

ANNUAL REPORT

2010

NKSJ

HOLDINGS

The Birth of the NKSJ Group

On April 1, 2010, SOMPO JAPAN INSURANCE INC. (Sompo Japan) and NIPPONKOA Insurance Company, Limited (Nipponkoa) integrated their operations under a joint holding company, NKSJ Holdings, Inc. The business integration signals the start of a new era for Sompo Japan and Nipponkoa together as a “new solution service group that will conduct all value judgments thoroughly from the customer’s perspective, providing customers with security and service of the highest quality, and contributing to social welfare.”

Using strengths nurtured over the two companies’ respective 120-year histories, the NKSJ Group will offer customers in Japan and overseas first-class service in P&C insurance and life insurance, as well as a range of other areas, including asset management, risk consulting, healthcare and defined-contribution pension plans.

All of the Group’s activities will be guided by a firm commitment to the customer-first principle, and the view that true corporate value comes from a real commitment to people, society and the environment.

Forward-looking Statements:

This annual report contains certain forward-looking statements relating to future plans and targets, and related operating investments. We caution that there can be no assurance that such targets and plans can or will actually be achieved.

Contents

Message from the Management	2
Financial Highlights	4
Management	10
Management Strategy of the NKSJ Group	10
About the NKSJ Group	15
Corporate Governance	18
Development of Internal Control Systems	21
Risk Management	24
Compliance	27
Protection of Customer Information	29
Internal and External Audits and Inspections	30
Review of Operations	31
Overseas	31
Japan	33
NKSJ Group's Approach to CSR	36
Our Impact on Society	36
Strategy on Global Environmental Issues—Risks and Opportunities	38
Corporate Citizenship Activities, Promoting Employee Diversity	41
Financial Review	43
Financial Section	61
Environmental and Social Performance Data	154
Corporate Information	158
Overseas Network	158
Board of Directors, Officers and Auditors	164
Organization Chart	164
Rating Information for NKSJ Group Companies	164
Corporate Data	165



NKSJ Holdings, Inc.

Makoto Hyodo

Makoto Hyodo
Representative Director,
Chairman and Chief Executive Officer

Masatoshi Sato

Masatoshi Sato
Representative Director,
President and Chief Executive Officer

Beginning a new era together as one of Japan's foremost financial and insurance groups —the NKSJ Group

We would like to begin this message by expressing our sincere appreciation for your support for the NKSJ Group.

On April 1, 2010, Sompo Japan and Nipponkoa created the NKSJ Group by integrating their business operations under a newly established joint holding company, NKSJ Holdings, Inc.

The business integration signals the start of a new era for Sompo Japan and Nipponkoa together as a “new solution service group that will conduct all value judgments thoroughly from the customer’s perspective, providing customers with security and service of the highest quality, and contributing to social welfare.” This new group holds a formidable competitive position in the market, based on strengths that our two companies have nurtured over their respective 120-year histories. With approximately 30,000 employees and a combined ordinary income of ¥2.7 trillion, equivalent to Group net sales, the NKSJ Group is one of Japan’s premier financial and insurance groups.

The NKSJ Group aims to be No. 1 in terms of growth and customers’ trust. Our growth will be sustained by the efforts of every individual NKSJ Group employee to strengthen customers’ trust through continuous efforts to optimize the quality of our products and services. We want to create a virtuous circle in which the growth of the NKSJ Group brings new growth opportunities for our employees and further builds customers’ trust in us.

Our growth strategy focuses on expanding group earnings through improvement in the earning performance of our P&C insurance business in Japan, combined with the investment of management resources in growth segments, such as life insurance in Japan and overseas insurance.

As the holding company, NKSJ Holdings helps ensure effective implementation of segment strategies by allocating management resources to achieve the best possible results, and by providing management supervision and guidance.

The year ending March 31, 2011 is our inaugural business year. We are determined to make this milestone year the first in a new phase of growth and success for the NKSJ Group. Our goal is to improve our corporate value and shareholder value by meeting the expectations of our customers, our shareholders and society.

We look forward to your continuing support.

September 2010

Consolidated Indicators for Sampo Japan

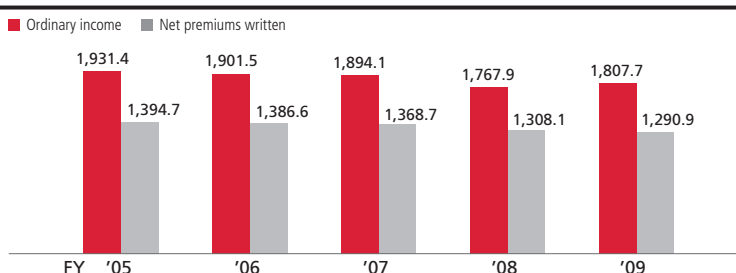
(Millions of yen)

	FY2005	FY2006	FY2007	FY2008	FY2009
Ordinary income	1,931,473	1,901,599	1,894,121	1,767,980	1,807,781
Net premiums written (P&C insurance)	1,394,783	1,386,662	1,368,740	1,308,194	1,290,948
Life insurance premiums	196,508	192,997	167,835	124,039	131,899
Ordinary profit (loss)	114,873	110,541	94,063	(144,052)	48,829
Net income (loss)	67,377	61,944	59,636	(66,710)	39,366
Net income (loss) per share (yen)	68.46	62.93	60.57	(67.75)	39.98
Diluted net income per share (yen)	68.40	62.88	60.55	—	39.94
Total assets	6,774,812	7,002,180	6,450,734	5,913,379	6,164,068
Total net assets	1,361,582	1,454,744	1,071,176	594,946	802,843
Equity ratio	20.1%	20.8%	16.6%	10.0%	13.0%
Return on equity (ROE)	6.0%	4.4%	4.7%	(8.0%)	5.7%
Number of shares (excluding treasury stock)	984,225,284 shares	984,467,333 shares	984,551,429 shares	984,544,721 shares	984,055,299 shares

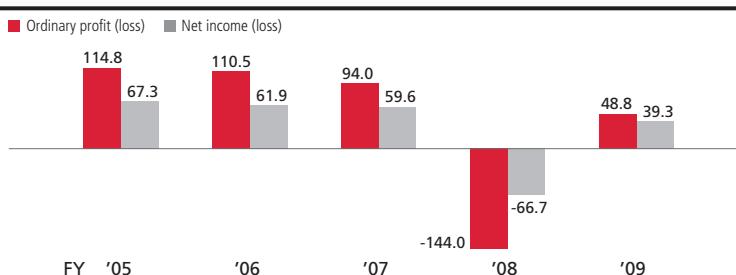
Notes: 1 ROE is calculated as net income/total net assets (average of totals at the start and end of the fiscal year).

2 Diluted net income per share is not shown for FY2008 because there was a net loss.

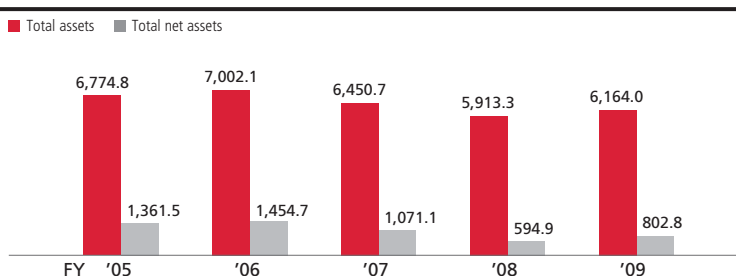
Ordinary income/Net premiums written (Billions of yen)



Ordinary profit (loss)/Net income (loss) (Billions of yen)



Total assets/Total net assets (Billions of yen)



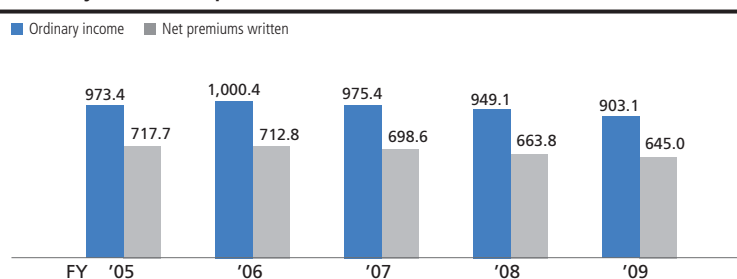
Consolidated Indicators for Nipponkoa

(Millions of yen)

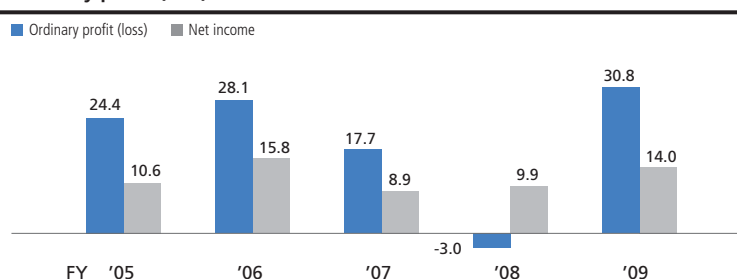
	FY2005	FY2006	FY2007	FY2008	FY2009
Ordinary income	973,424	1,000,461	975,464	949,106	903,102
Net premiums written (P&C insurance)	717,727	712,862	698,685	663,888	645,021
Life insurance premiums	61,048	61,946	64,158	63,568	66,337
Ordinary profit (loss)	24,486	28,130	17,742	(3,043)	30,886
Net income	10,670	15,872	8,991	9,971	14,018
Net income per share (yen)	13.08	19.81	11.63	13.15	18.63
Diluted net income per share (yen)	13.07	19.79	11.62	13.13	18.59
Total assets	3,759,621	3,700,381	3,323,190	3,089,523	3,051,905
Total net assets	791,328	767,024	543,198	345,467	434,857
Equity ratio	21.0%	20.7%	16.3%	11.2%	14.2%
Return on equity (ROE)	1.6%	2.0%	1.4%	2.2%	3.6%
Number of shares (excluding treasury stock)	803,184,856 shares	796,188,970 shares	762,225,803 shares	752,404,077 shares	752,453,310 shares

Note: ROE is calculated as net income/total net assets (average of totals at the start and end of the fiscal year).

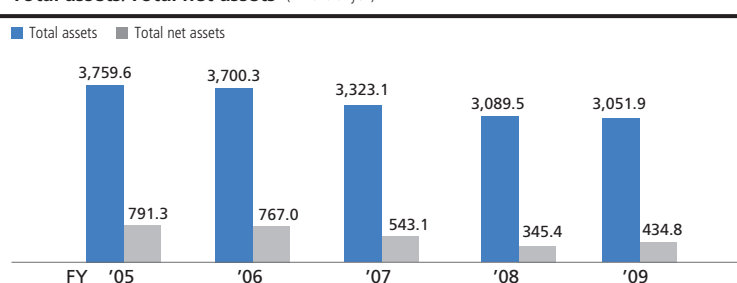
Ordinary income/Net premiums written (Billions of yen)



Ordinary profit (loss)/Net income (Billions of yen)



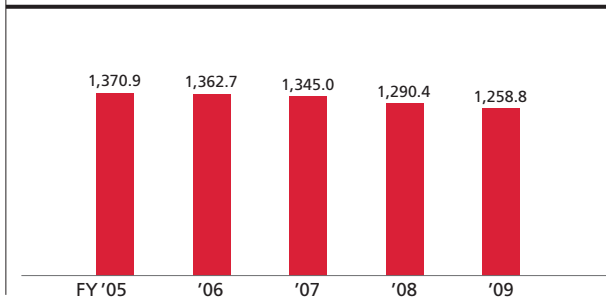
Total assets/Total net assets (Billions of yen)



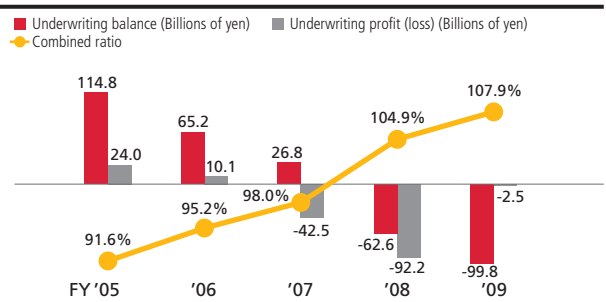
Non-consolidated Indicators for Sampo Japan and Sampo Japan Himawari Life

Sampo Japan

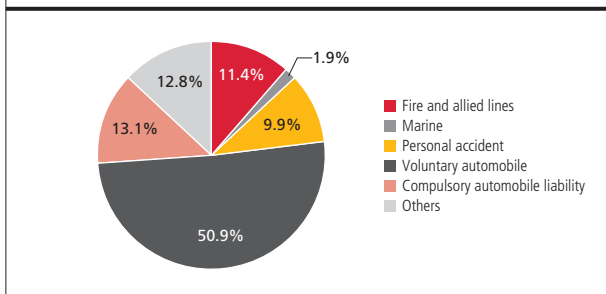
Net premiums written (Billions of yen)



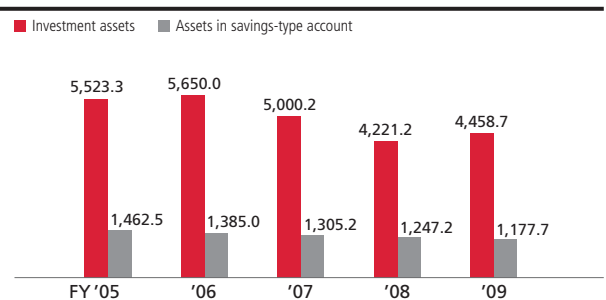
Underwriting balance/Underwriting profit (loss)/Combined ratio



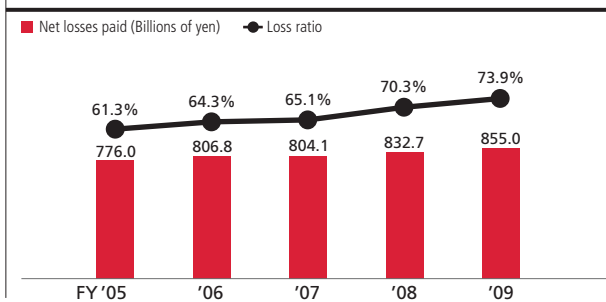
Breakdown of net premiums written (FY2009)



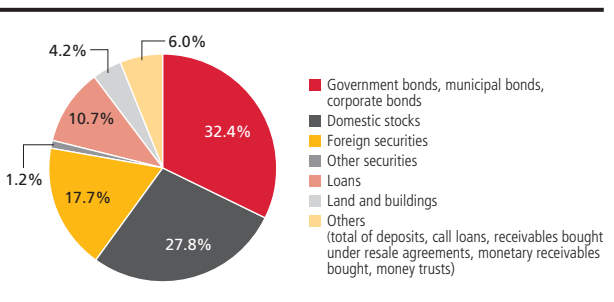
Investment assets/Assets in savings-type account (Billions of yen)



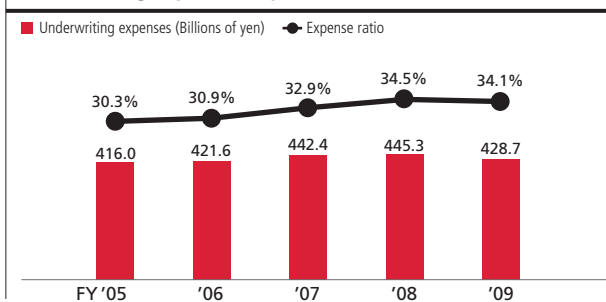
Net losses paid/Loss ratio



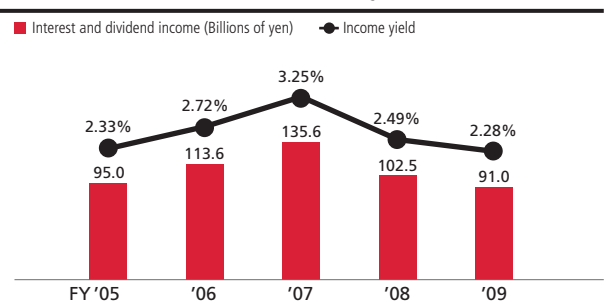
Breakdown of investment assets (as of March 31, 2010)



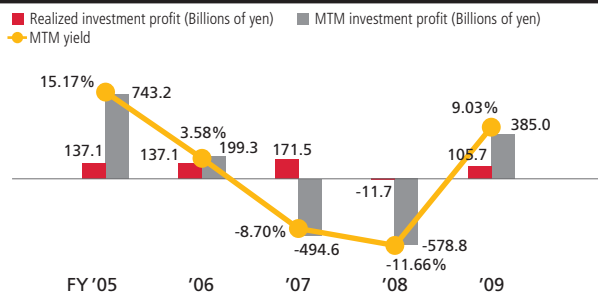
Underwriting expenses/Expense ratio



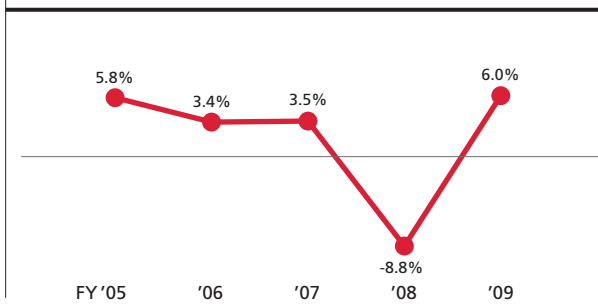
Interest and dividend income/Income yield



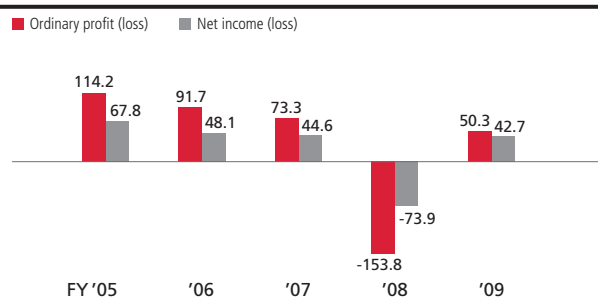
Investment profit (realized basis and mark-to-market basis)/ MTM yield



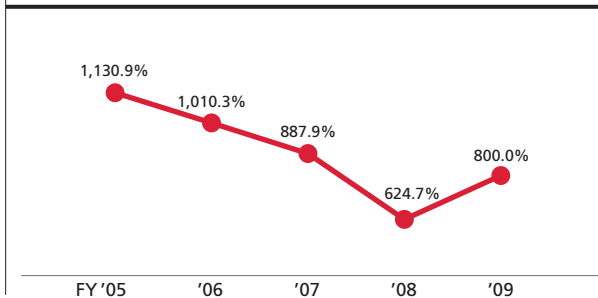
Return on equity (ROE)



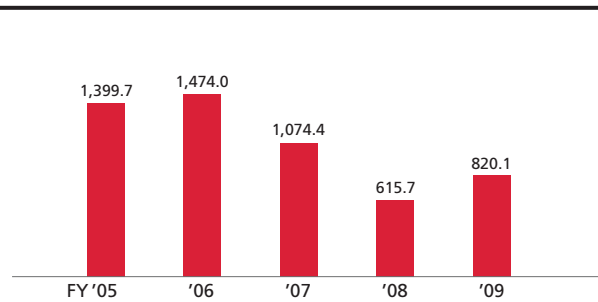
Ordinary profit (loss)/Net income (loss) (Billions of yen)



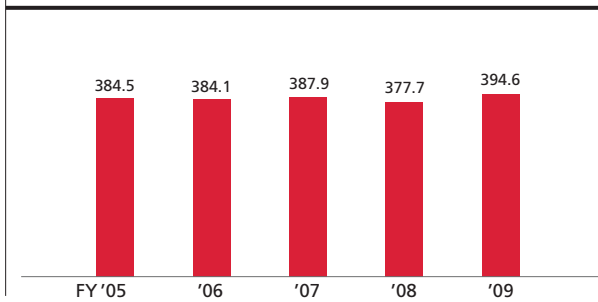
Solvency margin ratio



Total net assets (Billions of yen)

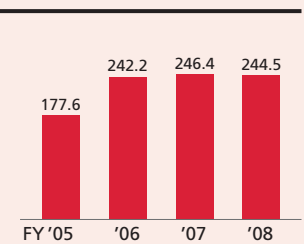


Catastrophe loss reserve (Billions of yen)

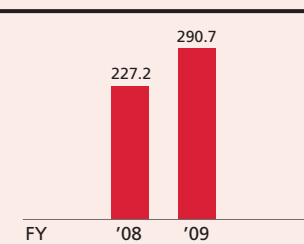


Sompo Japan Himawari Life

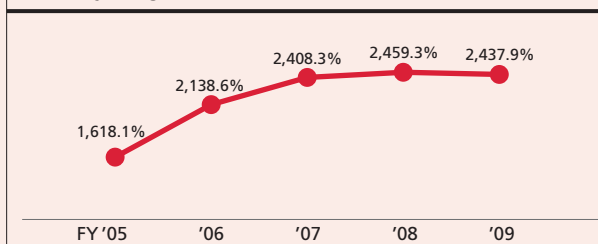
Embedded value (TEV) (Billions of yen)



Embedded value (MCEV) (Billions of yen)



Solvency margin ratio

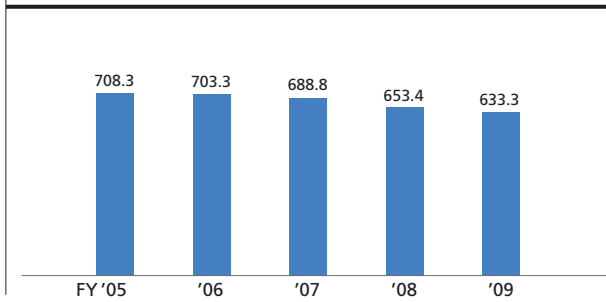


Note: In the past, Sompo Japan Himawari Life disclosed traditional embedded value (TEV), but since March 31, 2010, it discloses market consistent embedded value (MCEV).

