the taxable income that resulted from sales of assets to be replaced by the acquired assets or receipt of governmental subsidies provided for the acquisition of the new assets. The total amounts deducted from the original acquisition cost of the qualifying properties held by the Company as of March 31, 2013 and 2014 were ¥15,610 million and ¥15,119 million, respectively.

2. The carrying amounts of equity investments in unconsolidated subsidiaries and affiliated companies are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Investments in securities (Domestic stock)	11,284	11,757
Investments in securities (Foreign securities)	143,860	131,482
Investments in securities (Other securities)	7,892	7,479

3. The amounts of loans to borrowers in bankruptcy, overdue loans, loans overdue for 3 months or more and restructured loans are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Loans to borrowers in bankruptcy	139	6
Overdue loans	2,242	2,762
Loans overdue for 3 months or more	785	529
Restructured loans	3,031	2,855
Total	6,199	6,153

(Note) Loans to borrowers in bankruptcy represent those, excluding any part of bad debts that have been written off, on which accrued interest receivables are not recognized because repayments of the principal or interest have been overdue for considerable periods and they are regarded uncollectible (hereinafter, this category is referred to as "Loans not accruing interest") and which meet the conditions prescribed in Article 96, Section 1-3 or 1-4 of the Corporation Tax Act Enforcement Ordinance (Cabinet Order No.97, 1965).

Overdue loans represent loans not accruing interest excluding (a) loans to borrowers in bankruptcy and (b) loans that have been granted grace for interest payments in order to assist debtors' operational restructuring or financial recovery.

Loans overdue for 3 months or more represent those of which principal or interest has been past due for 3 months or more after the contractual due date for repayment of the principal or interest. The loans to borrowers in bankruptcy and overdue loans are excluded from this category.

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

4. The amounts of pledged assets are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Investments in securities	111,894	117,640
Cash, deposits and savings	4,321	5,263
Tangible fixed assets	245	285

(Note) The amounts in the above table primarily consist of collateral assets required for overseas operations and for Real Time Gross Settlement of the current account with the Bank of Japan.

5. The amounts of investments in securities loaned under securities lending agreements are as follows:

(Yen in millions)

March 31, 2013	March 31, 2014
27,914	36,720

6. Among receivables under resale agreements, the amounts of those which the Company has the right to sell or pledge are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Commercial papers	12,098	18,998
Securities	449	-

(Note) Commercial papers and securities in the above table are all held by the Company.

7. Guarantees to transactions conducted by a limited partnership entity

March 31, 2013

The Company provides guarantees to transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥192,440 million in a negative liability position as of March 31, 2013. This amount was not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

March 31, 2014

The Company provides guarantees to transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥170,034 million in a negative liability position as of March 31, 2014. This amount was not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

8. Guarantees and similar arrangements for consolidated subsidiaries and affiliated companies

March 31, 2013

The Company has a net worth maintenance agreement with Mitsui Sumitomo Primary Life Insurance Company, Limited ("MSPL"), a subsidiary of MS&AD Insurance Group Holdings, Inc. Under this agreement, the Company's funding and other obligations to MSPL are triggered if MSPL falls into a situation where its net worth falls short of a predetermined level or it is unable to maintain adequate liquidity to meet its obligations. Under this agreement, MS&AD Insurance Group Holdings, Inc. is also liable for the obligations to MSPL. The amounts of total liabilities and total assets of MSPL as of March 31, 2013 were ¥3,694,290 million (including Policy liabilities of ¥3,645,909 million) and ¥3,765,574 million, respectively. This agreement does not provide any guarantees for payments of the MSPL's obligations.

MSPL was not in the triggering situation mentioned above as of March 31, 2013.