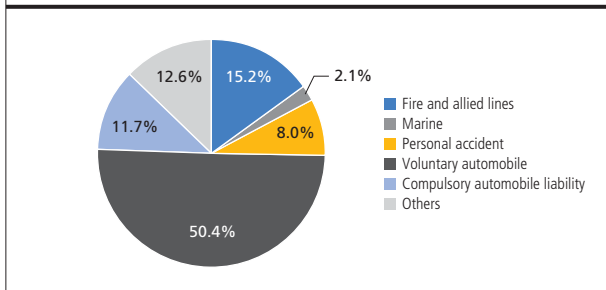
Non-consolidated Indicators for Nipponkoa and Nipponkoa Life

Nipponkoa

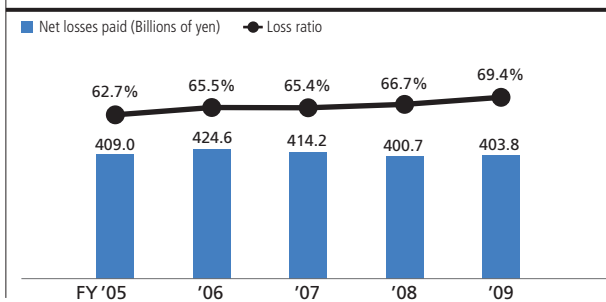
Net premiums written (Billions of yen)



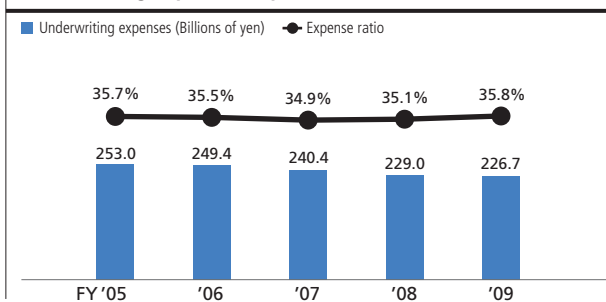
Breakdown of net premiums written (FY2009)



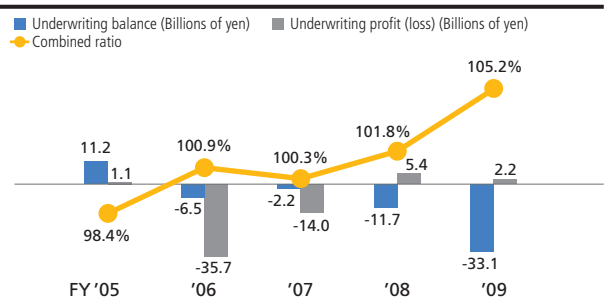
Net losses paid/Loss ratio



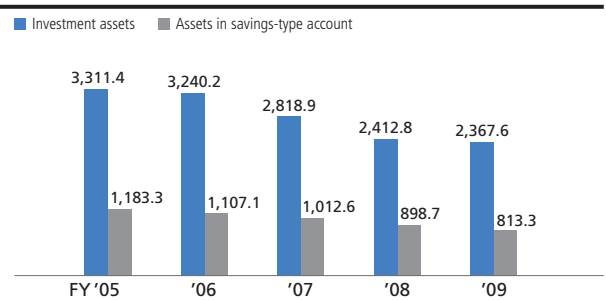
Underwriting expenses/Expense ratio



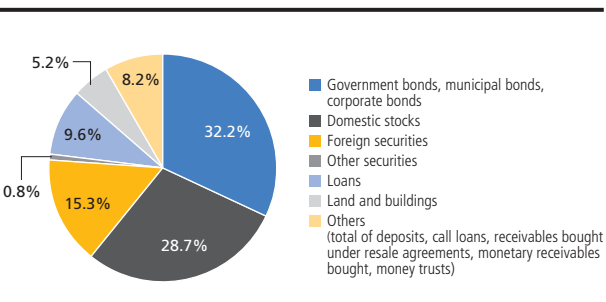
Underwriting balance/Underwriting profit (loss)/Combined ratio



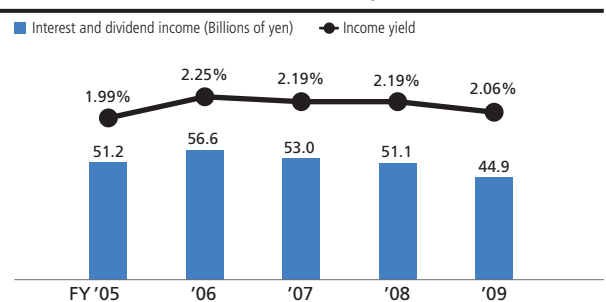
Investment assets/Assets in savings-type account (Billions of yen)



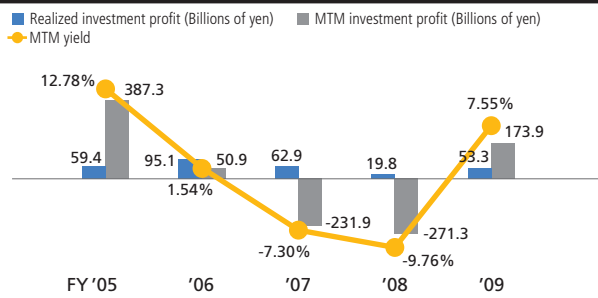
Breakdown of investment assets (as of March 31, 2010)



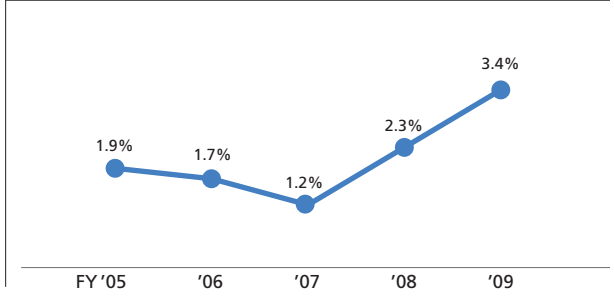
Interest and dividend income/Income yield



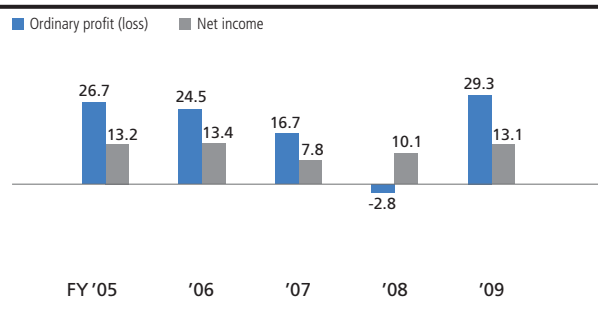
Investment profit (realized basis and mark-to-market basis)/ MTM yield



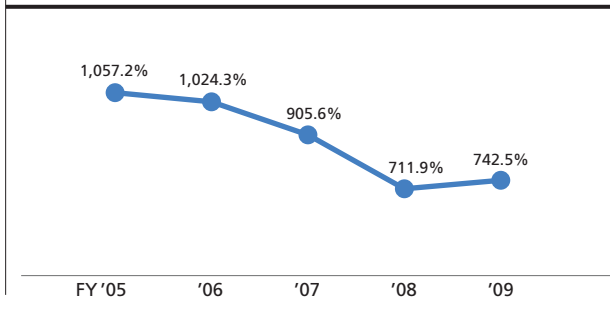
Return on equity (ROE)



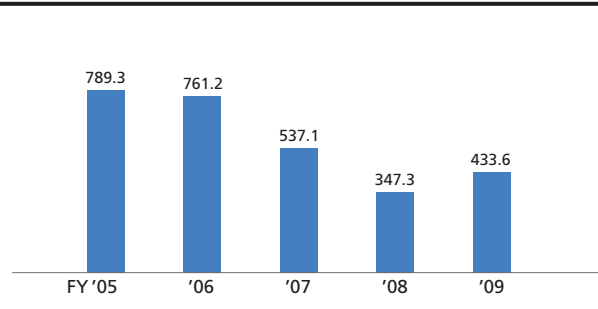
Ordinary profit (loss)/Net income (Billions of yen)



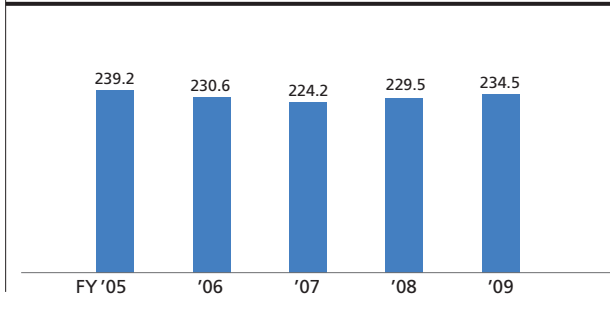
Solvency margin ratio



Total net assets (Billions of yen)

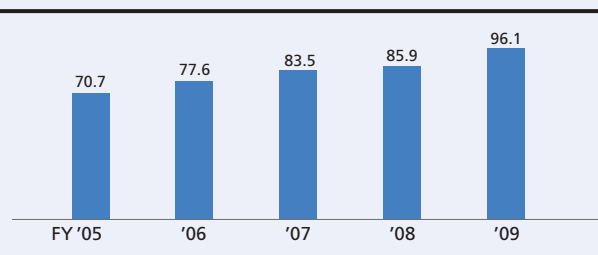


Catastrophe loss reserve (Billions of yen)

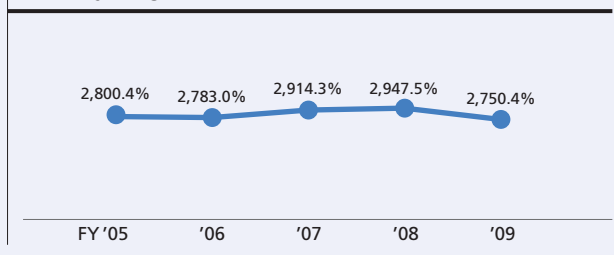


Nipponkoa Life

Embedded value (TEV) (Billions of yen)



Solvency margin ratio



Management Strategy of the NKSJ Group

The NKSJ Group pursues sustainable growth and further improvement of our corporate value by expanding group income through prompt realization of integration synergies and strategic allocation of management resources to growth areas.

Basic Management Policies

Aiming to become No. 1 in growth and customers' trust

Recognizing its social responsibility and public mission in insurance and financial services, the NKSJ Group pursues sustained growth by executing management strategies for the entire Group through operations premised on building highly transparent governance systems and ensuring effective risk management and compliance.

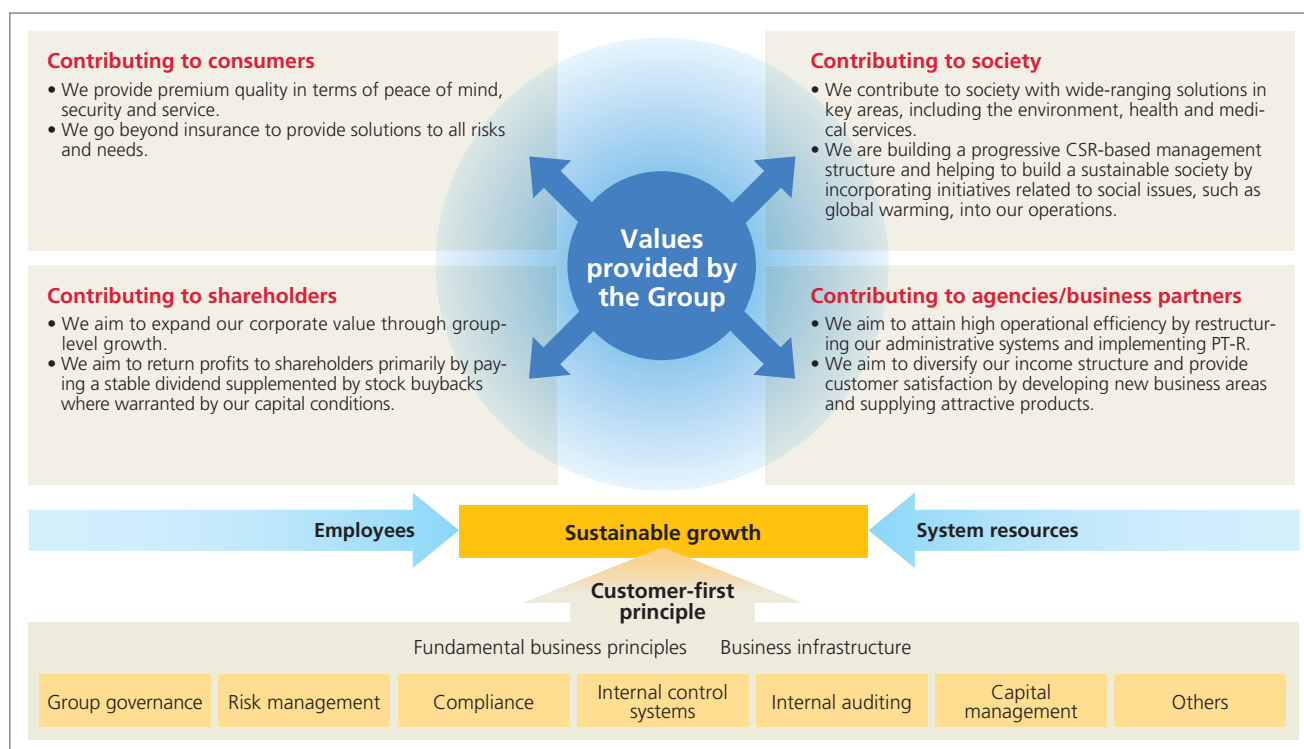
1. We are enhancing management efficiency through collaboration in all areas of the NKSJ Group's operations to ensure that the effects of the business integration are realized as soon as possible.
2. Drawing on the solid financial foundation and human resources provided by the business integration, we are strategically investing resources in growth areas in the aim of bolstering earnings on a group-wide basis and enhancing our corporate value.

3. We endeavor to enhance operational quality in all of our service processes and provide customers with absolute peace of mind and the highest quality services so as to strengthen the trust that customers place in us.
4. Utilizing our core business strengths in areas such as the environment, health and medical care, we fulfill our corporate social responsibility and help to build a sustainable society through active dialog with stakeholders.
5. We actively undertake human resource exchanges within the Group, effectively utilize know-how, and work to invigorate our workforce to realize a vibrant and open NKSJ Group that grows together with its employees.

Basic Strategies

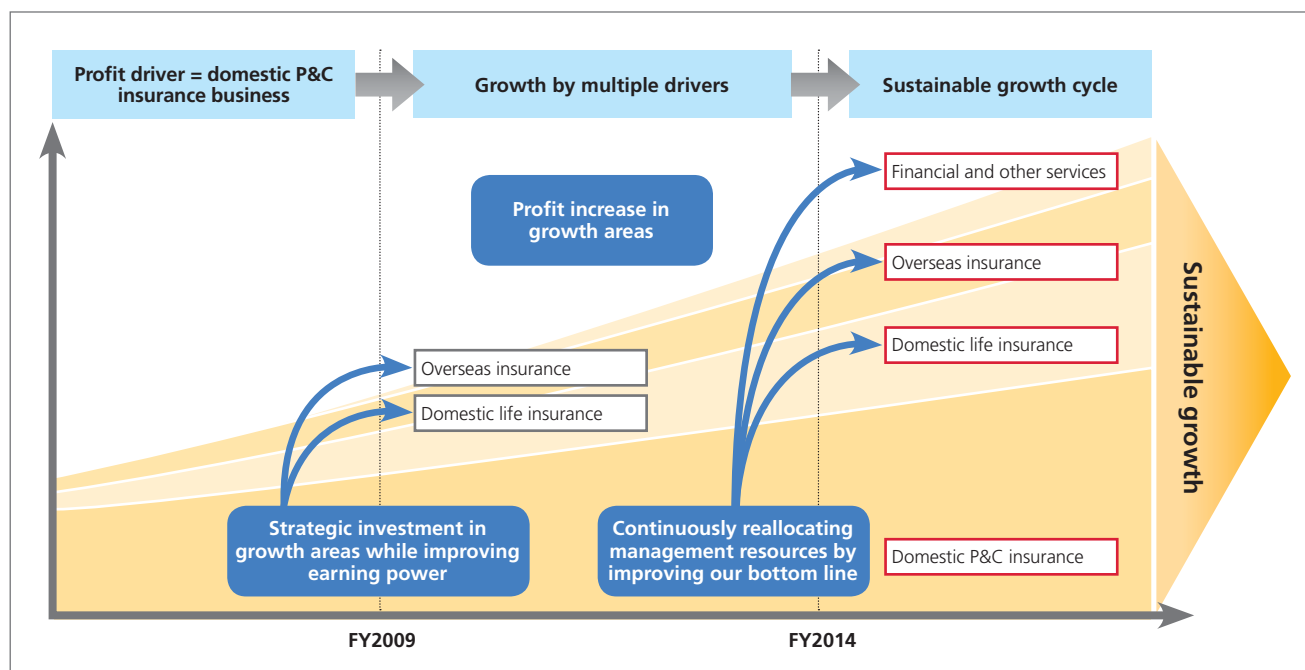
The NKSJ Group aims to maximize the value provided to all stakeholders by growing sustainably under a fundamental commitment to responsible business evolution, including the creation of highly transparent governance structures and effective risk management systems.

We aim to further improve our profit-earning capacity in the domestic property and casualty (P&C) insurance business, which



is a profit driver of the Group. Also, we are shifting management resources to promising areas such as domestic life insurance and overseas insurance businesses, and working to establish a more balanced business portfolio. Moreover, we are investing in

growth businesses by utilizing enhanced profit expanded by multiple profit drivers. In this way, the NKSJ Group aims to create a sustainable growth cycle.



NKSJ Group Medium-term Financial Targets

NKSJ Group's medium-term financial targets are as below.

	FY2009 (Actual)	FY2012 (Target)	FY2014 (Target) ²
Adjusted consolidated profit	89.9	90.0	160.0 (100%)
Domestic P&C insurance	46.7	50.0	90.0 (56%)
Domestic life insurance	44.6	35.0	50.0 (31%)
Overseas insurance	1.5	7.0+ α ¹	16.0 (10%)
Financial and other services	-2.9	-2.0	4.0 (3%)
Adjusted consolidated ROE	5.1%	4.4%	7%

Notes: 1 M&A activities are expected to increase income from the overseas insurance business, but at this stage it is not possible to predict the years in which new investments will be made. For this reason, the FY2012 figures are based only on existing business.

2 The figures in parentheses under "FY2014 (Target)" represent percentages of total income.

Scope of Aggregation of Adjusted Income

Domestic P&C insurance	Sum of non-consolidated results for Sompo Japan and Nipponkoa
Domestic life insurance	Sum of results for Sompo Japan Himawari Life and Nipponkoa Life
Overseas insurance	Overseas insurance subsidiaries, etc.
Financial and other services	Saison Automobile & Fire, Sonpo 24, Sompo Japan DIY Life, financial services, healthcare, etc.

Calculation of Adjusted Profit

■ Domestic P&C insurance:

Net income + provisions for catastrophe loss reserve (after tax) + provisions for price fluctuation reserve (after tax) – gains/losses on securities sales and securities devaluation losses (after tax) – extraordinary items

■ Domestic life insurance (subsidiaries):

Growth in embedded value (EV) – capital account transactions (e.g., equity issuance) – changes in EV attributable to interest rate movements

■ Overseas, financial and other services:

Net income as reported in financial statements

$$\text{Adjusted consolidated ROE} = \frac{\text{Adjusted consolidated profit}}{\text{Consolidated net assets (excluding life insurance subsidiaries' net assets) + catastrophe loss reserve (after tax) + price fluctuation reserve (after tax) + life insurance subsidiaries' EV}}$$

Note: The denominator is the average balance at the end/start of each fiscal year.

Adjusted Profit Results for Fiscal 2009

■ Domestic P&C insurance:

Net income ¥55.9 billion
 + Provisions for catastrophe loss reserve (after tax) ¥13.9 billion
 + Provisions for price fluctuation reserve (after tax) ¥5.5 billion
 - Gains/losses on securities sales and
 Securities devaluation losses (after tax) ¥19.0 billion
 - Extraordinary items* ¥9.5 billion

Total ¥46.7 billion

■ Domestic life insurance:

Growth in embedded value (EV) ¥73.7 billion
 - Capital account transactions (e.g., equity issuance) —
 - Changes in EV attributable to
 interest rate movements ¥29.1 billion

Total ¥44.6 billion

* Amount equivalent to after-tax gains on establishment of retirement benefit trusts.

Note: After-tax amounts are calculated by deducting an amount based on the effective tax rate from the item concerned.

■ Adjusted consolidated ROE

$$\frac{\text{Adjusted consolidated profit ¥89.9 billion}}{\text{Consolidated net assets (excluding life insurance subsidiaries' net assets) ¥1,010.3 billion + catastrophe loss reserve (after tax) ¥395.1 billion + price fluctuation reserve (after tax) ¥8.1 billion + life insurance subsidiaries' EV ¥349.9 billion}} = 5.1\%$$

Note: After-tax amounts are calculated by deducting an amount based on the effective tax rate from the balance of each reserve. /The denominator is the average balance at the end/start of each fiscal year.

Integration Synergies and One-time Costs

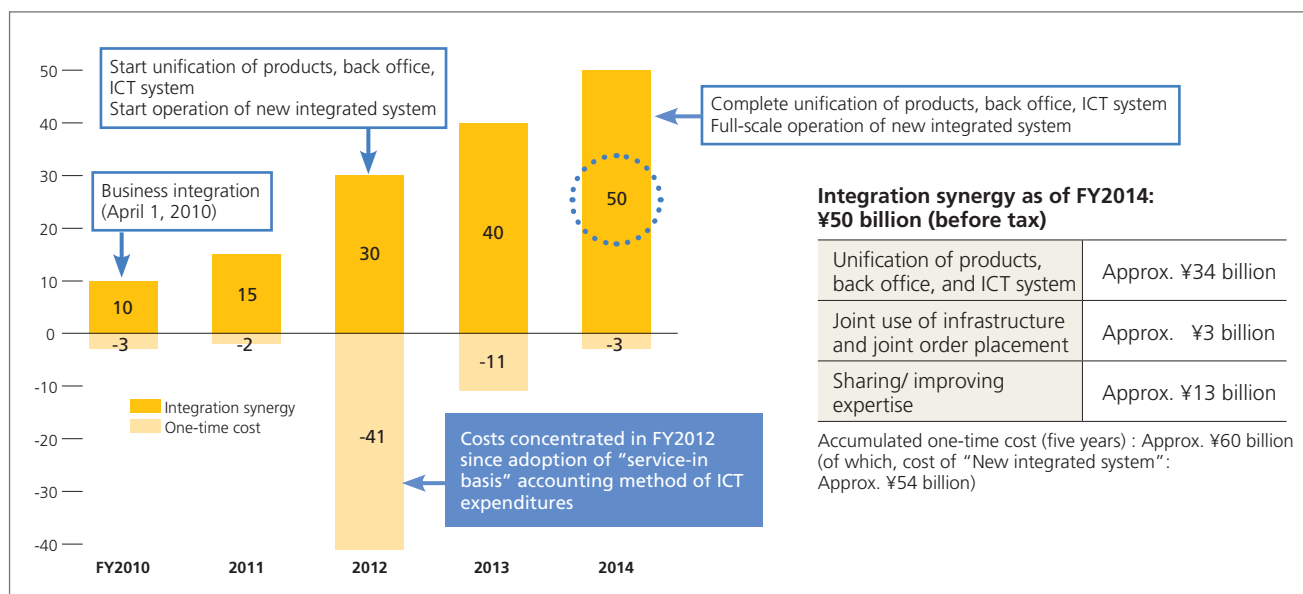
1. Integration synergies

- The integration will achieve synergies from the first year that will grow gradually. In FY2014, we estimate synergies at a value of ¥50 billion.
- The unification of products, back office and information communication technology (ICT) systems will contribute the most, bringing a ¥34 billion saving. We will achieve ¥3 billion in savings by sharing infrastructure and centralizing procurement, and another ¥13 billion by sharing high-level expertise.

2. One-time costs

- A one-time cost totaling ¥60 billion will be spent over a period of five years, mostly on building the new integrated system.
- The huge one-time cost burden in FY2012 is due to the fact that we have adopted the “service-in basis” accounting method for ICT expenditures. Under this method, we book all system costs in the year when the system goes live.

Integration Synergies/One-time Costs (Billions of yen)



Main Business Plans of the NKSJ Group

Our strategies for achieving our medium-term financial targets are outlined below.

1. Domestic P&C insurance—improve earning power

- By realizing synergies promptly and enhancing earning capacity and management efficiency, we aim to achieve our adjusted profit target of ¥50 billion in FY2012, and ¥90 billion in FY2014.
- Through system integration and thorough review of operational processes, we are enhancing operating efficiency and reduce expenses.

2. Domestic life insurance—accelerate growth

- The NKSJ Group's life insurance subsidiaries, Sampo Japan Himawari Life and Nipponkoa Life, plan to merge in October 2011.
- By strategically allocating management resources to the domestic life insurance business, which we believe is a promising area, we aim to achieve adjusted embedded value (EV) growth of ¥50 billion in FY2014.

3. Overseas insurance—develop into major income source

- We have identified the overseas insurance business as a core profit driver following the domestic P&C insurance business and domestic life insurance business. We will accelerate M&A

overseas, and invest as much as ¥200 billion for three years ending FY2012.

- As our M&A targets, we primarily focus on sectors in which we may realize synergies with our business, especially P&C insurance, and mainly in growing emerging economies.
- ### 4. Financial and other services—expand Group income sources
- In FY2010, we plan to merge/ integrate our subsidiaries into a single entity both in the asset management business and the risk consulting business.
 - We will promote joint operation in other businesses, such as healthcare, defined contribution pension plans and environmental businesses, by utilizing the Group's sales network.

Capital Management Policy of the NKSJ Group

The NKSJ Group's basic capital management policy is to enhance corporate value by balancing three imperatives: "maintaining financial soundness", "improving capital efficiency", and "increasing shareholder returns".

1. Maintaining financial soundness

- We will build an integrated risk management structure on a Group-wide basis, with a target credit rating of AA.
- We reduce strategic-holding stocks continuously.

2. Improving capital efficiency

- We will allocate capital to investments in growth businesses (e.g. overseas M&As) while maintaining financial soundness.
- We will use individual stock valuations provided primarily by the asset management subsidiary for investment decisions of strategic-holding stocks.
- We will strengthen investment operations through such means as transferring pure investment operations to the asset management subsidiary.

3. Increasing shareholder returns

- We aim to return profits to shareholders primarily by paying a stable dividend supplemented by stock buybacks where warranted by capital conditions.
- We target a total payout ratio* of 50%, such that total shareholder returns amount to 50% of adjusted profit (excluding any increase in embedded value).

Total payout ratio = (total dividend + total stock buybacks) / adjusted profit (excluding increase in embedded value of life insurance subsidiaries)

Investment Strategy of the NKSJ Group

The NKSJ Group regards investment as a key strategic area. By strengthening investment capabilities through various measures, we aim to improve our investment performance.

1. The Investment Committee

- The Investment Committee has been set up as an advisory organ to the NKSJ Holdings' Board of Directors. The

committee consists of five directors, and the Chairman and majority of members are outside directors to ensure independent perspectives in decision making.

- The Investment Committee is involved in a wide manner of investment activities as it establishes the Group's investment strategy and monitors its investment activities. The committee is expected to give advice and recommendations to the Board of Directors as needed.

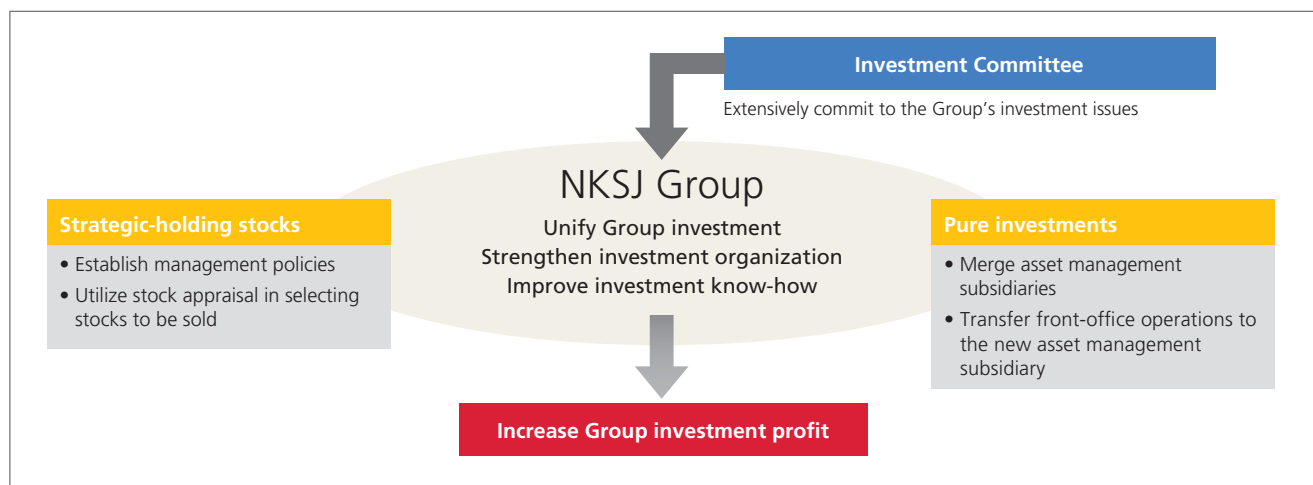
2. Strengthening investment capabilities

- The Group's asset management companies, Sampo Japan Asset Management and Zest Asset Management, will merge in FY2010.
- We will transfer most of the front-office operations of pure investment securities from the two major P&C insurance companies, thereby unifying the investment activities of the Group, enhancing our investment structure and improving the investment know-how, as well as increasing investment profit.

3. Management of strategic-holding stocks

- We have established a plan to reduce our strategic-holding stocks by ¥300 billion (MTM basis) over the next three years to FY2012.
- This target is regarded as the minimum level, and will be continuously reviewed with a view to support future business environment.
- In selecting stocks to be sold, we will use stock appraisals offered by asset management companies, including our subsidiary. The Investment Committee determines and monitors the stock selection process performed by Group companies.

Investment

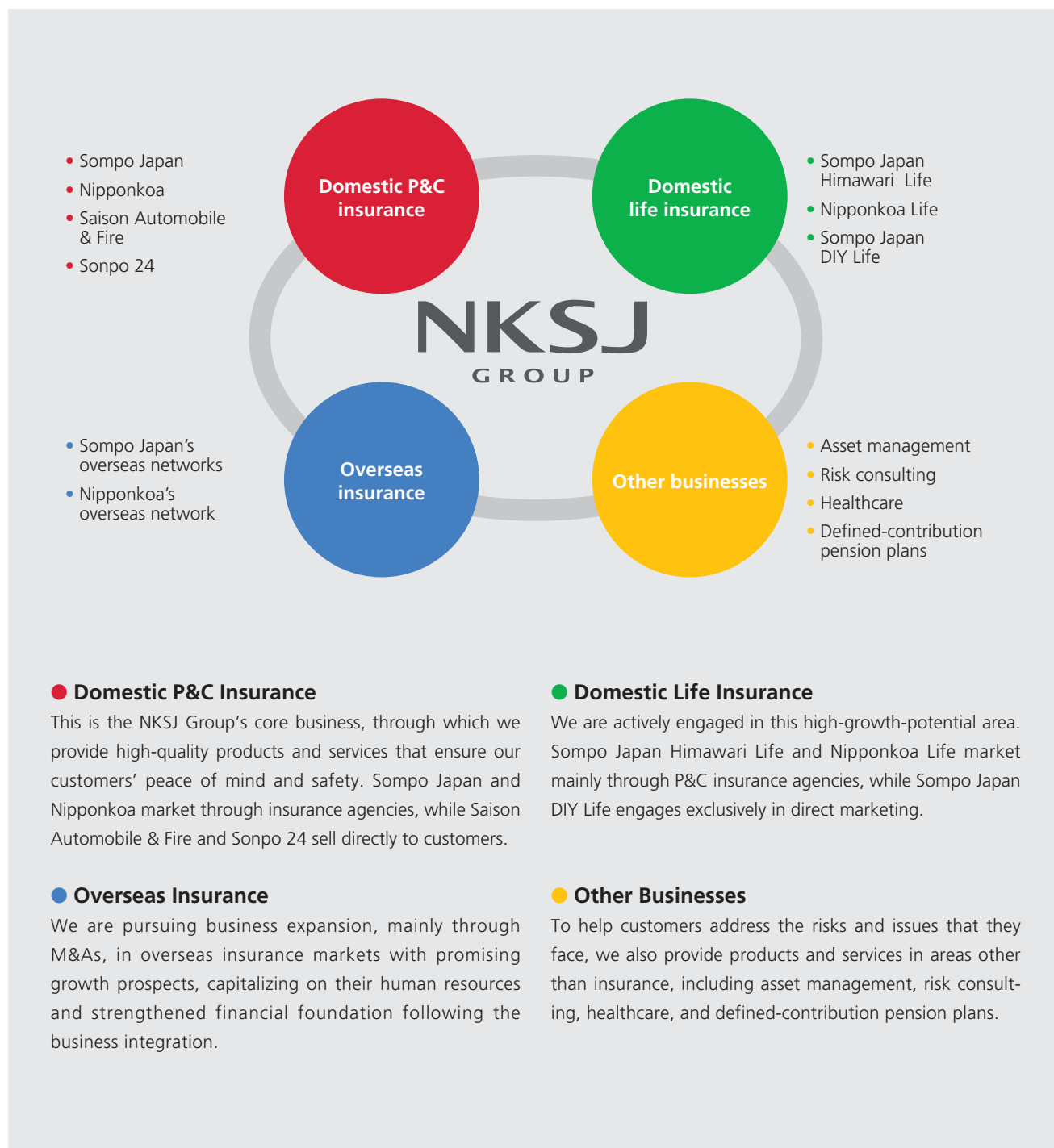


About the NKSJ Group

Business Domains and Major Group Companies

We intend to create a new solution service* group that will conduct all value judgments thoroughly from the customer's perspective, providing customers with security and service of the highest quality, and contributing to social welfare.

* A "solution service" means a broad range of services, which will provide solutions to the needs of customers and the risks that surround them across the boundaries of the insurance business.



● Domestic P&C Insurance

This is the NKSJ Group's core business, through which we provide high-quality products and services that ensure our customers' peace of mind and safety. Sampo Japan and Nipponkoa market through insurance agencies, while Saison Automobile & Fire and Sonpo 24 sell directly to customers.

● Overseas Insurance

We are pursuing business expansion, mainly through M&As, in overseas insurance markets with promising growth prospects, capitalizing on their human resources and strengthened financial foundation following the business integration.

● Domestic Life Insurance

We are actively engaged in this high-growth-potential area. Sampo Japan Himawari Life and Nipponkoa Life market mainly through P&C insurance agencies, while Sampo Japan DIY Life engages exclusively in direct marketing.

● Other Businesses

To help customers address the risks and issues that they face, we also provide products and services in areas other than insurance, including asset management, risk consulting, healthcare, and defined-contribution pension plans.

Major Insurance Companies in the NKSJ Group

Domestic P&C Insurance



SOMPO JAPAN INSURANCE INC.

Sompo Japan was founded in 2002 through the merger of four companies: Yasuda Fire & Marine Insurance, Nissan Fire & Marine Insurance, Taisei Fire & Marine Insurance and Dai-ichi Property & Casualty Insurance. Since its foundation, Sompo Japan has maintained a firm commitment to its customer-first principle.

Sompo Japan aims to achieve sustained growth by always listening to customers' voices, and providing products and services that bring customers full satisfaction at all times.

Corporate Profile (as of March 31, 2010)

Established: October 1888
Paid-in capital: ¥70 billion
Total assets: ¥5,029.2 billion
Net premiums written: ¥1,258.8 billion
Employees: 17,294
Head office: 26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo, Japan
Telephone: 03-3349-3111 (operator)
URL: <http://www.sompo-japan.co.jp/>



NIPPONKOA INSURANCE CO., LTD.

NIPPONKOA Insurance Company, Limited

Nipponkoa was founded in 2001 through the merger of Nippon Fire & Marine Insurance and Koa Fire & Marine Insurance.

Customer needs are the starting point for all of the company's business activities. Its four core goals are contribution to society, quality improvement, income improvement and the maximization of integration synergies.

Nipponkoa aspires to be a preferred and trusted insurance company to all of its stakeholders, and is working toward this goal by continuously fortifying compliance and risk management systems, enhancing the quality of its business and fulfilling its corporate social responsibilities.

Corporate Profile (as of March 31, 2010)

Established: April 1892
Paid-in capital: ¥91.2 billion
Total assets: ¥2,592.4 billion
Net premiums written: ¥633.3 billion
Employees: 8,883
Head office: 7-3, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, Japan
Telephone: 03-3593-3111 (operator)
URL: <http://www.nipponkoa.co.jp/>



SAISON AUTOMOBILE & FIRE INSURANCE CO., LTD.

SAISON AUTOMOBILE AND FIRE INSURANCE COMPANY, LIMITED

Saison Automobile & Fire became a subsidiary of Sompo Japan in 2009. By using its own unique channels, which focus primarily on mail order and Internet sales, and by offering simple, highly individualized products, the company aims to build a reputation as the insurance company that "best knows customers' needs", "provides extensive advice to help customers choose optimized products" and "offers the best accident response services".

Corporate Profile (as of March 31, 2010)

Establishment date: September 1982 (start of business: April 1983)
Paid-in capital: ¥8.61 billion
Total assets: ¥34.3 billion
Net premiums written: ¥13.8 billion
Employees: 469
Head office: Sunshine 60, 1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo, Japan
Telephone: 03-3988-2711 (operator)
URL: <http://www.ins-saison.co.jp/>

日本興亜保険グループ

そんぽ24

Sonpo 24 Insurance Company Limited

Sonpo 24 was created to set a new standard for insurance services in Japan, and the company became part of the Nipponkoa Group in 2004.

Its mission is to offer a simple process for obtaining easy-to-understand insurance cover for affordable premiums, and to provide total support when customers experience accidents or other problems.

Corporate Profile (as of March 31, 2010)

Establishment date: December 1999 (start of business: March 2001)
Paid-in capital: ¥19.0 billion
Total assets: ¥18.4 billion
Net premiums written: ¥9.9 billion
Employees: 206
Head office: Sunshine 60, 1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo, Japan
Telephone: 03-5957-0111 (operator)
URL: <http://www.sonpo24.co.jp/>

Domestic Life Insurance



Sompo Japan Himawari Life Insurance Co., Ltd.

Since its establishment, Sompo Japan Himawari Life has pioneered the development of new healthcare insurance products to meet a wide range of customer needs.

The company aims to earn the trust of customers as their preferred life insurance company by working through agencies, life counselors and other channels to provide innovative products that match a wide range of needs.

Corporate Profile (as of March 31, 2010)

Establishment date: July 1981 (start of business: April 1982)

Paid-in capital: ¥17.25 billion

Total assets: ¥1,122.1 billion

Amount of business in force: ¥10,485.1 billion

Employees: 1,517

Head office: Shinjuku Mitsui Building, 1-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo, Japan

Telephone: 03-3348-7011 (operator)

URL: <http://www.himawari-life.com/>



NIPPONKOA LIFE INSURANCE CO.,LTD.

NIPPONKOA Life Insurance Company, Limited

Nipponkoa Life was founded in April 2001 through the merger of Koa Life Insurance and Nippon Partner Life Insurance.

Under its code of conduct, it seeks to earn customers' trust by making their needs the starting point for all of its activities, and by continually improving their satisfaction through customer-focused initiatives. Nipponkoa Life is building a reputation as a trusted and preferred insurance company through strict compliance with all regulatory requirements and continual quality enhancement in all operations.

Corporate Profile (as of March 31, 2010)

Establishment date: August 1996 (start of business: October 1996)

Paid-in capital: ¥20 billion

Total assets: ¥468.9 billion

Amount of business in force: ¥4,201.6 billion

Employees: 545

Head office: 4-2, Tsukiji 3-chome, Chuo-ku, Tokyo, Japan

Telephone: 03-5565-8080 (operator)

URL: <http://www.nipponkoa.co.jp/life/>



Sompo Japan DIY Life Insurance CO., LTD.

Sompo Japan DIY Life markets life insurance directly under a business concept based on the provision of customer-focused value and the elimination of all waste to minimize operating costs.

Customers create their own "do-it-yourself" life insurance by assembling *One-year Term Life Insurance*. This can be reviewed annually to reflect changing life stages, and can also be combined with various riders covering hospitalization, cancer treatment and income insurance. Instead of face-to-face marketing, Sompo Japan DIY Life sells its products directly via the Internet or by mail.

Corporate Profile (as of March 31, 2010)

Establishment date: April 1999 (start of business: May 1999)

Paid-in capital: ¥10.1 billion

Total assets: ¥6.1 billion

Amount of business in force: ¥803.9 billion

Employees: 55

Head office: Nittochi Nishi-Shinjuku Building, 10-1, Nishi-Shinjuku 6-chome, Shinjuku -ku, Tokyo, Japan

Telephone: 03-5437-9047

URL: <http://diy.co.jp/>

Corporate Governance

NKSJ Holdings is continually working to improve the transparency and fairness of its corporate governance, and strengthen its relationships of trust with all stakeholders. The Board of Directors sets corporate governance policies and defines the overall vision for the governance organization and its mechanisms.

Corporate Governance Policy

NKSJ Holdings (the Company) has established the following policies to ensure transparent and fair corporate governance, and to strengthen the confidence of all stakeholders in its ability to fulfill its corporate social responsibilities.

1. Overview of governance organization

The Company is structured as a company with a Board of Corporate Auditors. The Board of Directors, which is responsible for important management decisions and the supervision of operations, and the Corporate Auditors and Board of Corporate Auditors, which are independent from the Board of Directors, both work to maintain and enhance the effectiveness of supervisory functions and checks and balances.

To ensure timely decision-making and clarify chains of authority and accountability, the Company has also adopted an executive officer system and strengthened Group solidarity by creating a co-CEO structure.

The Board of Directors is charged with creating a highly transparent group-wide governance structure by formulating basic management policies for the Group, as well as policies concerning the development of the internal control systems on which management is based.

The Company has also established a Nomination and Compensation Committee and Investment Committee to advise the Board of Directors. Both are chaired by outside directors, and outside directors make up the majority of committee members.

2. Directors and the Board of Directors

(1) The role of directors and the Board of Directors

Alongside performing its statutory duties, the Board of Directors makes decisions on important management matters and supervises the performance of operations. In principle, the Board of Directors meets monthly, with the appropriate number of members required to allow timely decision making.

Directors must improve their knowledge and accumulate experience pertaining to important matters, so that they can perform their management duties appropriately, fairly and efficiently.

(2) Number and terms of office of directors, composition of the Board of Directors

The number of directors must not exceed 15, as stipulated in the Articles of Incorporation. When determining the actual number of directors, the Company takes into account the need for timely and appropriate decision making and the scope of duties to be performed by the Board of Directors. Outside directors should be corporate managers and other persons with extensive and wide-ranging knowledge, who can bring outside viewpoints to various aspects, including legal affairs, consumer needs and overseas business development.

To provide clear management accountability within each fiscal year, the terms of office of directors expires at the conclusion of the final ordinary General Meeting of Shareholders pertaining to the fiscal year that ends within one year of their appointment.

3. Corporate auditors and Board of Corporate Auditors

(1) The role of the corporate auditors and Board of Corporate Auditors

Alongside performing their statutory duties, corporate auditors also conduct audits concerning the legality and appropriateness of business operations, taking into account the importance of customer protection.

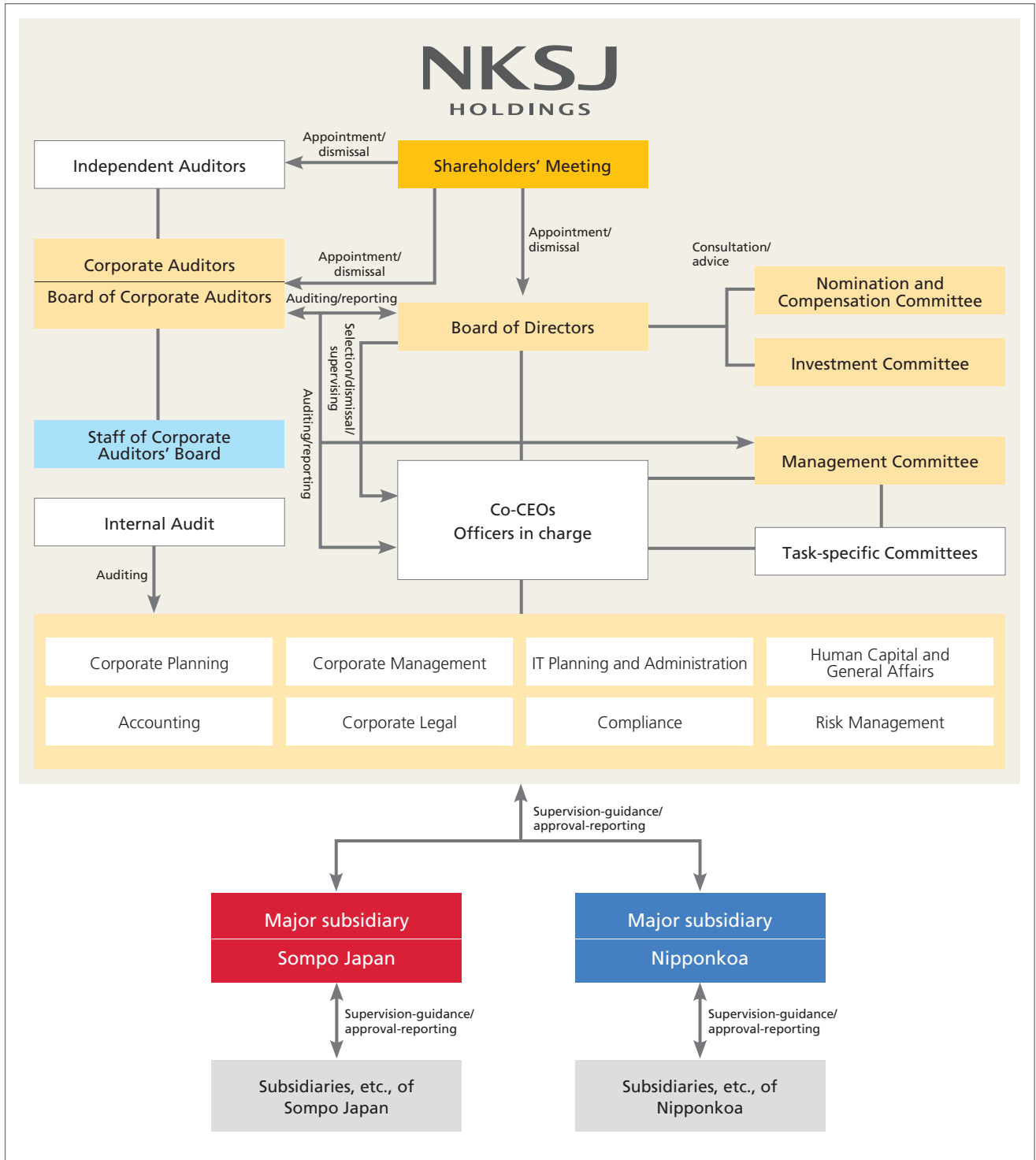
The Board of Corporate Auditors formulates audit policies and plans, etc., to ensure that these audits are conducted effectively.

(2) Number and terms of office of auditors, composition of the Board of Corporate Auditors

The number of corporate auditors must not exceed seven, as stipulated in the Articles of Incorporation. When determining the actual number of corporate auditors, the Company takes into account the need to ensure that audits of accounts and operations can be conducted effectively. As required by law, at least one-half of the corporate auditors must be outside corporate auditors.

The terms of office of corporate auditors expires at the conclusion of the final ordinary General Meeting of Shareholders pertaining to the fiscal year that ends within four years of their appointment.

Management Structure of Holding Company



Management

4. Nomination and Compensation Committee

(1) Establishment of the committee

The Company has established the Nomination and Compensation Committee to ensure transparency in the appointment and compensation of directors and executive officers. The Nomination and Compensation Committee determines policies and standards for the appointment of directors and executive officers and makes decisions on the proposal of candidates, and also advises the Board of Directors on the assessment of directors and executive officers, compensation structures and compensation. The Nomination and Compensation Committee is also involved in determining the appointment and conditions of directors and executive officers by Sampo Japan and Nipponkoa.