March 31, 2014

The Company has a net worth maintenance agreement with Mitsui Sumitomo Primary Life Insurance Company, Limited ("MSPL"), a subsidiary of MS&AD Insurance Group Holdings, Inc. Under this agreement, the Company's funding and other obligations to MSPL are triggered if MSPL falls into a situation where its net worth falls short of a predetermined level or it is unable to maintain adequate liquidity to meet its obligations. Under this agreement, MS&AD Insurance Group Holdings, Inc. is also liable for the obligations to MSPL. The amounts of total liabilities and total assets of MSPL as of March 31, 2014 were ¥4,074,470 million (including Policy liabilities of ¥3,993,094 million) and ¥4,163,675 million, respectively. This agreement does not provide any guarantees for payments of the MSPL's obligations.

MSPL was not in the triggering situation mentioned above as of March 31, 2014.

9. The unutilized balance of commitment lines given to third parties are as follows:

(Yen in millions)	
March 31, 2013	March 31, 2014
648	640

10. Information on financial instruments

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

The Company and its consolidated subsidiaries ("the Group") apply Asset and Liability Management (ALM) to maintain the stability of investment returns, safety assets and sufficient liquidity to maximize the net asset value sustainably under the appropriate risk management. In addition, the Group takes investment risks such as market risks and credit risks based on the management decision and manages those risks in accordance with the risk management policies of the Group and those of each company.

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 and strengthen financial capacity under such changing environments, the Group raises funds through issuance of long-term or short-term corporate bonds or other financing methods as needs arise.

(ii) Details of financial instruments and associated risks

The Group's financial assets mainly consist of securities including domestic bonds and domestic stock and foreign securities, loans and other financial 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 financial conditions of security issuers and counterparties of loans. Market liquidity risks are the risks that investment assets are forced to be sold at extremely unfavorable prices under turmoil of financial markets.

The Company utilizes derivative transactions represented by interest rate swaps, currency swaps, forward exchange contracts and currency options for the purpose of hedging market risks such as fluctuations in interest rates and foreign exchange rates. In addition to the derivative transactions mentioned above, the Company utilizes credit derivatives and weather derivatives in order to generate investment returns with consideration given to associated risks.

The consolidated subsidiaries utilize forward exchange contracts and other instruments for the purpose of hedging market risks such as fluctuations of interest rates and foreign exchange rates.

For details of derivative transactions to which hedge accounting is applied, please refer to "Significant Accounting Policies, 5. Accounting policies, (8) Hedge accounting".

In general, derivative transactions involve risks of fluctuations in fair value of derivative financial instruments, risks of nonperformance resulting from insolvency of counterparties and market liquidity risks. Derivative transactions utilized by the Group are also exposed to these risks. However, market risks associated with derivative transactions utilized for the purpose of hedging are mitigated, as the fair value of hedged items and hedging instruments fluctuate oppositely. In order to mitigate credit risks arising from nonperformance of counterparties, derivative financial instruments are utilized only with selected counterparties with high credit quality, transactions are diversified across them, and the Group enters into master netting agreements with the counterparties.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Balance Sheets (Continued)

(iii) Risk management structure relating to financial instruments

Financial instruments are traded and managed in accordance with rules for authorization of transactions and risk management established by the Group.

At the Company, in order to exercise organizational checks and balances, the back-office department and risk management department are segregated from the trading department, and the risk management department monitors whether investment activities, types of instruments in use, position limits, risk amounts and loss cut actions are compliant with the rules.

In addition, the risk management department assesses and analyzes risks by monitoring sensitivities of existing assets to changes in interest rates, stock prices and foreign exchange rates and quantifying market risks and credit risks using the VaR (Value-at-Risk) method, and regularly reports the results to the Board of Directors.

a. Market risk management

The Group maintains and operates risk management structure taking into account characteristics of each financial instrument in accordance with its internal rules for market risk management. At the Company, the trading department and the risk management department establish rules that clarify operating procedures in each investment segment, and control market risks by setting position limits and loss cut threshold based on risk characteristics.

b. Credit risk management

The Group maintains and operates risk management structure in accordance with its internal rules for credit risk management.

For loans at the Company, the trading department and the risk management department maintain credit risk management structure through credit screening, setting internal credit ratings and credit limits, managing credit information, requiring collaterals and guarantees where necessary and dealing with delinquent loans on an individual loan basis.