(2) Structure of the committee and appointment of members

The Committee should have no more than five members, who are appointed from among the directors. To ensure the independence and neutrality of the Committee, the majority of members must be outside directors. The chairperson is elected from among the outside directors who are members of the committee.

5. Investment Committee

(1) Establishment of the committee

The Company has established the Investment Committee to improve the asset investment capabilities of the NKSJ Group. The Investment Committee is involved in the establishment of asset investment policies for the NKSJ Group, the assessment of the state of invested assets, and other tasks.

(2) Structure of the committee and appointment of members

The Committee should have no more than five members, who are appointed from among the directors. To ensure the independence and neutrality of the Committee, the majority of members must be outside directors. The chairperson is elected from among the outside directors who are members of the committee.

6. Compensation structures for directors and executive officers

Compensation for internal directors and executive officers is linked to the shareholder value. To give directors and executive officers continuous incentive to work toward improving the

Company's performance, compensation packages consist of basic compensation, performance-linked compensation and stock options.

Compensation package for outside directors and corporate auditors consist of basic compensation.

To enhance the transparency and objectivity of decision making processes relating to compensation, the Company has established a separate policy on decisions pertaining to compensation for directors and executive officers.

Sampo Japan and Nipponkoa have in principle adopted the same compensation structures for directors and executive officers as NKSJ Holdings.

7. Disclosure

The Company fulfills its accountability obligations by providing accurate information in a fair and timely manner. Disclosure systems, including internal rules, have been established to ensure that essential information is supplied appropriately and promptly.

8. Supervision policies for Group companies

To improve the NKSJ Group's corporate value, the Company takes steps to coordinate the entire Group and foster organic links among its various business segments. To this end, the Company has established structures, including internal rules, to ensure the appropriate supervision of companies within the Group.

The Company has established a common management vision and basic policies for the Group and disseminates these among Group companies. It supervises Group companies' management through monitoring and other means. The Company has also established appropriate systems, including risk management systems, regulatory compliance systems, conflict of interest control systems, customer information management systems and internal audit systems, to ensure the effectiveness of the internal control systems of Group companies.

Group companies formulate their own basic policies and management plans on the basis of the Group's basic policies and plans.

Development of Internal Control Systems

NKSJ Holdings' Board of Directors has resolved to establish internal control systems for the purpose of ensuring that the NKSJ Group's business operations are appropriately performed and that corporate governance is continually reinforced and qualitatively improved.

Under this basic policy, the Company present term monitor and verify the Group's control systems and work to improve related structures.

Basic Policy on the Development of Internal Control Systems

1. Systems to ensure the appropriate performance of the business operations of the NKSJ Group (the Company and its subsidiaries)

The Company has established the following systems to ensure that the business operations of the Company and the Group are performed appropriately.

- (1) The Company has concluded a management supervision contract with Sompco Japan and Nipponkoa (the major subsidiaries), and exercises its shareholder rights appropriately. The Company also exercises, in principle, management supervision through the major subsidiaries over companies affiliated to the major subsidiaries.
- (2) The Company has established approval and reporting systems for matters that have an important influence on Group management, such as the business strategies of the major subsidiaries. The Company has also formulated and disseminated basic policies concerning the establishment of control frameworks for the Group, and provides appropriate management supervision through monitoring and other activities to ensure the effectiveness of structures based on these frameworks. The Company requires Group companies to formulate basic policies and regulations, etc., according to the business situations, and to develop structures based on these. It also supervises the development of these structures.
- (3) The Company has established systems to gather information and carry out research and studies, etc., as required for management decision making. It also takes steps to stimulate management debate, including the provision of accurate

information to outside directors, to ensure appropriate decision making on important matters pertaining to management supervision, etc., across the entire Group.

- (4) The Company appropriately monitors and investigates important transactions, business tie-ups and restructuring, etc., within the Group, to ensure the fairness and soundness of such transactions.

2. Systems to ensure that directors, executive officers and employees comply with regulatory requirements and the Articles of Incorporation in the performance of their duties

The Company has developed the following systems as required to ensure that directors, executive officers and employees of the Company and Group companies comply with regulatory requirements and the Articles of Incorporation in the performance of their duties.

- (1) The Company confirms that directors, executive officers and employees of the Company and group companies are complying with regulatory requirements in the performance of their duties through reports and other communications to the Board of Directors.
- (2) The Company has adopted a basic Group policy on compliance and created compliance and behavior guidelines. Group companies, including the Company, prepare and disseminate compliance manuals as behavior guidelines for Group officers and employees, and continually implement training programs based on these manuals.
- (3) The Company has established a compliance coordination department to monitor progress toward the implementation of a compliance program defining plans for dealing with compliance issues. The Compliance Committee deliberates on related matters, such as the Group's compliance promotion systems and methods, and monitors the progress of compliance initiatives.
- (4) Systems have been established within the Company and Group companies for internal reporting and notification of inappropriate activities, internal auditing etc. Appropriate steps are taken to rectify any such issues.

(5) A basic Group policy on customer protection has been formulated. Customer information is managed appropriately, and appropriate controls are implemented with regard to transactions that can unfairly jeopardize customer interests, such as conflicts of interest.

(6) Regarding antisocial forces, the Company has established a basic policy under which it rejects any association with such forces, outlines the Group's response to such forces and defines requirements pertaining to collaboration, etc., with third parties. The entire Group maintains a resolute stance with regard to antisocial forces.

3. Regulations and other systems relating to the management of loss risks

The NKSJ Group has adopted a basic policy to ensure appropriate risk management by the Group as a whole and by individual Group companies. Regulations have been established according to this policy and the following systems have been developed to monitor, assess and control risks and ensure that appropriate actions are executed if risks are realized.

(1) To accurately ascertain, monitor and control the various risks inherent to individual Group companies, as well as the risks that are intrinsic in a group structure, such as contagion of risk, the Company has established a risk management department. The Company has also established a Risk Management Committee to deliberate on related matters, such as risk management systems and methods, and to monitor the risk management situation.

(2) To ensure that equity capital is sufficient for the level of risks, risk factors, especially those that can affect the financial position of the Group, are measured with common metrics. The results are aggregated, so that risks can be controlled based on comparisons with the financial resources.

(3) Group companies are required to develop risk management frameworks, including monitoring and assessment systems, according to the nature and scale of their operations. Certain items have been set forth as requiring approval by and reporting to the Company.

(4) Systems have been developed to ensure the continuity or early restoration of key Group operations in case of crisis, such as major natural disasters, and steps will be taken to ensure the stability and soundness of the Group's management structure under emergency conditions.

4. Systems to ensure the efficient performance of the duties of directors, executive officers and employees

The Company has developed authority, discretionary and reporting items and established chains of command under which directors, executive officers and employees of the Company and Group companies are able to perform their duties efficiently and appropriately.

(1) The Management Committee works to improve the efficiency and effectiveness of deliberations by the Board of Directors by deliberating on matters pertaining to important aspects of the Group's operations.

(2) Group companies set forth items requiring the involvement of their boards of directors through resolutions of boards of directors and the establishment of reporting items. The authority of executive officers and others is defined within this framework.

(3) Group companies have established regulations to clarify the objectives and responsibilities of internal organizations. Allocations of duties, persons responsible for the performance of those duties, and the scope of professional authority are determined for each organizational unit.

5. Systems to ensure the accuracy and reliability of financial statements

To ensure the accuracy and reliability of its consolidated financial statements, the Company has established a framework for the development, administration and evaluation of internal control systems pertaining to the Group's financial reporting. The required systems have been established within each Group company.

6. Systems for the storage and management of information pertaining to the performance of duties by directors and executive officers

To ensure the appropriate storage and management of information relating to the performance of duties by directors and executive officers of the Company and Group companies, the Company has stipulated by means of regulations the methods to be used to such information, including minutes of Board meetings and other important meetings held by Group companies, and other related documents.

7. Systems pertaining to audits by corporate auditors

7-1 Items concerning employees assigned to assist corporate auditors, and the independence of such employees from the directors

To improve the effectiveness of audits by corporate auditors, the Company has established a Corporate Auditor Office and assigned full-time employees (corporate auditor staff) with the required knowledge and experience to provide assistance as required by the corporate auditors in the performance of their duties. The Company has also formulated the following regulations to ensure the independence of the corporate auditor staff from executive organizations.

- (1) To ensure the independence of corporate auditor staff from the directors, decisions pertaining to the appointment, dismissal and remuneration of employees assigned as such require the agreement of standing corporate auditors. The agreement of standing corporate auditors is also required for personnel assessments of corporate auditor staff.
- (2) The corporate auditor staff carry out their duties in accordance with directives and instructions from the Corporate Auditors. They do not accept any directives and instructions from other parties, such as directors or executive officers.

7-2 Systems for reporting to the corporate auditors by directors, executive officers and employees, and for the submission of other reports to the corporate auditors

- (1) To improve the effectiveness of audits by corporate auditors, the Company has stipulated, with the agreement of the Board of Corporate Auditors, matters that must be reported

to the Board of Corporate Auditors (including serious violations of regulatory requirements and Articles of Incorporation, inappropriate behavior relating to the performance of duties, or matters that could cause the Company to incur major losses) and the timing for such reports. Directors, executive officers and employees submit these reports as stipulated in the regulations, or when otherwise requested to do so by the corporate auditors. They also comply promptly with requests from the corporate auditors for reports on matters not stipulated in these regulations.

- (2) If corporate auditors express an opinion concerning the performance of duties by a director or executive officer or recommend improvements, the director or executive officer concerned must submit reports to the corporate auditors about their progress in complying with those directives.

7-3 Other systems for ensuring the effectiveness of audits by corporate auditors

- (1) The Company provides support for the establishment of the collaboration systems needed to enable corporate auditors to audit Group companies effectively, including audits carried out in collaboration with the corporate auditors of the major subsidiaries, and the ability to require Group companies to report their audit results.
- (2) The Company provides corporate auditors with opportunities to attend management committees and other important meetings and express opinions. The Company has also established appropriate systems to allow thorough exchanges of views between corporate auditors and directors, executive officers, internal audit departments, the independent auditors, and representatives and corporate auditors of the major subsidiaries.

8. Systems for ensuring the effectiveness of internal audits

The Company has adopted a basic policy on internal audits and established the systems required to ensure the effectiveness of internal audits of Group companies. The basic policy includes items pertaining to the independence of internal audit departments from non-audit departments, the planning and implementation of internal audits, and compliance requirements relating to internal audits of Group companies.

Risk Management

The NKSJ Group has adopted a basic policy, the **NKSJ Group Basic Policy on Risk Management**, to ensure appropriate risk management by the Group as a whole and by individual Group companies. Regulations have been established according to this policy and the following systems have been developed to monitor, assess and control risks and ensure that appropriate actions are executed if risks are realized.

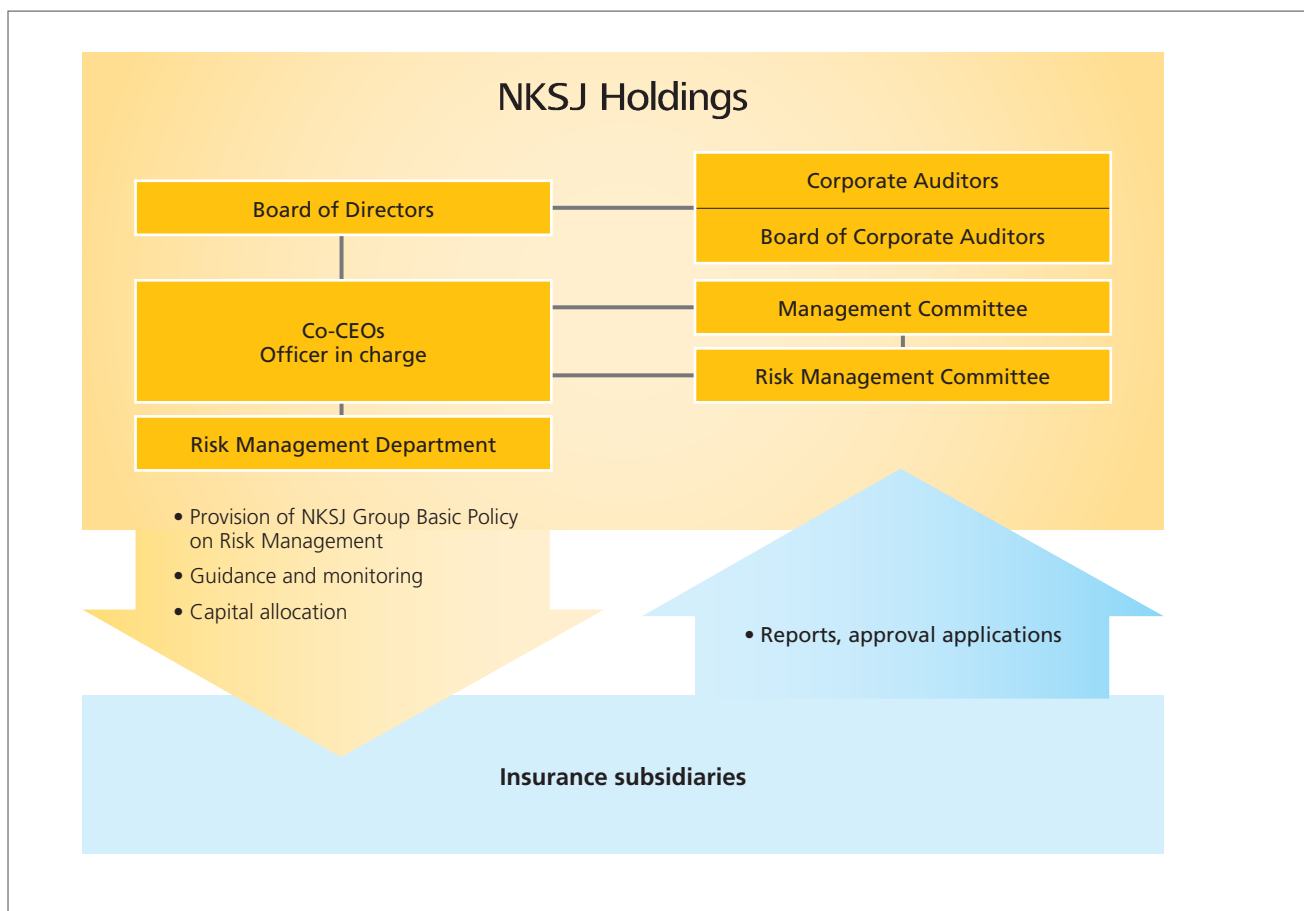
Risk Management Systems in the NKSJ Group

The NKSJ Group has developed the following risk management systems:

1. To accurately ascertain, monitor and control the various risks inherent to individual Group companies, as well as the risks that are intrinsic in a group structure, such as contagion

of risk, NKSJ Holdings has established a Risk Management Department. NKSJ Holdings has also established a Risk Management Committee to deliberate on related matters, such as the risk management system and methods, and to monitor the risk management situation.

2. To ensure that equity capital is sufficient for the level of risks, risk factors, especially those that can affect the financial position of the Group, are measured with common metrics. The results are aggregated, so that risks can be controlled based on comparisons with the financial resources.
3. Group companies are required to develop risk management frameworks, including monitoring and assessment systems, according to the nature and scale of their operations. Certain items have been set forth as requiring approval by and reporting to NKSJ Holdings.



4. Systems have been developed to ensure the continuity or early restoration of key Group operations in case of crisis, such as major natural disasters, and steps will be taken to ensure the stability and soundness of the Group's management structure under emergency conditions.

Roles of NKSJ Holdings and Group Companies

Group companies, including insurance subsidiaries, are independent corporations and ensure that their operations are conducted soundly and appropriately through their own risk management systems according to the principle of self-responsibility. As the holding company, NKSJ Holdings has established systems to accurately ascertain, monitor and control risk factors affecting the entire Group. This includes the various risks that are inherent to individual Group companies as well as the risks that are intrinsic in a group structure, such as contagion of risk.

1. The role of NKSJ Holdings

NKSJ Holdings aims to develop and improve risk management systems for the entire Group by adopting and disseminating this policy to officers and employees within the Group. NKSJ Holdings has set forth items for which Group companies are required to submit reports and seek approval. It has also established systems for the prompt reporting of matters that could significantly affect the Group's financial situation.

2. The role of Group companies

Group companies manage their risks independently by adopting their own basic policies on risk management and disseminating them to their officers and employees. Those basic policies conform to the NKSJ Group Basic Policy on Risk Management.

NKSJ Group Basic Policy on Risk Management

To establish controls to ensure the NKSJ Group's financial soundness by accurately assessing its risk exposures, avoiding unforeseen losses, and adequately controlling risks in accord with Group management policies, NKSJ Holdings has adopted the NKSJ Group Basic Policy on Risk Management, whose main points are as follows.

1. Capital management

To ensure the Group's financial soundness, NKSJ Holdings shall measure the Group's various risk exposures with the common

metrics, tally them up to calculate the Group's economic risk capital, and manage its capital to keep the economic risk capital from exceeding the Group's risk tolerance (adjusted capital). NKSJ Holdings shall also allocate capital to its insurance subsidiaries and mandate that the subsidiaries manage their risks to likewise ensure that their economic risk capital does not exceed their capital allocation.

2. Enterprise risk management

In addition to accurately assessing the Group's various risk exposures, NKSJ Holdings shall manage risks on an integrated basis by monitoring risks inherent in an organization that is operating under a group structure, such as contagion, uneven distribution and concentration of risk. NKSJ Holdings shall also mandate that Group companies establish controls to ensure that they operate soundly and appropriately in accord with the principle of self-responsibility.

Capital Management

The NKSJ Group ascertains all significant risk exposures quantitatively, and measures and controls its economic risk capital within the adjusted capital so that any losses incurred can be absorbed by the adjusted capital.

1. Measuring economic risk capital

NKSJ Holdings has set forth that the major subsidiaries (Sampo Japan and Nipponkoa) maintain a target credit rating of AA. Economic risk capital is measured with the VaR (Value at Risk) method at a confidence level consistent with an AA rating over a one-year time horizon.

2. Group-level capital management

NKSJ Holdings has established controls to develop and implement contingency measures, such as risk reduction or capital enhancement, if concerns arise that the Group's economic risk capital will exceed the adjusted capital.

3. Capital management by insurance subsidiaries

Insurance subsidiaries have also established controls to develop and implement contingency measures, such as risk reduction or capital enhancement, if concerns arise that their economic risk capital will exceed their capital allocation.

Enterprise Risk Management

To evaluate, monitor and control the Group's various risks on an integrated basis, NKSJ Holdings carries out appropriate risk management in conformity with the type and nature of the risks by establishing the necessary controls.

1. Risk management by insurance subsidiaries

NKSJ Holdings mandates that insurance subsidiaries establish controls to appropriately manage insurance underwriting risk, asset risk, operational risk and liquidity risk in conformity with the nature of the respective risks and manage them on an integrated basis.

2. Setting of risk limits

NKSJ Holdings has set the following limits on risks for which group-wide management is significant, and established controls to appropriately manage the risks:

- Limits for managing the overall credit of specific borrowers
- Limits for managing the overall re-insurance of specific re-insurers

3. Stress tests

NKSJ Holdings has established appropriate and comprehensive stress scenarios covering a range of events that could cause a significant impact on the Group, and performs stress tests that evaluate and measure risks on an integrated basis.

The results are used to analyze the impact of these situations on the adjusted capital of the Group and insurance subsidiaries.

Systems to Ensure Business Continuity in Crisis Situations

The NKSJ Group has adopted the NKSJ Group Basic Policy on the Establishment of Business Continuity Systems. This policy aims to contribute to the maintenance of social and economic activities by ensuring the Group's stability and financial soundness, and the continuity of important services, such as insurance payments by insurance subsidiaries, in case of disasters and other emergency situations.

Under this policy, the Group has established business continuity systems to maintain operations and allow early restoration of services. This is done through formulation and continuous review of plans, etc., that stipulate appropriate actions to be taken between the onset and conclusion of disasters. The Group has also set forth important services that must be maintained.

Compliance

The NKSJ Group aims to be a corporate group trusted by society by providing customers with the highest-quality services and absolute peace of mind. Toward this end, the Group conducts appropriate corporate activities in compliance with laws, other applicable rules, societal norms and corporate ethics, based on a constant recognition of insurance and financial services businesses' public mission and social responsibility.

Compliance Initiatives by the NKSJ Group

1. Compliance organization in NKSJ Holdings

(1) Compliance Department

NKSJ Holdings has established a Compliance Department to coordinate compliance activities. This unit works in collaboration with the major subsidiaries, Sompo Japan and Nipponkoa, to implement effective compliance activities throughout the Group.

(2) Compliance Committee

A Compliance Committee has been established to improve the effectiveness of compliance systems by deliberating on and checking related matters, such as the development of systems and implementation of measures by Group companies. Members of the committee include directors and department heads from NKSJ Holdings, as well as compliance department heads from the major subsidiaries. This committee works to improve the effectiveness of group-level compliance activities by sharing up-to-date information and extending effective initiatives undertaken by individual companies across the Group.

2. Promoting compliance within the NKSJ Group

(1) Formulation of basic policies and code of conduct

The NKSJ Group has formulated the NKSJ Group Basic Policy on Compliance and the NKSJ Group Compliance Code of Conduct as group-level policies. In line with these, all Group officers and employees now recognize compliance as a basic requirement for the administration of business operations, and are working to implement effective compliance measures.

(2) Promotion of compliance through compliance programs

Insurance companies in the NKSJ Group work to resolve issues by formulating compliance programs for each business year. NKSJ Holdings monitors initiatives by these companies, including the progress made, and provides guidance and assistance when required. NKSJ Holdings also shares information about other

insurance companies' initiatives within the Group to facilitate the resolution of compliance issues.

(3) Responding to serious breaches

A system has been established requiring any group company affected by serious compliance-related problems, including serious breaches, to report the matter to NKSJ Holdings. In such cases, the entire Group will work together to implement countermeasures based on multiple perspectives, and to maximize the effectiveness of customer-related actions and initiatives designed to prevent recurrences.

NKSJ Group Basic Policy on Compliance

The five policies listed below make up the NKSJ Group Basic Policy on Compliance. Group companies use this policy as a foundation for developing their own compliance systems.

1. Continually demonstrate a commitment to compliance-based management

NKSJ Group executives and management personnel shall continually reiterate that compliance is always fundamental to the conduct of business. They shall also lead by example with concrete actions.

2. Act in accord with laws and regulations, societal norms, and corporate ethics

NKSJ Group corporate officers and employees shall rigorously abide by all applicable laws and regulations and appropriately conduct business activities in accord with societal norms and corporate ethics. In doing so, they shall always voluntarily think, judge and act based on the NKSJ Group Compliance Code of Conduct.

3. Establish systems and procedures to ensure the proper conduct of business operations

To better provide services and peace of mind to customers, NKSJ Group companies shall establish systems and procedures enabling their personnel to properly conduct business operations on a continuous basis.

4. Promptly identify and organizationally resolve problems

NKSJ Group companies shall make organization-wide efforts to promptly identify, share and resolve compliance-related problems that arise in the course of operations.

5. Disclose information proactively and impartially

NKSJ Group companies shall endeavor to proactively and impartially disclose information regarding their management policies, finances and operations. They shall also endeavor to broadly communicate with society.

NKSJ Group Compliance Code of Conduct

Officers and employees of NKSJ Group companies conduct themselves in accordance with the following Code of Conduct, which is based on the NKSJ Group Basic Policy on Compliance:

1. Act with integrity and good sense in compliance with laws and regulations and company rules, and in accord with societal norms and corporate ethics.
2. Refrain from conduct unduly detrimental to the Company's interests.
3. Always act based on a clear distinction between public and private.
4. Act in accord with social norms without improperly accepting money, gifts, hospitality or other personal benefits.
5. Adequately safeguard and refrain from divulging confidential information and customer information learned on the job.
6. Adequately safeguard nonpublic material information learned in connection with Company business and refrain from using such information in managing Company or personal assets or in other personal economic activities (insider trading).
7. Take appropriate action in response to other personnel's compliance infractions without overlooking or concealing them.
8. Respond organizationally and with firm resolve to antisocial forces that threaten the safety or order of civil society.
9. Treat people with respect in all situations, never discriminating against or harassing anyone.

Protection of Customer Information

The NKSJ Group Basic Policy Concerning the Establishment and Maintenance of Customer Information Management Systems has been established to ensure that customer information is handled appropriately and in accordance with the Act on the Protection of Personal Information and other related laws and regulations. NKSJ Group companies are developing customer information management systems and implementing related initiatives, such as employee education programs. In addition, the following NKSJ Group Privacy Policy has been adopted and published on NKSJ Holdings' website.

NKSJ Group Privacy Policy

The NKSJ Group regards the appropriate handling of personal information as a fundamental social responsibility, and strives to protect personal information in compliance with the Act on the Protection of Personal Information and other related laws and regulations.

1. The NKSJ Group acquires personal information by fair and legal means and only as required for its business operations. Except where otherwise stipulated in laws and regulations, the NKSJ Group discloses or publishes the purposes for which personal information is used, and limits the use of such information to those purposes.
2. Except where otherwise stipulated in laws and regulations, the NKSJ Group does not give out customers' personal data to third parties without the consent of the individual customers concerned.
3. The NKSJ Group may share customers' personal data within the Group when this is necessary for management processes, the provision of information about products and services, etc., or the provision of such products or services.
4. The NKSJ Group takes all possible steps, including appropriate security measures, to prevent the leakage, loss or impairment of customers' personal information. If outside contractors are used to handle customers' personal information, the NKSJ Group supervises those contractors appropriately as required.
5. The NKSJ Group provides thorough education and guidance to ensure that its employees are able to handle customers' personal information appropriately. Management systems used to protect personal information are continually reviewed and improved.
6. The NKSJ Group responds appropriately and promptly to complaints and requests for advice about the handling of personal information. The NKSJ Group responds appropriately to requests from customers under the Act on the Protection of Personal Information for the disclosure, correction, addition or removal of personal information.

Internal and External Audits and Inspections

NKSJ Holdings is audited by its corporate auditors, internal audit department, and independent auditors. Group companies conduct internal audits as enacted in the NKSJ Group Basic Policy on Internal Audits to verify the appropriateness, effectiveness and efficiency of their internal control systems. Should internal auditors identify problems, auditors provide advice and launch follow-up processes to ensure that the issues have been remedied.

Internal and External Audits and Inspections

As Internal audits, there are two types of audits. One is conducted by corporate auditors in accordance with the Companies Act, and another is conducted by internal audit department.

As external audits required under the Companies Act and the Financial Instruments and Exchange Act, independent audits are conducted by our independent auditors, Ernst & Young ShinNihon LLC. Under the Insurance Business Law, we are also subject to inspections by the Inspection Bureau of the Financial Services Agency and local Finance Bureaus of the Ministry of Finance.

Internal Audit Systems in the NKSJ Group

1. Development of internal audit systems

NKSJ Holdings and its major subsidiaries, Sampo Japan and Nipponkoa, ensure the effectiveness of internal audits through internal audit departments that are organizationally and operationally independent, and by giving those departments adequate responsibilities, authority and appropriate numbers of staff.

2. Implementation of internal audits

Internal audit departments conduct internal audits of their companies and any affiliates according to the types and extent of risks in each business unit. Based on the findings of these audits, management is advised to remedy any problems identified in the audited departments or elsewhere. Internal audit departments also review reports from the audited departments or other departments concerning the implementation of steps taken to remedy problems and prevent recurrences.

If a business unit beyond the scope of the audit has caused a problem that requires remedial action, the audit department will confer with relevant unit that has responsibilities for the operation concerned and advise remedial action.

3. Reporting internal audit results to management

The results of internal audits conducted by major subsidiaries, and any remedial actions implemented, are reported to the Board of Directors of the companies concerned, and to the internal audit department of NKSJ Holdings.

NKSJ Holdings' internal audit department reviews the contents of audits by NKSJ Holdings and throughout the NKSJ Group. We analyze the contents to assess the appropriateness and effectiveness of internal audits in the NKSJ Group, and to identify any issues that could potentially impact seriously on the Group's operations. Reports on this process are submitted to the Board of Directors of NKSJ Holdings.

OVERSEAS >>>



Operational Highlights—NKSJ Group

Tie-up with major Russian insurance company, Establishment of NKSJ Division

Nipponkoa, a member of the NKSJ Group, has entered into a business partnership agreement with OJSC IC ROSNO (“ROSNO”), one of the major insurance companies in Russia and a member of the Allianz Group, the largest insurance group in the world.

Sompo Japan, another member of the NKSJ Group, had already set up a Japanese client desk, SJ Division, within ROSNO on March 15, 2010. Following this partnership agreement, the NKSJ Division was set up through integration with the SJ Division on July 1, and now it is jointly operated by the NKSJ Group.

The NKSJ Division will market ROSNO’s P&C insurance products to Japanese-owned companies in Russia, and NKSJ Group Companies will underwrite reinsurance for ROSNO.

Operational Highlights—Sompo Japan

Acquisition of P&C insurance company in Turkey

In June 2010, Sompo Japan reached agreement with Fiba Holding Anonim Sirketi, the main shareholder of Fiba Sigorta Anonim Sirketi (“Fiba”), a P&C insurance company in Turkey, and its associated companies, concerning the acquisition of 93.36% of the common stock of Fiba.

Established nine years ago, Fiba is a relatively new company. However, it has achieved excellent growth and income performance, especially in the retail sector. Sompo Japan believes this acquisition enables Sompo Japan to expand its P&C insurance business in the rapidly growing Turkish market.



(From left)
Mr. Hüsnü M. ÖZYEĞİN,
Chairman, Fiba Holding Anonim Sirketi
Mr. Recai DALAŞ,
CEO, Fiba Sigorta Anonim Sirketi
Mr. Takeshi Oiwa,
Director, Senior Managing Executive Officer,
SOMPO JAPAN INSURANCE INC.

Acquisition of shares in P&C insurance company in Singapore

In May 2010, Sompo Japan acquired 100% of shares in Tenet Insurance Company Ltd (“Tenet”), a Singapore-based P&C insurance company. Tenet has successfully implemented a unique market strategy focusing primarily on SMEs and individual customers. Its addition to the group alongside Sompo Japan Insurance (Singapore) Pte. Ltd., which specializes in insurance mainly for Japanese-related large commercial businesses, will yield significant synergy benefits. Through this acquisition, Sompo Japan aims to strengthen and expand its business base in Singapore and Southeast Asia.

Expansion of business activities in China

On June 10, 2010, Sompo Japan Insurance (China) Co., Ltd. became the first Japanese-owned P&C insurance company to obtain approval from the China Insurance Regulatory Commission for the establishment of a branch in Jiangsu Province. The Sompo Japan Group already had branches in Liaoning Province, Shanghai and Guangdong Province. With the establishment of its fourth, the Jiangsu Branch, it will have the largest branch network of any Japanese-owned P&C insurance company in China, and position itself as a front-runner in the Chinese insurance business.

In another development, Sompo Japan System Solutions Inc. has established a local subsidiary in Dalian to develop software systems. The new company, Sompo Japan System Solutions Dalian Co., Ltd., commenced operations in March 2010.

Operational Highlights—Nipponkoa

Nipponkoa desk established within Navakij Insurance in Thailand

In March 2009, Nipponkoa became the biggest shareholder in The Navakij Insurance Public Company Limited after acquiring 10% of its shares. On May 1, 2009, it established the Nipponkoa Division as an underwriting desk within Navakij Insurance for Nipponkoa products. A Nipponkoa representative stationed in Thailand has been transferred as head of the new department, which is staffed by specialist personnel. The new desk allows Nipponkoa to fine-tune its response to the insurance needs of Japanese-owned companies in Thailand.

Chinese subsidiary opens for business

NIPPONKOA Insurance Company (China) Limited commenced operations in August 2009. This wholly owned insurance subsidiary is based in Shenzhen City, Guangdong Province. Those attendant at the opening ceremony of the new company included representatives of Nipponkoa customers with business operations in China, officials from the Shenzhen City government, and staff from the Japanese consular office in Guangdong. Their presence at the celebration was an indication of high expectations toward the company’s insurance business in China.



(From left)
Mr. Takeshi Oiwa,
Director, Senior Managing Executive Officer, SOMPO JAPAN INSURANCE INC.
Mr. Ong Choo Eng,
Group Managing Director, HWA HONG CORPORATION LIMITED
Ms. Stella Tan,
President, Chief Executive Officer, Tenet Insurance Company Ltd
Mr. Tadashi Baba,
Managing Director, Sompo Japan Asia Holdings Pte.Ltd.



Celebrating the launch of the Jiangsu Branch, the Sompo Japan Group’s fourth branch in China.



The specialist staff of the Nipponkoa Division within Navakij Insurance.



At the opening ceremony of NIPPONKOA Insurance Company (China), which commenced operations in August 2009.

JAPAN >>>



Operational Highlights—Sompo Japan

Launch of new personal fire insurance products

—Home Japan and Room Japan

Sompo Japan has launched two new fire insurance products, *Home Japan* and *Room Japan*, for individual customers. These products are available for policies under which insurance cover commenced from January 2010. They were developed in response to customer feedback indicating a desire for products that would be easier to understand, for clearer information about the scope of indemnity, and for improved services. Sompo Japan will continue to market these two new products as mainstays of its fire insurance range for individuals.



Home Japan (left) and *Room Japan* (right): Fire insurance products developed in response to customer feedback.

Insurance Processing Navi function introduced for simplified processing

On February 15, 2010, Sompo Japan added the new Insurance Processing Navi function to its SOMPOJ-NET agency support system. The new function was developed as part of the New Retail Market Business Reform Project (PT-R), which aims at building customer-oriented new business processes. The system ensures a uniform standard of service quality in agencies by enabling salespeople to present information on products and services directly to customers using their computer screens. In addition to giving clear information about products, the new software provides total support in areas including indemnity design, proposals and the completion of policy processing.

Moreover, the new software is the first in the industry to support totally paperless processing of applications in the context of face-to-face sales by eliminating the need for signatures or personal seals.



The new Insurance Processing Navi function enables salespeople to quickly show comprehensive information to customers using their computer screens.

Accident support desk established—accident response services with emphasis on peace of mind

Another important initiative under the PT-R project was to establish a 24/365 accident support desk in December 2009. Dedicated to car accident handling services, the new facility handles all accident-related communications from motor vehicle policyholders throughout Japan.

Operators are trained to provide instant advice about whether accidents are eligible for insurance payouts. In the case of typical property damage accidents, vehicle damage not involving personal injuries they can also handle the entire process up to the payment of insurance claims. Cashless payments are also generally accepted for the cost of a tow truck, taxi and hotel immediately after a car accident. Operators also do their utmost to offer advice according to each situation. Sampo Japan will continue to use the accident support desk to provide accident response services that ensure peace of mind for its customers.



Sampo Japan's new 24/365 accident support desk is completely dedicated to the handling of car accidents.

Operational Highlights—Nipponkoa

Risk check service

Nipponkoa offers a free *Risk Check Service* for customers through its agencies. Customers can obtain easy-to-understand charts detailing their risk preparedness based on analyses of various risk factors.

Business tie-up with Zurich Insurance Company

In September 2009, Nipponkoa reached agreement with Zurich Insurance Company, a Japanese branch of the global Zurich Financial Services Group, concerning a business tie-up in the Japanese corporate insurance market. International insurance programs will be offered to globally active Japanese companies through the global branch network of Zurich Insurance Company. The two companies plan to establish a consulting joint venture to provide first-class risk management systems to their customers.

Nipponkoa's *Risk Check Service* provides customers with easy-to-understand charts on their risk preparedness.

Introduction of Eco-Net Clause

(Motor vehicle insurance, fire insurance)

The Eco-Net Clause is an option that allows customers for motor vehicle insurance and fire insurance to peruse terms and clauses on the Nipponkoa website. This helps to reduce paper use by eliminating the need for paper booklets.

The benefits of the Eco-Net Clause are outlined below.

■ Motor vehicle insurance

For every policy, Nipponkoa provides funds to UN-approved natural energy development projects through the purchase of a ¥50 carbon offset. In this way, Nipponkoa and the customer jointly contribute to the reduction of CO₂ emissions.

■ Fire insurance

For every policy, the customer receives 50 points under the Eco-Action Points scheme. This is a program promoted by Japan's Ministry of the Environment, which aims to reduce the greenhouse gases of households. The Eco-Action Points earned can be exchanged for various products.

Medi-Assist 7 (M-7) launched—support service for employees stationed overseas

In August 2009, Nipponkoa began to offer the Medi-Assist 7 (M-7) support service for employees stationed overseas. The new service, which is provided through a subsidiary, N.K. Risk Consulting Company Limited, provides support for overseas group companies and their employees during the often troublesome administrative procedures involved in settling medical charges in another country.

Our Impact on Society

The NKSJ Group has pledged to fulfill its corporate social responsibilities and contribute to the realization of a sustainable future by drawing on strengths based on its core activities in the insurance business. Described below are our approach to these goals, our medium-term priorities, and our basic strategies. Information about specific initiatives can be found on the official websites of Sompo Japan and Nipponkoa.

For performance data, see p154–157

NKSJ Group's Approach to CSR (Formulated in April 2010)

In addressing corporate social responsibility as the NKSJ Group, we respect international regulations and norms of conduct and undertake business by high ethical standards while actively engaging stakeholders through forward-looking dialogue. We integrate broad environmental and social considerations into our core business operations, including tackling environmental challenges such as climate change and

biodiversity loss, respect for human dignity and diversity, and proactive community involvement.

Drawing on core strengths in the insurance business cultivated over our 120-year history, we will continue to contribute toward realizing a sustainable society, create new value, and provide customers with peace of mind and safety.

Our Medium-term CSR Objectives

1. To become a highly valued corporate group by creating new social value toward a safe, secure, and sustainable future for society.

In particular, we will provide a variety of solutions designed to address social challenges in areas such as healthcare and the environment.

- (1) We will provide insurance products and financial products and services, and make investment and loans, that meet the needs of society.
- (2) We will further enhance our corporate citizenship activities.

2. To seek to assume environmental leadership in addressing climate change, biodiversity loss, and other environmental challenges.

- (1) We will minimize our environmental footprint through group-wide efforts to reduce greenhouse gas emissions.
- (2) We will remain focused on valuing biodiversity and actively

engage in the creation of a recycling-based society and the protection of ecosystems.

- (3) We will provide environment-friendly products and services. Together with our stakeholders, we will promote Eco and Safety Drive as well as the utilization of recycled auto parts, upgrade our green purchasing throughout our value chain, and enhance our environmental education initiatives.

3. To actively engage our stakeholders to share favorable outcomes and build trust.

- (1) We will maintain a high level of transparency and clarity in disclosure and engage in active dialogue with our stakeholders.
- (2) We will work in partnership with our stakeholders in an effort to resolve environmental and social issues and make the world a better place.

Engaging Stakeholders

The NKSJ Group sees engagement with a wide range of stakeholders as essential to fulfill its corporate social responsibilities, and as a core activity that enables us to continually improve our CSR initiatives and achieve tangible results. We regard participation as a member in international organizations and initiatives as especially significant, due to the potential to make lasting contributions to the solution of sustainability challenges and deliver real benefits to stakeholders. Listed below are the main initiatives in which we are participants or signatories.

Declarations to society, participation in initiatives

Sompo Japan and Nipponkoa work to achieve their CSR objectives by participating in a wide range of initiatives.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is an international financial sector network of 163 financial institutions from 40 countries (as of March 2010). Since its launch in 1992, the initiative has promoted the integration of environmental considerations into all aspects of the financial sector's operations and services in pursuit of sustainable development that is conducive to both economic progress and environmental protection. (Sompo Japan, Nipponkoa)



Signing of the Principles for Responsible Investment (PRI)

The Principles for Responsible Investment drawn up by the UNEP FI provide a framework by which financial institutions can incorporate consideration for environmental, social, and corporate governance (ESG) issues into their investment decision-making practices. (Sompo Japan)



Carbon Disclosure Project (CDP)

The CDP is an international collaboration of institutional investors. It aims to motivate corporate action against climate change by calling on companies worldwide to disclose their climate change strategies and greenhouse gas emissions. (Sompo Japan)



World Business Council for Sustainable Development (WBCSD)

The WBCSD, established in 1995, is a CEO-led global association of companies. As of March 2010, some 190 company leaders from 38 countries were involved, providing industry leadership on the environment and sustainable development through lively debate, policy recommendations, and other activities. (Sompo Japan)



United Nations Global Compact

The United Nations Global Compact is a partnership initiative between the UN and business that motivates companies to grow into better corporate citizens by voluntarily addressing the areas of human rights, labor, the environment, and anti-corruption. It was initiated in response to a proposal by then UN Secretary-General Kofi Annan. (Sompo Japan, Nipponkoa)



Carbon Neutral Declaration

Nipponkoa issued a Carbon Neutrality Declaration in July 2008, stating its intention to achieve net zero CO₂ emissions by fiscal 2012 by cutting its CO₂ emissions by at least 20% (versus fiscal 2006) and purchasing carbon credits to offset unavoidable emissions. By transferring purchased emissions credits to the Japanese government, Nipponkoa is also helping Japan meet its greenhouse gas emissions reduction target under the Kyoto Protocol. (Nipponkoa)

External appraisals

The CSR initiatives of the NKSJ Group have been highly rated in appraisals by research organizations and other bodies in Japan and overseas.

Named Among the Global 100 Most Sustainable Corporations in the World*

Canada's Corporate Knights magazine annually evaluates corporations' sustainability with a focus on environmental, social, and corporate governance issues. The top 100 are named as the Global 100 each year.

* Pertains to Sompo Japan for FY2009.



Included in the FTSE4Good Index Series

The FTSE4Good Index Series is a group of socially responsible investment indexes that tracks the performance of companies that meet recognized corporate responsibility standards. It was developed in 2001 by FTSE (a joint venture of The Financial Times and the London Stock Exchange).



Included in the Ethibel Pioneer Register and Ethibel Excellence Register*

The Ethibel Pioneer Register and Ethibel Excellence Register are SRI universes managed by Belgian company Ethibel.

* Pertains to Sompo Japan for FY2009.



Included in the Morningstar Socially Responsible Investment Index*

The Morningstar Socially Responsible Investment Index covers Japanese companies and is Japan's first SRI index. It was developed cooperatively by Morningstar and the Center for Public Resources Development, a non-profit think tank and consulting firm.

* Pertains to Sompo Japan for FY2009.



Strategy on Global Environmental Issues—Risks and Opportunities

Responding to Climate Change

Climate change is a major problem that could have a wide-ranging impact on all economic and social activity in the future. All stakeholders, from individual citizens to governments and business corporations, need to respond to this issue globally and from a long-term perspective. Financial institutions are increasingly expected to play an important role in this area. The NKSJ Group believes that climate change will create both risks and opportunities for companies.

Climate risk, in the form of major losses caused by extreme weather events attributable to the effects of climate change, is a serious management issue for P&C insurance companies. Because of their important role in society, insurance companies have a fundamental responsibility to adapt to climate change by strengthening their financial structures to provide the resources needed to meet insurance payments, and by establishing service structures capable of providing insurance payouts promptly in the event of disasters affecting large areas.

Next to managing risk, however, there are also business opportunities. For example, our support for adaptation measures in developing countries, which are especially vulnerable to the effects of climate change, includes R&D relating to innovative risk finance methods, such as *Weather Index Insurance*. We also offer consultation services to support businesses in reducing their greenhouse gas emissions.

The NKSJ Group regards these responses to climate change as opportunities to draw on its strengths in the core business areas of insurance, finance and risk management, and apply these to the creation of new solutions.

Minimizing the Impact on Biodiversity

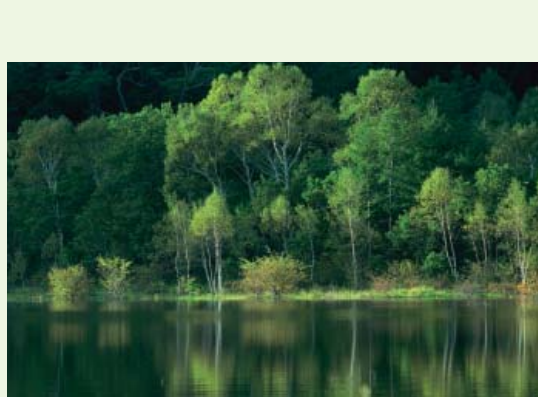
Because of its effect on forests, paper consumption has important implications for biodiversity. Sampo Japan and Nipponkoa have both gained ISO 14001 certification and are actively working to conserve resources under their environmental management systems.

Masatoshi Sato, President of NKSJ Holdings, provides leadership in industry various roles, including the vice-chairmanship of the Keidanren Committee on Nature Conservation.

Another priority is to develop human resources who can contribute to the solution of environmental problems. The NKSJ Group implements a range of initiatives based on the concept of Education for Sustainable Development (ESD). This includes forestation projects and environmental education programs carried out in cooperation with local governments and communities, group employees and individual insurance agencies.

Sampo Japan and Nipponkoa are developing their forestation programs jointly in each others' fields.

Through these activities, the NKSJ Group seeks to offset the impact of heavy paper consumption on forest resources, alongside other measures to reduce paper use. We will also continue to inform local communities about the importance of biodiversity, and to express its appreciation for the many benefits that nature brings to people and society.



Sompo Japan and Nipponkoa Working Together to Tackle Environmental Issues

Sompo Japan and Nipponkoa promote Eco and Safety Drive

Since April 2010, Sompo Japan and Nipponkoa have promoted Eco and Safety Drive by sponsoring so-called Eco and Safety Drive Contests for corporate automobile users with the support of the Ministry of the Environment and the Ministry of Land, Infrastructure and Transport. The aim of these contests is to help conserve the environment and nurture a society with few traffic accidents by encouraging people to drive in a safe and environmentally responsible manner. Employees of participating companies learn how to apply the principles of Eco and Safety Drive at all times through courses and brochures. They are also provided with stickers to place on vehicle interiors and exteriors.



Corporate vehicles taking part in an Eco and Safety Drive Contest for corporate drivers—a friendly competition in which the environment wins.

Reducing environmental impacts throughout the value chain

Sompo Japan and Nipponkoa are both working to reduce environmental impacts together with the agencies that sell their insurance products.

■ Green purchasing system extended to agencies

In July 2008, Sompo Japan introduced an Internet-based centralized purchasing system in cooperation with two national umbrella organizations for agencies, J-SA and AIR JAPAN. The new system is the first in the Japanese insurance industry.

■ Collaboration with vehicle repair shop agencies

Sompo Japan and Nipponkoa work with motor vehicle repair shop agencies to support environmental protection efforts through activities in cooperation with NK AUTO CLUB, an organization for motor vehicle-related agencies, and AIR JAPAN. Specific activities include seminars and assisting with the establishment of environmental management systems.