For securities and derivative transactions, the trading department and the risk management department manage credit risks of security issuers and derivative counterparties by regularly monitoring credit information and fair values associated with the investment assets.

c. Funding liquidity risk management

The Group conducts treasury management, taking utmost care of liquidity either case of ordinary or emergent funding conditions, and diversifies fundraising methods to secure and maintain liquidity in various environments. The Group manages funding liquidity risks by holding a sufficient amount of cash, savings and deposits and highly liquid securities such as government bonds and regularly monitoring their aggregate amounts, in case of unexpected events like catastrophe and deterioration of funding liquidity arising from turmoil in financial markets.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Balance Sheets (Continued)

(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 prices and, when market prices are not available, based on reasonable estimates. In determining fair value, certain assumptions are used, and the fair value may differ if alternative assumptions are applied.

(2) Supplementary information on fair value of financial instruments

The following tables summarize the carrying amounts on the consolidated balance sheets and the fair values of financial instruments as of March 31, 2013 and 2014 together with their differences. Note that the following tables do not include financial instruments without practically determinable fair value (see Note 2).

March 31, 2013

(Yen in millions)

	Carrying amount	Fair value	Difference
(i) Cash, deposits and savings	364,202	364,228	25
(ii) Call loans	69,000	69,000	-
(iii) Receivables under resale agreements	48,545	48,545	-
(iv) Monetary claims bought	92,035	92,035	-
(v) Money trusts	10,081	10,081	-
(vi) Investments in securities:			
Available-for-sale securities	3,890,669	3,890,669	-
(vii) Loans	573,049		
Bad debt reserve (*1)	(2,614)		
	570,434	584,459	14,024
Total assets	5,044,969	5,059,019	14,049
Bonds issued	241,176	250,630	9,454
Total liabilities	241,176	250,630	9,454
Derivative transactions (*2):			
Hedge accounting not applied	(1,779)	(1,779)	-
Hedge accounting applied	38,813	38,813	-
Total derivative transactions	37,033	37,033	-

(*1) Bad debt reserve for loans is deducted from the carrying amount.
(*2) Derivative assets and liabilities included in Other assets and Other liabilities are presented on a net basis. Debits and credits arising from derivative transactions are netted, and net credit positions are shown in parentheses.

March 31, 2014

(Yen in millions)

	Carrying amount	Fair value	Difference
(i) Cash, deposits and savings	382,389	382,411	21
(ii) Call loans	50,000	50,000	-
(iii) Receivables under resale agreements	23,997	23,997	-
(iv) Monetary claims bought	72,859	72,859	-
(v) Money trusts	10,510	10,510	-
(vi) Investments in securities:			
Available-for-sale securities	4,389,699	4,389,699	-

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
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Notes to Consolidated Balance Sheets (Continued)

(vii) Loans	538,241		
Bad debt reserve (*1)	(3,362)		
	534,879	546,604	11,725
Total assets	5,464,336	5,476,084	11,747
Bonds issued	176,185	195,563	19,377
Total liabilities	176,185	195,563	19,377
Derivative transactions (*2):			
Hedge accounting not applied	1,690	1,690	-
Hedge accounting applied	30,995	30,995	-
Total derivative transactions	32,686	32,686	-

(*1) Bad debt reserve for loans is deducted from the carrying amount.

(*2) Derivative assets and liabilities included in Other assets and Other liabilities are presented on a net basis. Debits and credits arising from derivative transactions are netted.

(Note 1) Determination of fair value of financial instruments

<u>Assets</u>

(i) Cash, deposits and savings

With regard to deposits and savings, the fair value is measured at the present value of estimated future cash flows, discounted at interest rates applicable to the same type of new deposits and savings based on duration. With regard to deposits and savings without maturities and short-term deposits and 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 approximates the fair value since they are scheduled to be settled in a short period of time.

(iii) Receivables under resale agreements

With regard to Receivables under resale agreements, the book value approximates the fair value since they are scheduled to be settled in a short period of time.

(iv) Monetary claims bought

With regard to commercial papers (CP), the book value approximates the fair value since they are scheduled to be settled in a short period of time. With regard to Monetary claims bought other than CP, the price quoted by counterparty financial institutions is deemed as the fair value.