■ Use of recycled parts

Repairers are encouraged to use serviceable parts obtained from scrapped vehicles when repairing damaged vehicles. The use of recycled parts reduces waste and the resulting CO₂ emissions.

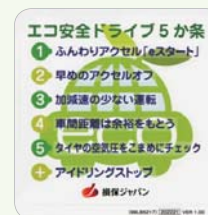
What is Eco and Safety Drive?

Eco and Safety Drive techniques include gentle acceleration and keeping ample space between vehicles. There is clear evidence that these techniques can produce major co-benefits, such as reducing CO₂ emissions and preventing traffic accidents. Eco and Safety Drive techniques are also endorsed by the General Insurance Association of Japan.

Nipponkoa has been implementing Eco and Safety Drive Contests every six months since October 2008. Numerous companies participate in these contests, and around 80% have reported significant benefits, including improved fuel efficiency and fewer accidents.



An Eco and Safety Drive sticker (exterior).



An Eco and Safety Drive sticker (interior).

Specific Initiatives by Sampo Japan and Nipponkoa to Tackle Environmental Issues

Achieving medium- and long-term CO₂ emission reduction targets

As part of its contribution to the fight against climate change, Sampo Japan has set medium-term and long-term targets for the reduction of CO₂ emissions in the period to 2050. We are working to achieve these targets through facility-based measures, including the accelerated installation of highly efficient facilities, and through operational initiatives, such as the promotion of Eco and Safety Drive among drivers of company vehicles.

CO₂ Reduction Targets

Medium-term:
Reduction of at least 40.5% from the FY2002 level by 2020

Long-term:
Reduction of at least 56.0% from the FY2002 level by 2050

Becoming carbon neutral—zero CO₂ emissions

Nipponkoa aims to reduce its CO₂ emissions effectively to zero by FY2012 by reducing its own CO₂ emissions by at least 20%, and by purchasing emission rights to cover emissions that cannot be eliminated.

All aspects of its corporate activities will be targeted. Alongside efforts to reduce consumption of electricity and fuel, Nipponkoa is also focusing on reducing the use of gasoline for corporate vehicles and promoting the use of public transport for sales activities and business travel. The company is also taking action to reduce CO₂ emissions relating to paper and printed materials through initiatives ranging from tree planting to reviews of upstream activities, such as paper manufacturing and printing, as well as distribution and waste disposal. Indirect factors, such as commuting and non-company use of corporate vehicles, are also taken into account.

Weather index insurance for farmers launched in Thailand

In January 2010, Sampo Japan Thailand introduced *Weather Index Insurance* products designed to alleviate losses resulting from the damage caused to agricultural businesses by a drought in the northeastern province of Khon Kaen.

This initiative is part of a pilot project undertaken in Thailand in collaboration with the Japan Bank for International

Cooperation. The aim is to verify the effectiveness of insurance systems, which are increasingly seen as an important tool for adaptation to climate change. This experiment could lead to the introduction of this type of insurance on a full commercial basis.

The United Nations Framework Convention on Climate Change and the World Business Council for Sustainable Development have highlighted this initiative as a case study of an adaptation measure implemented through public-private partnership.



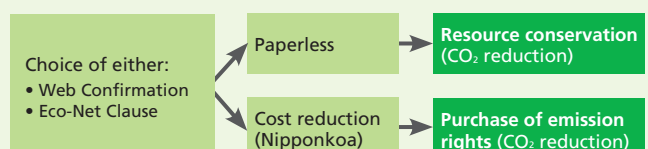
Thai farmers listen intently as Sampo Japan Thailand representatives introduce the benefits of the *Weather Index Insurance* program.

Carbon offsets added to motor vehicle insurance

For motor vehicle insurance, customers have the option of using either Web Confirmation or the Eco-Net Clause. In the former option, terms and clauses as well as the insurance certificate are available online. In the latter, the customer receives a paper certificate while terms and clauses are available online. With either option, Nipponkoa also donates ¥50 to UN-approved natural energy development projects.

A similar carbon offset mechanism is applied when insured vehicles are repaired after accidents, and the customer agrees to have parts repaired instead of replaced, or to use recycled parts. This scheme was launched in September 2008. By March 2010, this system had been applied in a cumulative total of 186,228 cases, resulting in donations equivalent to 2,436 tons of greenhouse gas emission reductions.

Matching Environmental Contribution by Customers and Nipponkoa



Corporate Citizenship Activities, Promoting Employee Diversity

The NKSJ Group as a Good Corporate Citizen—Helping Communities Thrive and Promoting Employee Diversity

Social Contributions by Individual Employees

Sompo Japan Chikyu (Earth) Club (established in 1993)

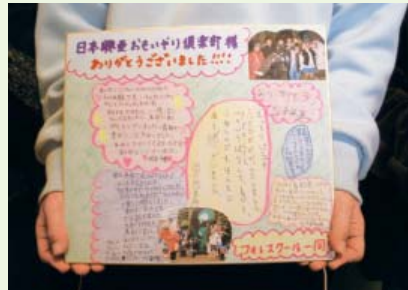
All employees are members of the Chikyu (Earth) Club, which is the hub for a wide range of voluntary activities carried out in partnership with agencies and other organizations throughout Japan. Initiatives include tree planting projects, clean-up campaigns, computer classes for people with disabilities, and wheelchair cleaning and maintenance. Employee volunteers support these activities by making monthly donations from their salaries to the Chikyu Club Social Contribution Fund.



Chikyu Club members spent a memorable weekend removing litter and other man-made debris from a local riverbed.

NIPPONKOA Omoiyari Club (established in 1996)

The NIPPONKOA Omoiyari (“Caring”) Club is a voluntary organization for directors and employees of Nipponkoa. Funds raised through monthly donations from members’ salaries and matching donations from the company are given to various groups, including social welfare and environmental protection organizations.



In addition to regular salary deductions, members sponsor collections for disaster relief and other special needs.

Corporate Citizenship Activities through Foundations

Sompo Japan Foundation (established in 1977)

The Sompo Japan Foundation aims to anticipate social needs and provide social leadership by supporting organizations working in the frontline of welfare activities for people with disabilities. It also supports scientific research, especially in the fields of welfare and insurance.



Members of the NPO Nanohana Kai pose proudly with their new truck, a donation from the Sompo Japan Foundation.

Sompo Japan Fine Arts Foundation (established in 1976)

The Sompo Japan Fine Arts Foundation administers the Seiji Togo Memorial Sompo Japan Museum of Art. Art on display at the Museum includes works by Seiji Togo, as well as Vincent van Gogh’s *Sunflowers* and other impressionist paintings. By FY2009, a total of approximately 4.49 million people had visited the Museum since its opening.



During special exhibit hours, local students are invited to closely study the paintings and discuss their impressions with museum volunteers.

Sompo Japan Environment Foundation (established in 1999)

The Sompo Japan Environment Foundation's mission is to foster people who plant trees. Its environment-related human resource development activities include the CSO Learning Scholarship Program, which gives students opportunities to work as interns with environmental NGOs.

NIPPONKOA Welfare Foundation (established in 1991)

Dedicated to social contribution, the NIPPONKOA Welfare Foundation focuses primarily on welfare activities for the aged. It provides support for families caring for elderly relatives suffering from dementia, scholarships for people aiming to become nursing care workers, and grants for gerontology research. The Foundation also conducts its own gerontology research.



A special symposium was held to commemorate the Sompo Japan Community Forest Agreement.



The NIPPONKOA Welfare Foundation's annual report offers an easy-to-read overview of the foundation's activities.

Promoting Employee Diversity

Sompo Japan has been implementing four major employee diversity initiatives since 2002: Career support for women, career support for people with disabilities, career support for middle-aged and older workers, and support for a healthy work-life balance. The aim of all of these initiatives is to facilitate access to work, and create vibrant working environments that motivate and encourage employees.

Since FY2005, Nipponkoa has been implementing major company-wide initiatives under the Lady, Go! Project, whose central aim is to help employees reconcile work with childcare. The project's activities focus on creating a work environment in which employees with childcare commitments can work with confidence, devote enough time to childcare, and return to work after a longer childcare-related absence.



Children of employees enjoy visits to their mothers' or fathers' workplace under policies that encourage work-life balance.



Young mothers are encouraged to return to work, supported by an environment that recognizes their childcare commitments.

Sompo Japan

This section presents the operating results of Sompo Japan, and its principal consolidated subsidiaries, Sompo Japan Himawari Life and Saison Automobile & Fire, for fiscal 2009 (April 1, 2009–March 31, 2010).

1. Key Indicators

	Millions of yen	
	FY2009	FY2008
Sompo Japan		
Net premiums written	¥ 1,258,896	¥ 1,290,464
Loss ratio* ¹	73.9%	70.3%
Expense ratio* ²	34.1%	34.5%
Underwriting profit (loss)	(2,585)	(92,274)
Ordinary profit (loss)	50,318	(153,884)
Net income (loss)	42,774	(73,943)

*1: Loss ratio = (Net losses paid + Loss adjustment expenses) / Net premiums written × 100

*2: Expense ratio = (Operating and administrative expenses on underwriting + Net commissions and brokerage expenses) / Net premiums written × 100

2. Net Premiums Written

Net premiums written for fiscal 2009 were as follows.

Premiums for voluntary automobile insurance, the mainstay product of Sompo Japan, dropped by 2.1% compared with the previous fiscal year. This was mainly due to a decrease in premium per vehicle that resulted from increased discounts for drivers with no accident experience and a shift toward smaller vehicles.

Regarding compulsory automobile liability insurance, the effect of the reduction in premium rates in the previous fiscal year remained until the first quarter of fiscal 2009, which lowered the premium income by 8.5% year on year. However, since this line of insurance operates on a “no loss, no profit” basis, underwriting profit was not affected.

Premiums for fire insurance saw a slight decline of 0.6% compared with the previous fiscal year, affected by a decrease in the number of long-term contracts relating to housing loans.

As for personal accident insurance, sales of group medical insurance and other third-sector insurance products remained strong. However, as this increase was outweighed by the drop in the sales of other personal accident policies, the aggregate premiums for personal accident insurance decreased by 0.9%.

Premiums for marine insurance was affected by lower shipping volumes and a strong yen, and decreased by 20.6% compared with the previous fiscal year.

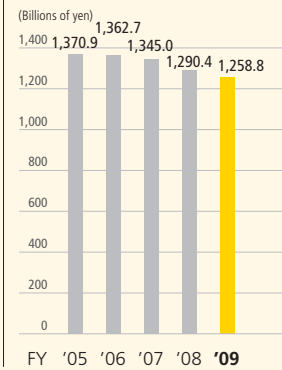
Among other insurance, general liability insurance grew its sales during fiscal 2009. This increase contributed to a 3.6% year-on-year increase in the aggregate premiums for all other lines.

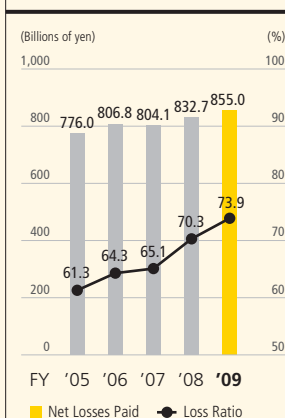
As a result of the above, net premiums written for all lines declined by 2.4%.

■ Net Premiums Written

	FY2009			FY2008
	Amount	Change	% change	Amount
Fire and allied lines	¥ 144,138	¥ (861)	(0.6)%	¥ 144,999
Marine	23,740	(6,143)	(20.6)%	29,883
Personal accident	125,229	(1,159)	(0.9)%	126,388
Voluntary automobile	640,251	(13,749)	(2.1)%	654,001
Compulsory automobile liability	164,724	(15,258)	(8.5)%	179,982
Other	160,811	5,603	3.6%	155,208
All lines	¥ 1,258,896	¥ (31,568)	(2.4)%	¥ 1,290,464

Net Premiums Written



Net Losses Paid/Loss Ratio

3. Net Losses

Net losses paid for voluntary automobile insurance decreased by ¥3.9 billion on the previous fiscal year, following a decline in the number of claims incurred. The loss ratio, on the other hand, edged up by 0.6 percentage points to 70.6% due to a decrease in net premiums written. The incurred loss ratio was affected by a provision for reserve for outstanding losses and claims, and rose by 4.2 percentage points to 71.0%.

Net losses paid for fire insurance increased by ¥5.1 billion on the previous fiscal year, mainly due to an increase in insurance payments claimed for natural disasters. The net loss ratio also rose by 3.9 percentage points to 44.2%.

As for other insurance lines, the aggregate net losses paid rose by ¥27.5 billion. This increase was attributable mainly to the net losses paid for financial guarantee insurance, which increased by ¥25.8 billion to ¥63.8 billion compared with the previous fiscal year. The loss ratio also rose by 14.6 percentage points to 98.8%. On the other hand, the incurred loss ratio saw a drastic improvement by 91.8 percentage points to 55.3%, reflecting a significant decline in the amount of incurred loss for financial guarantee insurance.

As a result of the above, the overall loss ratio for all insurance lines rose by 3.5 percentage points to 73.9% compared with the previous fiscal year. The overall incurred loss ratio, on the other hand, dropped by 10.4 percentage points to 63.2%.

Net Losses Paid

	FY2009			FY2008	
	Amount	Change	Loss ratio	Amount	Loss ratio
Fire and allied lines	¥ 61,291	¥ 5,163	44.2%	¥ 56,127	40.3%
Marine	13,211	(1,734)	60.2%	14,946	54.0%
Personal accident	68,118	1,282	59.5%	66,836	57.4%
Voluntary automobile	405,899	(3,914)	70.6%	409,814	70.0%
Compulsory automobile liability	154,378	(6,083)	101.3%	160,461	95.7%
Other	152,148	27,566	98.8%	124,581	84.1%
All lines	¥ 855,048	¥ 22,280	73.9%	¥ 832,768	70.3%

Net Incurred Loss

	FY2009			FY2008	
	Amount	Change	Loss ratio	Amount	Loss ratio
Fire and allied lines	¥ 55,019	¥ (3,126)	38.1%	¥ 58,145	40.2%
Marine	12,392	(4,205)	55.9%	16,597	57.2%
Personal accident	71,124	(1,389)	64.2%	72,513	63.7%
Voluntary automobile	413,381	23,558	71.0%	389,822	66.8%
Other	79,516	(139,515)	55.3%	219,031	147.1%
All lines	¥ 631,433	¥ (124,677)	63.2%	¥ 756,111	73.6%

*Excluding compulsory automobile liability insurance and personal earthquake insurance

4. Expenses

Sompo Japan is working to lower its expense ratio to establish a stable earnings base.

Personnel expenses decreased by ¥2.9 billion year on year, mainly due to a decrease in employees' salaries. Non-personnel expenses decreased by ¥10.9 billion as a result of company-wide initiatives to reduce costs.

As a result of the above, underwriting costs and expenses declined by ¥16.6 billion, and the expense ratio improved by 0.5 percentage points to 34.1% compared with the previous fiscal year.

Expenses

	FY2009			FY2008	
	Amount	Change	% of net premiums written	Amount	% of net premiums written
Millions of yen					
Underwriting costs and expenses:					
Net commissions and brokerage	¥ 210,910	¥ (4,781)	16.8%	¥ 215,692	16.7%
Operating and administrative expenses on underwriting	217,817	(11,879)	17.3%	229,696	17.8%
Total	¥ 428,728	¥ (16,661)	34.1%	¥ 445,389	34.5%
Company expenses*1:					
Personnel expenses	¥ 162,489	¥ (2,907)	12.9%	¥ 165,397	12.8%
Non-personnel expenses	129,147	(10,933)	10.3%	140,080	10.9%
Taxes, etc.	12,851	(698)	1.0%	13,549	1.0%
Total	¥ 304,488	¥ (14,538)	24.2%	¥ 319,027	24.7%

*1: Company expenses = Loss adjustment expenses + Operating and administrative expenses

5. Underwriting Profit

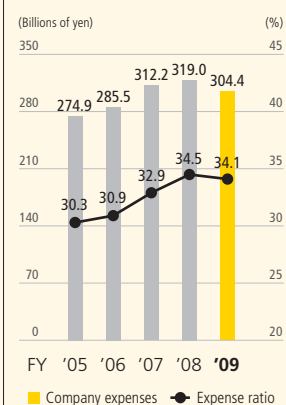
As a result of the above, the underwriting balance, which is calculated by deducting net losses paid, loss adjustment expenses and underwriting costs and expenses from net premiums written, declined by ¥37.1 billion compared with the previous fiscal year to a deficit of ¥99.8 billion.

On the other hand, underwriting loss improved by ¥89.6 billion to a loss of ¥2.5 billion, largely due to a significant improvement in the financial guarantee insurance line, for which underwriting loss decreased by ¥147.9 billion to ¥8.0 billion.

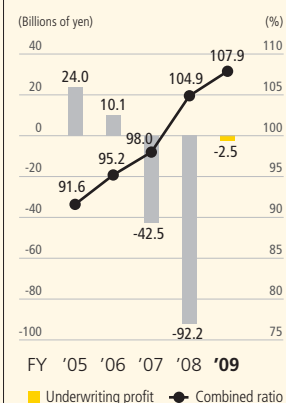
Underwriting Balance/Profit

	FY2009		FY2008	
	Amount	% of net premiums written	Amount	% of net premiums written
Millions of yen				
Net premiums written	¥ 1,258,896	100.0 %	¥ 1,290,464	100.0 %
Less: Net losses paid and loss adjustment expenses	929,969	73.9 %	907,740	70.3 %
Less: Underwriting costs and expenses	428,728	34.1 %	445,389	34.5 %
Underwriting balance	¥ (99,801)	(7.9)%	¥ (62,665)	(4.9)%
Underwriting profit (loss)	¥ (2,585)	(0.2)%	¥ (92,274)	(7.2)%

Company Expenses and Expense Ratio



Results of Underwriting



Underwriting Funds as of March 31, 2010

	Millions of yen									
	Underwriting reserves (total)		Of which premium reserve		Of which catastrophe reserve		Of which contingency reserve		Reserve for outstanding losses and claims	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change
Fire and allied lines	¥ 643,241	¥ 12,847	¥ 494,521	¥ (6,127)	¥ 148,525	¥ 18,974	¥ 194	¥ —	¥ 26,332	¥ (6,272)
Marine	35,007	(253)	8,776	(1,143)	26,231	890	—	—	11,832	(819)
Personal accident	158,965	1,301	74,013	4,398	84,587	(3,097)	364	—	53,641	3,005
Voluntary automobile	222,160	(15,760)	183,551	(6,860)	38,609	(8,900)	—	—	302,058	7,481
Compulsory automobile liability	386,615	(38,412)	386,615	(38,412)	—	—	—	—	55,818	(1,500)
Other	290,472	13,379	193,685	4,347	96,733	9,032	52	—	238,116	(72,632)
All lines	¥ 1,736,462	¥ (26,898)	¥ 1,341,163	¥ (43,797)	¥ 394,687	¥ 16,898	¥ 611	¥ —	¥ 687,801	¥ (70,737)

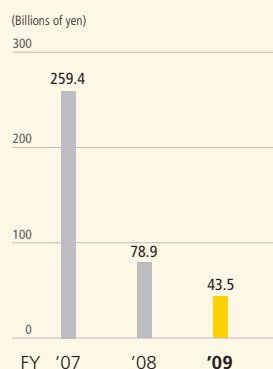
<Reference: Financial Guarantee Insurance>

The status of profit (loss) and exposure for financial guarantee insurance is summarized below.

Underwriting loss recorded for financial guarantee insurance for fiscal 2009 was ¥8.0 billion. ABS-CDO guarantees account for a ¥7.4 billion loss out of these ¥8.0 billion, having decreased significantly from the ¥146.6 billion posted in the previous fiscal year.

Net exposure of ABS-CDO guarantees decreased to ¥43.5 billion as of March 31, 2010, and the risk that the loss will be increased is considered limited.

Historical Exposure of ABS-CDO Guarantees



	Billions of yen		
	FY2009	FY2008	FY2007
ABS-CDOs (Insured Amount)			
Total of Insured Amount	123.1	218.0	289.4
Outstanding Loss Reserves	(79.5)	(139.0)	(30.0)
Insured Amount Net of Loss Reserves	43.5	78.9	259.4

	Billions of yen		
	FY2009	FY2008	FY2007
ABS-CDOs (Gains/Losses)			
Loss payment (incl. commutation)	(63.2)	(37.6)	—
Provision/Reversal of Loss Reserves (incl. gains/losses of exchange hedge transaction)	(55.7)	(109.0)	(30.0)
Gains/Losses	(7.4)	(146.6)	(30.0)

6. Interest and Dividend Income

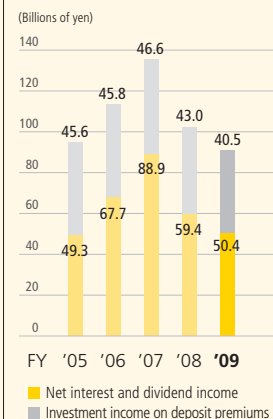
Interest and dividend income for fiscal 2009 was ¥91.0 billion, a ¥11.5 billion decrease compared with the previous fiscal year.

Investment income on deposit premiums of savings-type policies, which corresponds to interests on liabilities and is to be returned to policyholders upon maturity in future, decreased by ¥2.4 billion. Excluding this portion to be returned, net interest and dividend income declined by ¥9.0 billion to ¥50.4 billion year on year.

Interest and Dividend Income

	FY2009			FY2008
	Amount	Change	% change	Amount
Interest and dividend income	¥ 91,009	¥ (11,502)	(11.2)%	¥ 102,511
Less: Investment income on deposit premiums	40,537	(2,487)	(5.8)%	43,024
Net interest and dividend income	¥ 50,472	¥ (9,014)	(15.2)%	¥ 59,486

Breakdown of Interest and Dividend Income



7. Realized Gains/Losses on Securities, Devaluation Losses on Securities

For fiscal 2009, net gains on sales of securities (gains on sales minus losses on sales) increased by ¥9.0 billion to ¥25.4 billion compared with the previous fiscal year. Realized gains, which take redemption profit or losses on securities into account, also increased by ¥6.8 billion to ¥23.0 billion.

Devaluation losses on securities saw a sizable decrease of ¥75.9 billion from the previous fiscal year to ¥2.8 billion, mainly due to the recovery of both domestic and overseas stock markets.

Realized Gains/Losses on Securities

	Millions of yen	
	FY2009	FY2008
Net gains (losses) on sale of securities:		
Domestic bonds	¥ 2,387	¥ 22
Domestic stocks	27,817	13,739
Foreign securities	(4,763)	2,890
Others	13	(234)
Total	25,455	16,417
Redemption profit on securities	(2,366)	(195)
Realized gains	¥ 23,088	¥ 16,222

Devaluation Losses on Securities

	Millions of yen	
	FY2009	FY2008
Domestic bonds	¥ —	¥ —
Domestic stocks	2,506	67,587
Foreign securities	335	7,397
Others	2	3,761
Total	¥ 2,843	¥ 78,746

* Reserve for price fluctuations is provided in compliance with the Insurance Business Law to enable insurance companies to cope with the risk of changes in the value of securities. This reserve can be reversed whenever capital loss is recorded, i.e. when gains on sales minus losses on sales and devaluation losses on securities result in a deficit. Provision or reversal of this reserve is reported as special loss or special income, respectively, in the income statements.

8. Profit and Losses

Profit and losses for fiscal 2009 are summarized in the table below.

In the fiscal year under review, both ordinary profit and net income achieved notable recovery from loss to profit, due to a sizable improvement in underwriting loss especially for financial guarantee insurance, and a significant recovery in investment profit resulting from narrowed devaluation losses on securities. On the other hand, special income decreased by ¥23.2 billion, reflecting the absence of the ¥31.1 billion reversal of reserve for price fluctuations recorded in the previous fiscal year.

Summary of Profit and Losses

		Millions of yen	
		FY2009	FY2008
		Amount	Amount
Underwriting:			
Underwriting profit (loss)	(1)	¥ (2,585)	¥ (92,274)
Investment:			
Investment profit (loss):			
Net interest and dividend income	(2a)	50,472	59,486
Net gains on sale of securities	(2b)	25,455	16,417
Less: Devaluation losses on securities	(2c)	2,843	78,746
Redemption profit on securities	(2d)	(2,366)	(195)
Gains (losses) on money trusts	(2e)	(940)	(12,746)
Gains (losses) on derivative financial instruments	(2f)	7,279	54
Other investment income (loss)* ¹	(2g)	(11,843)	(39,059)
Total of the above	(2)	65,212	(54,789)
Less: Investment expenses, etc.	(3)	11,750	14,358
Total of investments	(2)-(3)=(4)	53,462	(69,147)
Other ordinary income	(5)	(558)	7,537
Ordinary profit (loss)	(1)+(4)+(5)	50,318	(153,884)
Special income		9,798	33,039
Less: Income taxes, including deferred tax		17,342	(46,901)
Net income		¥ 42,774	¥ (73,943)

*1: Other investment income (loss) is composed of the following items:

Gains (losses) on foreign exchange - Addition to reserve for investment losses + Other investment profit (loss)

9. Financial Base

In terms of the financial base, unrealized gains on stocks as of the year-end increased significantly due to the recovery in stock markets. With cumulative unrealized gains on domestic stocks of ¥580.0 billion and unrealized gains on all securities of ¥596.3 billion, the financial base of Sompo Japan remains sound.

■ Unrealized Gains on Available-for-sale Securities as of March 31, 2010

	Millions of yen		
	Cost (a)	Value shown on balance sheet (b)	Unrealized gains (before tax) (b - a)
Domestic bonds	¥ 1,411,797	¥ 1,443,871	¥ 32,073
Domestic stocks	488,355	1,068,396	580,041
Foreign securities	675,734	655,892	(19,841)
Others	74,723	78,768	4,044
Total of securities	¥ 2,650,611	¥ 3,246,929	¥ 596,318

The solvency margin ratio is one of the measures by which the regulatory authority assesses the financial soundness of insurance companies. A company's financial position is considered adequate if this ratio exceeds 200%. Sompo Japan has a solvency margin ratio of 800.0%, and thus enjoys a very sound financial position.

■ Solvency Margin Ratio as of March 31, 2010

	Millions of yen
Solvency margin	
Capital or foundation funds etc.	¥ 414,156
Reserve for price fluctuations	11,462
Contingency reserve	611
Catastrophe reserve	466,702
Reserve for doubtful accounts (general)	992
Unrealized gains or losses on available-for-sale securities (before tax effect deduction)	536,605
Unrealized gains or losses on land	52,252
Excess refund reserve	—
Subordinated debts	128,000
Deduction items	101,616
Other items	162,261
A. Total amount of solvency margin	¥ 1,671,429
Risks	
Ordinary insurance risks (R ₁)	83,975
Third-sector insurance risks (R ₂)	—
Assumed interest rate risks (R ₃)	5,368
Asset management risks (R ₄)	185,633
Business management risks (R ₅)	9,493
Major catastrophe risks (R ₆)	199,686
B. Total amount of risks: $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	¥ 417,827
Solvency margin ratio: $A / (B \times 1/2) \times 100$	800.0%

10. Investment Assets

Investment assets, which account for a large percentage of total assets, are presented in the following table. Sompo Japan categorizes investment assets into two categories: Savings-type account and general account.

■ Balance of Assets by Investment Category as of March 31, 2010

	Savings-type account	General account	Total	
			Amount	Proportion
Millions of yen				
Securities:				
Domestic stocks	¥ —	¥ 1,239,408	¥ 1,239,408	27.8%
Yen denominated-securities, excluding stocks:				
Public and corporate bonds	896,618	591,292	1,487,910	33.4%
Others	—	41,350	41,350	0.9%
Total	896,618	632,642	1,529,261	34.3%
Foreign currency denominated-securities:				
Public and corporate bonds	26,171	236,931	263,103	5.9%
Others	18,437	475,525	493,963	11.1%
Total	44,609	712,456	757,066	17.0%
Total of securities	941,227	2,584,508	3,525,735	79.1%
Monetary receivables bought	24,045	10,539	34,585	0.8%
Money trusts	—	6,773	6,773	0.2%
Loans	235,338	240,835	476,173	10.7%
Bank deposits	27,347	91,104	118,451	2.7%
Call loans and receivables under resale agreements	36,297	71,992	108,289	2.4%
Lands and buildings	—	188,761	188,761	4.2%
Investments assets (total)	¥ 1,264,256	¥ 3,194,515	¥ 4,458,771	100.0%
Total assets			¥ 5,029,232	

11. Sompo Japan Himawari Life

This section summarizes the performance of Sompo Japan Himawari Life, one of the principal subsidiaries of Sompo Japan.

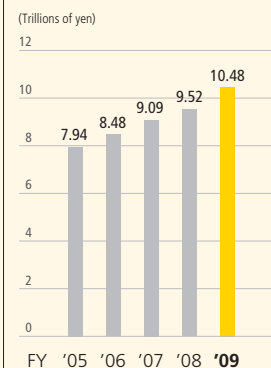
Sompo Japan Himawari Life was established in 1981 as a Japanese affiliate of the CIGNA Group (headquartered in Philadelphia, U.S.A.). After entering into a business alliance with Yasuda Fire & Marine Insurance Co., Ltd. (now Sompo Japan) in 1983, it became a wholly owned subsidiary of Yasuda Fire & Marine in December 2001. Backed by long and proven business experience as a foreign-affiliated life insurance company, Sompo Japan Himawari Life's strength is in medical insurance and other third-sector insurance products, areas in which it preceded other domestic life or P&C insurance companies.

The amount of business in force for personal insurance as of March 31, 2010 stood at ¥10,485.1 billion, a ¥955.7 billion increase on the previous fiscal year-end. Premium and other receipts was ¥236.2 billion and net income was ¥1.3 billion.

Embedded value as of March 31, 2010 grew by ¥63.6 billion on the previous fiscal year-end to ¥290.7 billion. Although the traditional embedded value (TEV) had been disclosed until the previous fiscal year, Sompo Japan Himawari Life started to use the market consistent embedded value (MCEV) for disclosure purposes from fiscal 2009.

Life Insurance Business (Sompo Japan Himawari Life)

	FY2009			FY2008
	Amount	Change	% change	Amount
Amount of business in force at term-end Personal, Personal pension	¥10,485,124	¥ 955,742	10.0 %	¥ 9,529,382
Annualized premium income from business in force Personal, Personal pension	¥ 196,181	¥ (3,688)	(1.8)%	¥ 199,870
(of which, third sector)	¥ 72,864	¥ 4,206	6.1 %	¥ 68,658
Premium and other receipts	236,238	(5,220)	(2.2)%	241,458
Investment income	22,095	3,440	18.4 %	18,655
Ordinary profit	4,088	(7,026)	(63.2)%	11,115
Net income	¥ 1,315	¥ (4,551)	(77.6)%	¥ 5,867

Amount of Business in Force
 (Personal/Personal pension)

Embedded Value (MCEV)

	FY2009	FY2008	Change
	Embedded value:		
Adjusted net worth	¥ 75.0	¥ 71.1	¥ 4.0
Value of in-force business	215.7	156.1	59.6
Total	¥ 290.7	¥ 227.2	¥ 63.6
MCEV of new business	¥ 23.8	¥ 16.5	¥ 7.3

12. Saison Automobile & Fire

The final section of Sompo Japan's Financial Review covers Saison Automobile & Fire.

Saison Automobile & Fire became a consolidated subsidiary of Sompo Japan in July 2009, and increased its capital by ¥10.0 billion in March 2010, all of which was subscribed by Sompo Japan. The company is working on developing infrastructure for enhancing its direct marketing business. The aim is to expand sales of various P&C insurance lines, with the direct marketing business as its primary business targeting 28 million Saison Card holders.

Net premiums written during fiscal 2009 increased by 4.6%, or ¥0.6 billion, compared with the previous fiscal year to ¥13.8 billion. The loss ratio improved by 0.6 percentage points to 60.0%. However, the expense ratio rose by 1.9 percentage points to 43.4% due to advance investments, mainly into the direct marketing business.

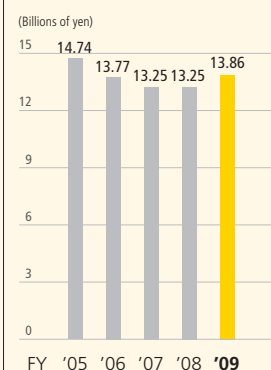
As a result of the above, the net loss improved by ¥0.9 billion to ¥0.7 billion.

Saison Automobile & Fire

	FY2009			FY2008
	Amount	Change	% change	Amount
Net premiums written	¥ 13,862	¥ 610	4.6 %	¥ 13,251
Loss ratio* ¹	60.0%	(0.6)%	(1.0)%	60.6%
Expense ratio* ²	43.4%	1.9 %	4.6 %	41.5%
Ordinary profit (loss)	(768)	(284)	—	(483)
Net income (loss)	¥ (797)	¥ 988	—	¥ (1,785)

*1: Loss ratio = (Net losses paid + Loss adjustment expenses) / Net premiums written × 100

*2: Expense ratio = (Operating and administrative expenses on underwriting + Net commissions and brokerage expenses) / Net premiums written × 100

Net Premiums Written


This section presents the operating results of Nipponkoa, and its principal consolidated subsidiaries, Nipponkoa Life and Sonpo 24, for fiscal 2009 (April 1, 2009–March 31, 2010).

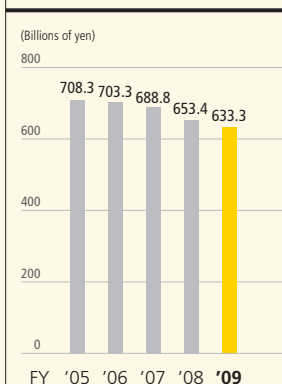
1. Key Indicators

	Millions of yen	
	FY2009	FY2008
Nipponkoa		
Net premiums written	¥ 633,336	¥ 653,400
Loss ratio* ¹	69.4%	66.7%
Expense ratio* ²	35.8%	35.1%
Underwriting profit	2,293	5,445
Ordinary profit (loss)	29,384	(2,851)
Net income	13,123	10,111

*1: Loss ratio = (Net losses paid + Loss adjustment expenses) / Net premiums written × 100

*2: Expense ratio = (Operating and administrative expenses on underwriting + Net commissions and brokerage expenses) / Net premiums written × 100

Net Premiums Written



2. Net Premiums Written

Net premiums written for fiscal 2009 were as follows.

For premiums for voluntary automobile insurance, the mainstay products of Nipponkoa, the rise in the premium rates in December 2008 acted as a brake on the continuous decline in the average premium per vehicle, which was caused mainly by higher good-driver discounts and a shift toward smaller vehicles. However, with the overall market continuing to shrink, the number of policies dropped. As a result, premium income for voluntary automobile insurance decreased by 2.0% compared with the previous fiscal year.

Premiums for personal accident insurance declined by 4.3% year on year, mainly due to sluggish sales of insurance products for individuals.

Premiums for marine insurance also declined by 18.7% compared with the previous fiscal year, reflecting declined shipping volumes and a strong yen. Aggregate premiums for other categories again decreased by 2.8%, although general liability insurance maintained steady sales.

Regarding compulsory automobile liability insurance, the effect of the reduction in premium rates in the previous fiscal year remained until the first quarter of fiscal 2009, which lowered the premium income by 8.3% year on year. However, this line of insurance operates on a “no loss, no profit” basis, thus underwriting profit was not affected.

On the other hand, the number of long-term fire insurance policies increased in the second half of fiscal 2009, driven by the premium rate revision in January 2010. As a result, premium income for fire insurance edged up by 0.8% on the previous fiscal year.

As a result of the above, net premiums written for all lines decreased by 3.1%.

Net Premiums Written

	FY2009			FY2008
	Amount	Change	% change	Amount
Fire and allied lines	¥ 96,566	¥ 737	0.8 %	¥ 95,828
Marine	13,488	(3,104)	(18.7)%	16,593
Personal accident	50,605	(2,254)	(4.3)%	52,859
Voluntary automobile	318,749	(6,371)	(2.0)%	325,120
Compulsory automobile liability	74,187	(6,751)	(8.3)%	80,938
Other	79,738	(2,320)	(2.8)%	82,058
All lines	¥ 633,336	¥ (20,063)	(3.1)%	¥ 653,400

3. Net Losses

Net losses paid for voluntary automobile insurance increased by ¥8.4 billion on the previous fiscal year. This increase was mainly attributable to an increase in the number of claims incurred as a result of initiatives taken to speed up insurance payments, and offset the downward effects of continued strengthening of underwriting discipline and accident prevention programs. The loss ratio also rose by 4.1 percentage points to 71.0%, due to a decrease in net premiums written as the denominator in the ratio. On the other hand, net incurred loss in this insurance line declined by ¥2.3 billion.

For fire insurance, an increase in insurance payments claimed for natural disasters outweighed a decrease in large-scale claims, and resulted in a ¥0.5 billion year-on-year increase in net losses paid. The loss ratio also rose slightly by 0.2 percentage points to 48.1%. On the other hand, net incurred loss in fire insurance dropped by ¥2.4 billion, leading to a 2.0 percentage point improvement in the incurred loss ratio to 43.6%.

As for personal accident insurance, large-scale claims, including those for death and residual disabilities, have been continually decreasing, lowering net losses paid and net incurred loss by ¥1.5 billion and ¥5.4 billion, respectively, compared with the previous fiscal year. As a result, the loss ratio in this insurance line improved by 0.5 percentage points to 66.4%. The incurred loss ratio also improved by 6.2 percentage points to 61.0%.

As a result of the above, overall net losses paid for all insurance lines recorded a ¥3.0 billion year-on-year increase. Also, affected by a decrease in overall net premiums written as the denominator in the ratio, the overall loss ratio also rose by 2.7 percentage points to 69.4%. Overall net incurred loss, on the other hand, declined by ¥7.7 billion, while the overall incurred loss ratio rose by 1.1 percentage points to 62.4% due to a decrease in earned premiums as the denominator in the ratio.

■ Net Losses Paid

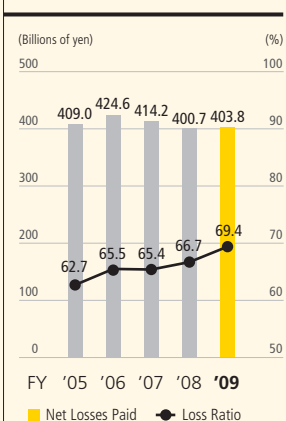
	FY2009			FY2008	
	Amount	Change	Loss ratio	Amount	Loss ratio
Fire and allied lines	¥ 42,668	¥ 502	48.1%	¥ 42,165	47.9%
Marine	8,006	1,098	61.0%	6,908	42.9%
Personal accident	30,830	(1,533)	66.4%	32,363	66.9%
Voluntary automobile	206,911	8,400	71.0%	198,511	66.9%
Compulsory automobile liability	70,780	(2,816)	102.9%	73,597	97.3%
Other	44,660	(2,583)	61.1%	47,243	62.7%
All lines	¥ 403,857	¥ 3,067	69.4%	¥ 400,790	66.7%

■ Net Incurred Loss

	FY2009			FY2008	
	Amount	Change	Loss ratio	Amount	Loss ratio
Fire and allied lines	¥ 37,869	¥ (2,497)	43.6%	¥ 40,367	45.6%
Marine	5,867	(1,178)	45.3%	7,046	39.8%
Personal accident	27,987	(5,488)	61.0%	33,475	67.2%
Voluntary automobile	197,765	(2,345)	68.4%	200,111	66.8%
Other	49,019	3,790	64.8%	45,229	58.8%
All lines	¥ 318,509	¥ (7,719)	62.4%	¥ 326,229	61.3%

*Excluding compulsory automobile liability insurance and personal earthquake insurance

Net Losses Paid/Loss Ratio



4. Expenses

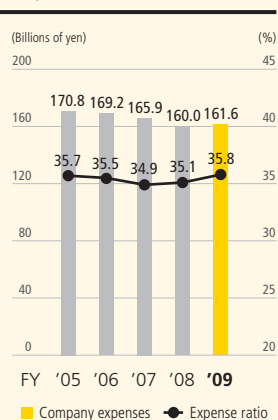
Nipponkoa is working to lower its expense ratio to establish a stable earning base.

Personnel expenses rose by ¥2.1 billion compared with the previous fiscal year, due to an increase in retirement benefit expenses. This increase mainly consisted of a reactionary increase brought by the return of equity securities from the retirement benefit trust in the previous fiscal year.

As for non-personnel expenses, there were increases in certain costs in connection with the revision of Japan's Insurance Law. However, cost reduction measures, such as a streamlining of procurement and logistics, absorbed the increased costs. As a result, aggregate non-personnel expenses declined by ¥0.4 billion compared with the previous fiscal year.

Regarding underwriting costs and expenses, although the total amount dropped by ¥2.3 billion, the decrease in overall net premium written pushed up the expense ratio, as in the case of the loss ratio described above, by 0.7 percentage points to 35.8%.

Company Expenses and Expense Ratio



Expenses

	FY2009			FY2008	
	Amount	Change	% of net premiums written	Amount	% of net premiums written
Underwriting costs and expenses:					
Net commissions and brokerage	¥ 107,151	¥ (3,226)	16.9%	¥ 110,378	16.9%
Operating and administrative expenses on underwriting	119,640	922	18.9%	118,718	18.2%
Total	¥ 226,792	¥ (2,304)	35.8%	¥ 229,096	35.1%
Company expenses*1:					
Personnel expenses	¥ 85,383	¥ 2,133	13.5%	¥ 83,250	12.7%
Non-personnel expenses	68,356	(400)	10.8%	68,757	10.5%
Taxes, etc.	7,865	(213)	1.2%	8,078	1.2%
Total	¥ 161,606	¥ 1,519	25.5%	¥ 160,086	24.5%

*1: Company expenses = Loss adjustment expenses + Operating and administrative expenses

5. Underwriting Profit

As a result of the above, the underwriting balance, which is calculated by deducting net losses paid, loss adjustment expenses and underwriting costs and expenses from net premiums written, declined by ¥21.3 billion compared with the previous fiscal year to a deficit of ¥33.1 billion.

Underwriting profit secured a ¥2.2 billion surplus, despite the larger deficit in the underwriting balance. Significant decreases in provisions for underwriting reserves and reserves for outstanding losses and claims contributed to holding the year-on-year decrease in underwriting profit at only ¥3.1 billion.

Underwriting Balance/Profit

	FY2009		FY2008	
	Amount	% of net premiums written	Amount	% of net premiums written
Net premiums written	¥ 633,336	100.0 %	¥ 653,400	100.0 %
Less: Net losses paid and loss adjustment expenses	439,671	69.4 %	436,103	66.7 %
Less: Underwriting costs and expenses	226,792	35.8 %	229,096	35.1 %
Underwriting balance	¥ (33,126)	(5.2)%	¥ (11,799)	(1.8)%
Underwriting profit	¥ 2,293	0.4 %	¥ 5,445	0.8 %

Underwriting Funds as of March 31, 2010

	Millions of yen									
	Underwriting reserves (total)		Of which premium reserve		Of which catastrophe reserve		Of which contingency reserve		Reserve for outstanding losses and claims	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change
Fire	¥ 483,785	¥ 8,051	¥ 362,647	¥ 1,493	¥ 121,138	¥ 6,557	¥ —	¥ —	¥ 22,211	¥ (4,799)
Marine	23,037	(1,455)	4,009	(1,847)	19,028	391	—	—	6,439	(2,139)
Personal accident	48,901	(4,402)	27,873	230	21,016	(4,632)	12	(1)	19,263	(2,843)
Voluntary automobile	113,605	(2,706)	91,696	(2,258)	21,909	(448)	—	—	130,636	(9,145)
Compulsory automobile liability	177,127	(18,056)	177,127	(18,056)	—	—	—	—	25,716	(586)
Other	128,867	1,284	77,365	(1,841)	51,501	3,125	—	—	63,604	4,359
All lines	¥ 975,324	¥ (17,285)	¥ 740,719	¥ (22,278)	¥ 234,593	¥ 4,994	¥ 12	¥ (1)	¥ 267,872	¥ (15,154)

6. Interest and Dividend Income

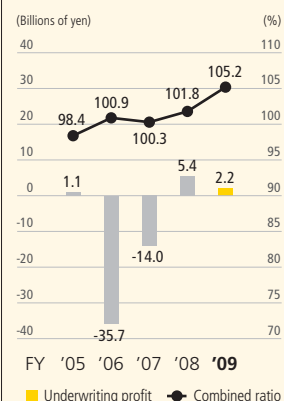
Interest and dividend income for fiscal 2009 amounted to ¥44.9 billion, down by ¥6.1 billion compared with the previous fiscal year.

Investment income on deposit premiums of savings-type policies, which corresponds to interests on liabilities and is to be returned to policyholders upon maturity in future, decreased by ¥1.9 billion. Excluding this portion to be returned, net interest and dividend income saw a ¥4.1 billion year-on-year decrease to ¥22.8 billion.

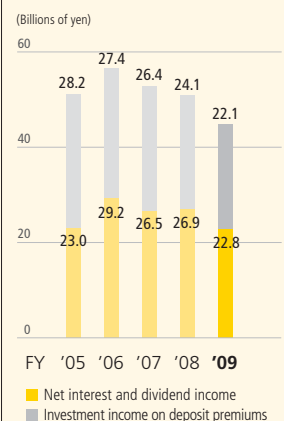
Interest and Dividend Income

	FY2009			FY2008
	Amount	Change	% change	Amount
Interest and dividend income	¥ 44,999	¥ (6,124)	(12.0)%	¥ 51,124
Less: Investment income on deposit premiums	22,147	(1,996)	(8.3)%	24,143
Net interest and dividend income	¥ 22,851	¥ (4,128)	(15.3)%	¥ 26,980

Results of Underwriting



Breakdown of Interest and Dividend Income



7. Realized Gains/Losses on Securities, Devaluation Losses on Securities

For fiscal 2009, net gains on sales of securities (gains on sales minus losses on sales) declined by ¥12.9 billion to ¥9.2 billion compared with the previous fiscal year. Realized gains, which takes redemption profit or losses on securities into account, also decreased by ¥14.4 billion to ¥7.8 billion.

Devaluation losses on securities, on the other hand, dropped sharply by ¥33.8 billion to ¥2.1 billion. This improvement was attributable largely to the recovery of both domestic and overseas stock markets.