(v) Money trusts

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

(vi) Investments in 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 exchanges, information venders or counterparty financial institutions.

(vii) Loans

With regard to floating rate loans, the book value approximates the fair value so long as no significant changes in the credit conditions of the debtor arise, because the market rate is timely reflected in the floating rates of the loans. With regard to fixed rate loans, for each class of loans sorted by type, term and credit rating, the fair value is calculated based on the present value of estimated future cash flows, discounted at appropriate interest rates such as yields of government bonds with a credit spread added on. The fair value of certain personal loans is determined at the net present value of estimated future cash flows, discounted at interest rates applicable to the same type of new loans.

With regard to policy loans which do not have contractual maturities, as the loan amount is limited within the surrender value, the carrying amount approximates the fair value, considering their estimated repayment periods and interest rates.

With regard to loans, to debtors that are legally or substantially bankrupt and loans to doubtful debtors, the carrying amount less bad debt reserve is deemed as the fair value, because bad debt reserve is determined based on the present value of estimated future cash flows or the value of collateral and the amount of collectible through guarantees.

Liabilities

Bonds issued

With regard to Bonds issued, "Reference Statistical Prices for OTC Bond Transactions" published by Japan Securities Dealers Association or the price quoted by counterparty financial institutions is deemed as the fair value.

Derivative transaction

With regard to derivative transactions, the fair value is based on the published forward exchange rates, the closing price at major exchange, the price quoted by counterparty financial institutions, or option pricing model.

(Note 2) The carrying amounts of financial instruments without practically determinable fair value, which are not included in "(vi) Investments in securities" above are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Unlisted stock and other assets invested in unconsolidated subsidiaries and affiliated companies (*1)	163,038	150,719
Other unlisted stock (*1)	63,707	55,715
Partnership investments comprised of unlisted stock (*1)	50,988	50,388
Others (*2)	0	0
Total	277,734	256,823

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
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Notes to Consolidated Balance Sheets (Continued)

(*1) Unlisted stock and Partnership investments comprised of unlisted stock are not disclosed because their fair value is not practically determinable due to lack of marketability.
(*2) Others are not disclosed because they represent corporate bonds without practically determinable fair value due to bankruptcies of the issuers or difficulties in estimating the reasonable future cash flows.

11. The Company and certain consolidated subsidiaries own investment properties in Tokyo and other areas. The carrying amounts, changes in carrying amounts and fair value of the investment properties are as follows:

(Yen in millions)

	March 31, 2013	March 31, 2014
Carrying amount	37,473	36,734
Fair value	91,164	92,962

(Notes)
1. Carrying amount represents the acquisition cost less accumulated depreciation.
2. Fair value is primarily determined based on the appraisal values provided by qualified external appraisers. With respect to the properties with no substantial changes in their appraisal values or indices that are considered to appropriately reflect the market prices since most recent appraisal dates, fair value is determined based on these appraisal values or the values adjusted by these indices.

12. Revision of the amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rate is as follows:

In accordance with the Act for Partial Revision of the Income Tax Act, etc. (Act No.10 of 2014) promulgated on March 31, 2014, the special corporate tax for reconstruction will not be imposed from the year commencing on April 1, 2014.

As a result, the statutory income tax rate to be used to measure deferred tax assets and liabilities for temporary differences that are expected to be reversed during the year commencing on April 1, 2014 will be reduced from the current 33.2% to 30.7%.

The effect of the change in income tax rate was to decrease Deferred tax assets by ¥1 million, Underwriting reserves by ¥1,462 million, and Net income by ¥3,937 million, and to increase Deferred tax liabilities by ¥4,795 million and Income taxes - deferred by ¥5,387 million.

13. The amounts of net assets per share are as follows:

	March 31, 2013	March 31, 2014
Net assets per share (in Yen)	871.57	995.34
Minority interests deducted from net assets (Yen in millions)	20,913	25,153
Outstanding common shares (in thousands of shares)	1,404,402	1,404,402

Notes to Consolidated Statements of Income

For the years ended March 31, 2013 and 2014

1. Major components of business expenses are as follows:

(Yen in millions)

	For the year ended March 31, 2013	For the year ended March 31, 2014
Commission expenses	261,150	281,269
Salaries	128,211	135,960

(Note) 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 consolidated statements of income.

2. Impairment losses on fixed assets were recognized as follows:

For the year ended March 31, 2013

(Yen in millions)

Use	Category	Description	Impairment losses on fixed assets		
				Breakdown	
Investment properties	Buildings	2 properties, including a building for rent in Aichi	170	Buildings	170
Idle real estate and real estate for sale	Land and buildings	4 properties, including an office building in Gifu	185	Land Buildings	84 100

Fixed assets used for insurance business operations are grouped as a single asset group by each insurance company. Other assets such as investment properties, idle assets and assets for sale are grouped on an individual basis.

Fixed assets are reviewed for impairment whenever events or changes in circumstances, such as a significant decline in the value of the asset (asset group) or a change in the intended use of the asset, indicate that the carrying amount of the asset (asset group) may not be recoverable. An impairment loss is measured at the amount by which the carrying amount of the asset (asset group) exceeds its recoverable amount, which is the higher of 1) the sum of discounted cash flows from the continued use and eventual disposition of the asset (asset group) and 2) the net sales value at disposition.

An amount of ¥355 million, which was the aggregate write-down of the carrying amounts of the assets in the above table to their recoverable amounts, was included in Impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of these assets represent their net sales values, which were determined based on the estimated sales values or appraisal values provided by qualified appraisers.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Statements of Income (Continued)

For the year ended March 31, 2014

(Yen in millions)

Use	Category	Description	Impairment losses on fixed assets		
				Breakdown	
Investment properties	Land	A building for rent in Aomori	3	Land	3
Idle real estate and real estate for sale	Land and buildings	3 properties, including an office building in Chiba	237	Land Buildings	102 135

Fixed assets used for insurance business operations are grouped as a single asset group by each insurance company. Other assets such as investment properties, idle assets and assets for sale are grouped on an individual basis.

Fixed assets are reviewed for impairment whenever events or changes in circumstances, such as a significant decline in the value of the asset (asset group) or a change in the intended use of the asset, indicate that the carrying amount of the asset (asset group) may not be recoverable. An impairment loss is measured at the amount by which the carrying amount of the asset (asset group) exceeds its recoverable amount, which is the higher of 1) the sum of discounted cash flows from the continued use and eventual disposition of the asset (asset group) and 2) the net sales value at disposition.

An amount of ¥240 million, which was the aggregate write-down of the carrying amounts of the assets in the above table to their recoverable amounts, was included in Impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of these assets represent their net sales values, which were determined based on the appraisal values provided by qualified appraisers.

3. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2014

Other extraordinary losses represent costs related to reorganization by function that was agreed among MS&AD Insurance Group Holdings, Inc., the parent company of the Company, and insurance subsidiaries within the Group including the Company.

4. The amounts of net income/(loss) per share are as follows:

	For the year ended March 31, 2013	For the year ended March 31, 2014
Net income/(loss) per share (in Yen)	33.34	41.62
Net income/(loss) attributable to common shareholders (Yen in millions)	46,826	58,457
Average outstanding common shares during the year (in thousands of shares)	1,404,402	1,404,402

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
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Notes to Consolidated Statements of Income (Continued)

(Notes)
1. Since there was no potential dilution for the year ended March 31, 2013, diluted net income/(loss) per share is not disclosed.
2. Since there was no potential dilution for the year ended March 31, 2014, diluted net income/(loss) per share is not disclosed.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
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Notes to Consolidated Statement of Comprehensive Income

For the years ended March 31, 2013 and 2014

1. Reclassification adjustments and income tax effects of other comprehensive income/(loss)

	2013	2014
	(Yen in millions)	
Net unrealized gains/(losses) on investments in securities:		
Gains/(losses) arising during the period	375,654	241,717
Reclassification adjustments	(42,654)	(68,991)
Before income tax effect adjustments	333,000	172,726
Income tax effects	(102,030)	(50,390)
Net unrealized gains/(losses) on investments in securities	230,970	122,336
Net deferred gains/(losses) on hedges:		
Gains/(losses) arising during the period	19,654	742
Reclassification adjustments	(5,168)	(5,329)
Before income tax effect adjustments	14,485	(4,586)
Income tax effects	(4,441)	1,588
Net deferred gains/(losses) on hedges	10,044	(2,998)
Foreign currency translation adjustments:		
Gains/(losses) arising during the period	45,237	63,038
Reclassification adjustments	835	183
Foreign currency translation adjustments	46,072	63,221
Share of other comprehensive income/(loss) of equity method investments:		
Gains/(losses) arising during the period	4,592	1,142
Reclassification adjustments	(10)	(547)
Share of other comprehensive income/(loss) of equity method investments	4,581	594
Total other comprehensive income/(loss)	291,668	183,154

Notes to Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2013 and 2014

For the year ended March 31, 2013

1. Type and number of issued stock and treasury stock

(in thousands of shares)

	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	1,404,402	-	-	1,404,402
Total	1,404,402	-	-	1,404,402

(Note) Not applicable to treasury stock

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Type of assets for dividends and their book value (Yen in millions)		Dividends per share (in Yen)	Date of record	Effective date
Board meeting held on May 18, 2012	Common stock	Treasury Discount Bills	11,199	7.97	March 31, 2012	June 8, 2012
Board meeting held on November 19, 2012	Common stock	Treasury Discount Bills	11,198	7.97	-	November 22, 2012

(Note) Date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends to be made effective after March 31, 2013 for which the date of record is in the year ended March 31, 2013

Resolution	Type of shares	Type of assets for dividends and their book value (Yen in millions)		Source of dividends	Dividends per share (in Yen)	Date of record	Effective date
Board meeting held on May 20, 2013	Common stock	Treasury Discount Bills	14,398	Retained earnings	10.25	March 31, 2013	June 14, 2013

(Note) Date of record is the date to determine shareholders who are entitled to receive dividends.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

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

For the year ended March 31, 2014

1. Type and number of issued stock and treasury stock

(in thousands of shares)

	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	1,404,402	-	-	1,404,402
Total	1,404,402	-	-	1,404,402

(Note) Not applicable to treasury stock

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Type of assets for dividends and their book value (Yen in millions)		Dividends per share (in Yen)	Date of record	Effective date
Board meeting held on May 20, 2013	Common stock	Treasury Discount Bills	14,398	10.25	March 31 2013	June 14, 2013
Board meeting held on November 19, 2013	Common stock	Treasury Discount Bills	11,699	8.33	-	November 22, 2013

(Note) Date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends to be made effective after March 31, 2014 for which the date of record is in the year ended March 31, 2014

Resolution	Type of shares	Type of assets for dividends and their book value (Yen in millions)		Source of dividends	Dividends per share (in Yen)	Date of record	Effective date
Board meeting held on May 20, 2014	Common stock	Treasury Discount Bills	16,198	Retained earnings	11.53	March 31, 2014	June 6, 2014

(Note) Date of record is the date to determine shareholders who are entitled to receive dividends.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
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Notes to Consolidated Statements of Cash Flows

For the years ended March 31, 2013 and 2014

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

(Yen in millions)

	2013	2014
Cash, deposits and savings	364,202	382,389
Call loans	69,000	50,000
Receivables under resale agreements	48,545	23,997
Monetary claims bought	92,035	72,859
Money trusts	10,081	10,510
Investments in securities	4,168,404	4,646,523
Time deposits with original maturities of more than three months	(116,816)	(131,367)
Monetary claims bought other than cash equivalents	(60,467)	(45,782)
Money trust other than cash equivalents	(9,381)	(10,510)
Investments in securities other than cash equivalents	(4,139,534)	(4,600,762)
Cash and cash equivalents	426,068	397,857

2. Cash flows from investing activities include those from investments made as part of the insurance business.