■ Realized Gains/Losses on Securities

	Millions of yen	
	FY2009	FY2008
Net gains (losses) on sale of securities:		
Domestic bonds	¥ 1,992	¥ 2,721
Domestic stocks	11,727	24,454
Foreign securities	(4,781)	(3,926)
Others	350	(601)
Total	9,288	22,647
Redemption profit (loss) on securities	(1,472)	(398)
Realized gains	¥ 7,815	¥ 22,248

■ Devaluation Losses on Securities

	Millions of yen	
	FY2009	FY2008
Domestic bonds	¥ —	¥ —
Domestic stocks	1,213	18,520
Foreign securities	71	12,917
Others	820	4,545
Total	¥ 2,104	¥ 35,983

8. Profit and Losses

Profit and losses for fiscal 2009 are summarized in the table below.

In the fiscal year under review, ordinary profit rose sharply due to a significant recovery in investment profit, to which narrowed devaluation losses on securities made a contribution. On the other hand, special income and losses resulted in a net loss, reflecting a provision (loss) for reserve for price fluctuations* which was a reversal (profit) in the previous fiscal year, as well as special expenses posted for business integration.

Summary of Profit and Losses

		Millions of yen	
		FY2009	FY2008
		Amount	Amount
Underwriting:			
Underwriting profit	(1)	¥ 2,293	¥ 5,445
Investment:			
Investment profit (loss):			
Net interest and dividend income	(2a)	22,851	26,980
Net gains on sale of securities	(2b)	9,288	22,647
Less: Devaluation losses on securities	(2c)	2,104	35,983
Redemption profit (loss) on securities	(2d)	(1,472)	(398)
Gains (losses) on money trusts	(2e)	2,410	(4,235)
Gains (losses) on derivative financial instruments	(2f)	3,470	(6,298)
Other investment income (loss)* ¹	(2g)	(3,232)	(7,004)
Total of the above	(2)	31,210	(4,293)
Less: Investment expenses, etc.	(3)	6,151	6,054
Total of investments	(2)-(3)=(4)	25,058	(10,348)
Other ordinary income	(5)	2,032	2,051
Ordinary profit (loss)	(1)+(4)+(5)	29,384	(2,851)
Special income (loss)		(6,427)	17,481
Less: Income taxes, including deferred tax		9,833	4,518
Net income		¥ 13,123	¥ 10,111

*1: Other investment income (loss) is composed of the following items:

Gains (losses) on foreign exchange - Addition to reserve for investment losses + Other investment profit (loss)

* Reserve for price fluctuations is provided in compliance with the Insurance Business Law to enable insurance companies to cope with the risk of fluctuations in the values of securities. This reserve can be reversed whenever capital loss is recorded, i.e. when gains on sales minus losses on sales and devaluation losses on securities result in a deficit. Provision or reversal of this reserve is reported as special loss or special income, respectively, in the income statements.

9. Financial Base

In terms of the financial base, unrealized gains on stocks as of the year-end increased significantly, partly due to the recovery in stock markets. With cumulative unrealized gains on domestic stocks of ¥271.8 billion, and unrealized gains on all securities of ¥273.5 billion, the financial base of Nipponkoa remains sound.

■ Unrealized Gains on Available-for-sale Securities as of March 31, 2010

	Cost (a)	Value shown on balance sheet (b)	Unrealized gains (before tax) (b - a)
Domestic bonds	¥ 749,121	¥ 761,549	¥ 12,428
Domestic stocks	316,370	588,239	271,869
Foreign securities	352,974	341,737	(11,237)
Others	21,378	21,907	529
Total of securities	¥ 1,439,844	¥ 1,713,434	¥ 273,590

The solvency margin ratio is one of the measures by which the regulatory authority assesses the financial soundness of insurance companies. A company's financial position is considered adequate if this ratio exceeds 200%. Nipponkoa has a solvency margin ratio of 742.5%, and thus enjoys a very sound financial position.

■ Solvency Margin Ratio as of March 31, 2010

	Millions of yen
Solvency margin	
Capital or foundation funds etc.	¥ 249,698
Reserve for price fluctuations	5,643
Contingency reserve	12
Catastrophe reserve	285,675
Reserve for doubtful accounts (general)	40
Unrealized gains or losses on available-for-sale securities (before tax effect deduction)	242,132
Unrealized gains or losses on lands	24,275
Excess refund reserve	—
Subordinated debts	—
Deduction items	13,269
Other items	46,002
A. Total amount of solvency margin	¥ 840,210
Risks	
Ordinary insurance risks (R ₁)	39,271
Third-sector insurance risks (R ₂)	1
Assumed interest rate risks (R ₃)	3,088
Asset management risks (R ₄)	85,444
Business management risks (R ₅)	7,492
Major catastrophe risks (R ₆)	121,948
B. Total amount of risks: $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	¥ 226,293
Solvency margin ratio: $A / (B \times 1/2) \times 100$	742.5%

10. Investment Assets

Investment assets, which account for a large percentage of total assets, are presented in the following table. Nipponkoa categorizes investment assets into two categories: Savings-type account and general account.

■ Balance of Assets by Investment Category as of March 31, 2010

	Savings-type account	General account	Total	
			Amount	Proportion
Millions of yen				
Securities:				
Domestic stocks	¥ —	¥ 679,555	¥ 679,555	28.7%
Yen denominated-securities, excluding stocks:				
Public and corporate bonds	564,858	228,709	793,568	33.5%
Others	9,993	64,387	74,380	3.1%
Total	574,851	293,096	867,948	36.7%
Foreign currency denominated-securities:				
Public and corporate bonds	5,505	233,340	238,845	10.1%
Others	—	36,498	36,498	1.5%
Total	5,505	269,838	275,343	11.6%
Total of securities	580,357	1,242,490	1,822,848	77.0%
Monetary receivables bought	5,698	431	6,129	0.3%
Money trusts	—	56,752	56,752	2.4%
Loans	160,616	66,801	227,417	9.6%
Bank deposits	9,561	71,171	80,732	3.4%
Call loans and receivables under resale agreements	15,000	35,000	50,000	2.1%
Land and buildings	—	123,787	123,787	5.2%
Investments assets (total)	¥ 771,234	¥ 1,596,433	¥ 2,367,667	100.0%
Total assets			¥ 2,592,464	

11. Nipponkoa Life

This section summarizes the performance of Nipponkoa Life, one of Nipponkoa's principal subsidiaries.

Since its launch in 1996, Nipponkoa Life has been working to expand its base of business in force. This effort generated a ¥187.5 billion year-on-year increase in the amount of business in force for personal insurance, to ¥4,201.6 billion as of March 31, 2010. Annualized premium income from business in force for personal insurance and personal pension also increased, rising by ¥2.4 billion to ¥69.7 billion on the back of strong growth in the third-sector insurance.

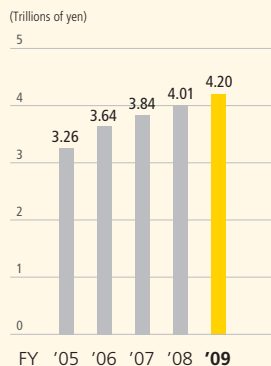
The bottom line for fiscal 2009 was a ¥0.5 billion profit, for which the main contribution came from the expansion of top lines, as well as the completion of a full provision for standard policy reserve* in the previous fiscal year.

Embedded value also recorded an increase of ¥10.1 billion to ¥96.0 billion, compared with the previous fiscal year-end.

As shown by these achievements, the profitability of Nipponkoa Life is steadily improving.

* Standard policy reserve:
Standard policy reserve is the reserve required by the Financial Services Agency in Japan, as a "standard level" considered appropriate to maintain the financial soundness of an insurance company and to protect its policyholders. The amount of the reserve is calculated by the net level premium method using the prescribed expected mortality rate and assumed interest rate.

Amount of Business in Force (Personal/Personal pension)



■ Nipponkoa Life

	FY2009			FY2008
	Amount	Change	% change	Amount
Amount of business in force at term-end Personal, Personal pension	¥ 4,201,638	¥ 187,530	4.7 %	¥ 4,014,107
Annualized premium income from business in force Personal, Personal pension	¥ 69,725	¥ 2,453	3.6 %	¥ 67,271
(of which, third sector)	¥ 13,610	¥ 1,410	11.6 %	¥ 12,199
Premium and other receipts	91,507	4,558	5.2 %	86,948
Investment income	8,916	(532)	(5.6)%	9,448
Ordinary profit	2,115	2,003	1,786.1 %	112
Net income (loss)	¥ 551	¥ 1,170	—	¥ (619)

■ Embedded Value (TEV)

	FY2009	FY2008	Change
	Embedded value:		
Adjusted net worth	¥ 29.0	¥ 26.4	¥ 2.5
Value of in-force business	67.0	59.4	7.5
Total	¥ 96.0	¥ 85.9	¥ 10.1
TEV of new business	¥ 1.3	¥ 1.3	¥ (0.0)

12. Sonpo 24

The final section of Nipponkoa's Financial Review covers Sonpo 24 which specializes in direct sales of automobile insurance through the telephone or over the Internet. Another feature of Sonpo 24's business is that it attracts customers through intermediary agencies, in addition to television and Internet advertising.

Net premiums written during fiscal 2009 grew by 14.0%, or ¥1.2 billion, on the previous fiscal year to ¥9.9 billion. The loss ratio marked a 4.0 percentage point improvement to 62.4%, with a contribution from an increase in net premiums written, the denominator in the ratio, which covered a slight increase in net losses paid.

As for the expense ratio, Sonpo 24 proactively promoted drastic measures to increase efficiency, such as a streamlining of the organizational structure and human resources, and a shift of system development to in-house production. As a result, the expense ratio saw a remarkable improvement of 20.1 percentage points to 34.7%.

As a result of the above, the net loss also recorded a significant year-on-year decrease, improving by ¥2.4 billion to ¥0.2 billion.

In the fiscal year ending March 31, 2011, Sonpo 24 plans to post annual profit through a steady growth in premium income, as well as by maintaining the loss ratio and the expense ratio at a low level.

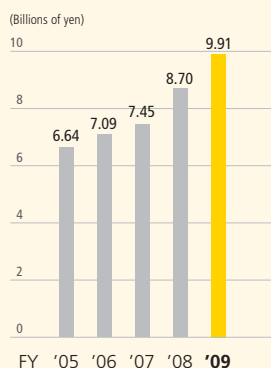
■ Sonpo 24

	FY2009			FY2008
	Amount	Change	% change	Amount
Net premiums written	¥ 9,919	¥ 1,216	14.0 %	¥ 8,703
Loss ratio* ¹	62.4%	(4.0)%	(6.0)%	66.4%
Expense ratio* ²	34.7%	(20.1)%	(36.7)%	54.8%
Ordinary profit (loss)	(274)	2,437	(89.9)%	(2,711)
Net income (loss)	¥ (286)	¥ 2,491	(89.7)%	¥ (2,778)

*1: Loss ratio = Net losses paid + Loss adjustment expenses / Net premiums written × 100

*2: Expense ratio = (Operating and administrative expenses on underwriting + Net commissions and brokerage expenses) / Net premiums written × 100

Net Premiums Written



Financial Section

Contents

Consolidated Financial Statements (Sompo Japan)	62
Report of Independent Auditors (Sompo Japan)	95
Non-Consolidated Financial Statements (Sompo Japan)	96
Report of Independent Auditors (Sompo Japan)	113
Consolidated Financial Statements (Nipponkoa)	114
Report of Independent Auditors (Nipponkoa)	149
Referential Information (Nipponkoa)	150

Note: These financial statements cover SOMPO JAPAN INSURANCE INC. (Sompo Japan) and NIPPONKOA Insurance Company, Limited (Nipponkoa), the major subsidiaries of NKSJ Holdings, Inc., which was established on April 1, 2010.

Sompo Japan Consolidated Financial Statements

Consolidated Balance Sheets

Sompo Japan Insurance Inc. As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Assets			
Cash (Notes 3 and 12)	¥ 142,276	¥ 115,246	\$ 1,529,193
Short-term investments (Notes 3, 4, and 12)	162,022	203,829	1,741,424
Investments in securities (Notes 3, 5, and 12)	4,479,148	4,125,568	48,142,183
Loans (Notes 3 and 6)	493,186	517,894	5,300,805
Accrued investment income	13,534	13,422	145,465
Tangible fixed assets, at cost (Note 7)	457,292	455,087	4,915,013
Less accumulated depreciation	(242,018)	(236,040)	(2,601,226)
	215,274	219,047	2,313,787
Intangible fixed assets	28,284	26,456	304,001
Insurance business balances receivable:			
Premiums receivable and agents' balances	129,233	123,269	1,389,008
Reinsurance balances recoverable	87,242	108,186	937,687
Other	10,014	8,381	107,639
	226,490	239,838	2,434,335
Other assets	273,637	219,089	2,941,069
Deferred tax assets (Note 8)	135,415	249,507	1,455,456
Reserve for possible loan losses	(5,201)	(16,520)	(55,909)
Total assets	¥ 6,164,068	¥ 5,913,379	\$ 66,251,813

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Liabilities and net assets			
Liabilities:			
Underwriting funds:			
Reserve for outstanding losses and claims	¥ 755,836	¥ 818,052	\$ 8,123,781
Underwriting reserves	4,168,465	4,180,524	44,802,935
	4,924,301	4,998,577	52,926,717
Insurance business balances payable:			
Reinsurance balances payable	66,525	66,166	715,024
Other	5,267	4,824	56,614
	71,793	70,991	771,639
Accrued taxes	4,002	6,174	43,015
Bonds (Note 3)	128,000	—	1,375,752
Accrued severance benefits (Note 9)	78,451	99,342	843,205
Reserve for officers' retirement allowances	91	31	988
Reserve for decline in value of assets	12,287	6,487	132,062
Other liabilities	141,547	136,532	1,521,359
Deferred tax liabilities (Note 8)	749	295	8,055
Total liabilities	5,361,224	5,318,432	57,622,794
Net assets (Note 11):			
Common stock:			
Authorized 2,000,000,000 shares, issued 987,733,424 shares in 2009 and 984,055,299 shares in 2010	70,000	70,000	752,364
Additional paid-in capital	24,229	24,229	260,423
Retained earnings (Note 10)	336,793	320,381	3,619,875
Treasury stock, 3,188,703 shares in 2009, at cost	—	(2,839)	—
Total shareholders' equity	431,023	411,771	4,632,663
Unrealized gains on securities available for sale	389,352	207,503	4,184,791
Translation adjustments	(21,674)	(26,274)	(232,962)
Stock options (Note 17)	1,302	984	14,002
Minority interests	2,839	962	30,524
Total net assets	802,843	594,946	8,629,019
Total liabilities and net assets	¥ 6,164,068	¥ 5,913,379	\$ 66,251,813

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income (Loss)

Sompo Japan Insurance Inc. For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Ordinary income			
Underwriting income:			
Net premiums written	¥ 1,290,948	¥ 1,308,194	\$ 13,875,195
Deposits of premiums by policyholders	112,917	145,491	1,213,639
Interest and dividend income on deposits of premiums, etc. (Note 5)	40,586	43,024	436,227
Life insurance premiums written	131,899	124,039	1,417,664
Reversal of reserve for outstanding losses and claims	69,402	—	745,943
Reversal of underwriting reserves	25,773	36,083	277,010
Other underwriting income	2,246	923	24,143
	1,673,773	1,657,757	17,989,825
Investment income:			
Interest and dividend income (Note 5)	72,782	80,523	782,267
Realized gain on sales of securities	38,822	19,630	417,269
Other investment income	10,089	1,814	108,440
	121,694	101,968	1,307,977
Other ordinary income	12,313	8,254	132,345
Total ordinary income	1,807,781	1,767,980	19,430,148
Ordinary expenses			
Underwriting expenses:			
Net losses paid	873,106	841,304	9,384,204
Loss adjustment expenses	76,543	75,981	822,693
Net commissions and brokerage fees	233,347	231,599	2,508,039
Maturity refunds and dividends to policyholders	192,491	202,798	2,068,910
Life insurance claims paid, etc.	41,174	39,485	442,545
Provision for reserve for outstanding losses and claims	—	82,732	—
Other underwriting expenses	7,909	2,331	85,014
	1,424,573	1,476,233	15,311,407
Investment expenses:			
Realized loss on sales of securities	12,182	2,444	130,940
Devaluation loss on securities	3,562	80,064	38,284
Other investment expenses	15,995	56,921	171,921
	31,740	139,430	341,147
Operating, general and administrative expenses	289,293	293,790	3,109,347
Equity in losses of affiliates	30	338	331
Other ordinary expenses	13,313	2,239	143,095
Total ordinary expenses	1,758,951	1,912,032	18,905,328
Ordinary profit (loss)	48,829	(144,052)	524,819
Special gains and losses			
Reversal of (provision for) reserve for decline in value of assets	(5,792)	31,420	(62,255)
Impairment loss (Note 13)	(380)	—	(4,086)
Other special gains, net	15,840	1,962	170,249
	9,667	33,383	103,907
Income (loss) before income taxes and minority interests	58,496	(110,669)	628,727
Income taxes (Note 8):			
Current	4,510	7,082	48,474
Prior	(1,161)	—	(12,486)
Deferred	16,391	(50,931)	176,173
	19,739	(43,849)	212,161
Minority interests	(609)	(110)	(6,551)
Net income (loss)	¥ 39,366	¥ (66,710)	\$ 423,117
		Yen	U.S. dollars (Note 2)
Net income (loss) per share:			
Basic	¥ 39.98	¥ (67.75)	\$ 0.430
Diluted	39.94	—	0.429
Cash dividends per share attributable to the year	20.00	20.00	0.215

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Sompo Japan Insurance Inc. For the years ended March 31, 2010 and 2009

	Thousands		Millions of yen						
	Thousands of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unrealized gains on securities available for sale	Translation adjustments	Stock options	Minority interests
Balance at March 31, 2008	987,733	¥ 70,000	¥ 24,241	¥ 407,051	¥ (2,842)	¥ 571,377	¥ 245	¥ 557	¥ 546
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	(257)	—	—	—	—	—
Net loss	—	—	—	(66,710)	—	—	—	—	—
Cash dividends	—	—	—	(19,691)	—	—	—	—	—
Changes in treasury stock – net	—	—	(11)	(10)	3	—	—	—	—
Changes in other than shareholders' equity, net	—	—	—	—	—	(363,873)	(26,520)	426	416
Total changes	—	—	(11)	(86,669)	3	(363,873)	(26,520)	426	416
Balance at March 31, 2009	987,733	¥ 70,000	¥ 24,229	¥ 320,381	¥ (2,839)	¥ 207,503	¥ (26,274)	¥ 984	¥ 962
Net income	—	—	—	39,366	—	—	—	—	—
Cash dividends	—	—	—	(19,690)	—	—	—	—	—
Changes in treasury stock – net	(3,678)	—	—	(3,109)	2,839	—	—	—	—
Changes in other than shareholders' equity, net	—	—	—	—	—	181,849	4,599	318	1,877
Changes in the scope of consolidation	—	—	—	(155)	—	—	—	—	—
Total changes	(3,678)	—	—	16,411	2,839	181,849	4,599	318	1,877
Balance at March 31, 2010	984,055	¥ 70,000	¥ 24,229	¥ 336,793	¥ —	¥ 389,352	¥ (21,674)	¥ 1,302	¥ 2,839

	Thousands of U.S. dollars (Note 2)								
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unrealized gains on securities available for sale	Translation adjustments	Stock options	Minority interests	
Balance at March 31, 2009	\$ 752,364	\$ 260,423	\$ 3,443,480	\$ (30,522)	\$ 2,230,260	\$ (282,401)	\$ 10,576	\$ 10,342	
Net income	—	—	423,117	—	—	—	—	—	—
Cash dividends	—	—	(211,639)	—	—	—	—	—	—
Changes in treasury stock – net	—	—	(33,416)	30,522	—	—	—	—	—
Changes in other than shareholders' equity, net	—	—	—	—	1,954,530	49,438	3,426	20,182	
Changes in the scope of consolidation	—	—	(1,666)	—	—	—	—	—	—
Total changes	—	—	176,395	30,522	1,954,530	49,438	3,426	20,182	
Balance at March 31, 2010	\$ 752,364	\$ 260,423	\$ 3,619,875	\$ —	\$ 4,184,791	\$ (232,962)	\$ 14,002	\$ 30,524	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Sompo Japan Insurance Inc. For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Operating activities			
Income (loss) before income taxes and minority interests	¥ 58,496	¥ (110,669)	\$ 628,727
Depreciation	11,634	10,792	125,053
Impairment loss	380	—	4,086
Net amortization of excess of cost of investments over net assets acquired in subsidiaries	3,352	1,872	36,035
Increase (decrease) in reserve for outstanding losses and claims	(70,454)	85,595	(757,246)
Increase (decrease) in underwriting reserves	(27,455)	(37,714)	(295,088)
Increase (decrease) in reserve for possible loan losses	(11,327)	(35)	(121,753)
Increase (decrease) in accrued severance benefits	(21,607)	3,076	(232,242)
Increase (decrease) in reserve for officers' retirement allowances	31	(2,471)	340
Increase (decrease) in reserve for decline in value of assets	5,792	(31,420)	62,255
Increase (decrease) in other reserves	178	552	1,920
Total interest and dividend income	(113,368)	(123,548)	(1,218,495)
Loss (profit) on securities	(20,880)	63,066	(224,420)
Interest expense	6,071	113	65,252
Loss (profit) on loans	34	37	374
Equity in losses (gains) of affiliates	30	338	331
Other, net	(36,993)	48,617	(397,613)
Subtotal	(216,083)	(91,797)	(2,322,483)
Interest and dividends received	115,591	126,285	1,242,386
Interest paid	(3,663)	(110)	(39,376)
Income taxes paid	18,678	(71,515)	200,759
Net cash provided by (used in) operating activities	(85,477)	(37,138)	(918,714)
Investing activities			
Net decrease (increase) in short-term investments	(16,748)	22,145	(180,012)
Purchases of investment securities	(675,714)	(577,045)	(7,262,624)
Proceeds from sales or maturity of investment securities	623,131	598,409	6,697,457
Loans made	(141,239)	(150,151)	(1,518,054)
Collection of loans	157,458	142,233	1,692,371
Purchases of tangible fixed assets	(7,242)	(9,601)	(77,839)
Proceeds from sales of tangible fixed assets	2,613	1,338	28,094
Net increase in cash due to purchase of a subsidiary (Note 12)	64	—	691
Other, net	(3,719)	13,917	(39,978)
Net cash provided by (used in) investing activities	(61,396)	41,246	(659,895)
Financing activities			
Proceeds from issuance of bonds	128,000	—	1,375,752
Proceeds from issuance of stocks	—	700	—
Purchases of treasury stock	(446)	(213)	(4,800)
Proceeds from sales of treasury stock	177	194	1,906
Dividends paid	(19,678)	(19,724)	(211,508)
Dividends paid to minority shareholders	(0)	(4)	(5)
Other, net	(2,602)	(255)	(27,969)
Net cash provided by (used in) financing activities	105,449	(19,303)	1,133,373
Effect of exchange rate changes on cash and cash equivalents	3,175	(5,305)	34,128
Net increase (decrease) in cash and cash equivalents	(38,249)	(20,501)	(411,107)
Cash and cash equivalents at beginning of year	299,497	319,998	3,219,018
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,596	—	17,160
Cash and cash equivalents at end of year (Note 12)	¥ 262,844	¥ 299,497	\$ 2,825,071

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sompo Japan Insurance Inc. March 31, 2010

1. Significant Accounting Policies

(1) Basis of preparation

Sompo Japan Insurance Inc. (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements on the basis of the statutory accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile, with necessary accounting adjustments for consolidation. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(2) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The excess of cost of investments over net assets acquired in consolidated subsidiaries at their acquisition dates is amortized within twenty years on a straight-line basis.

(3) Foreign currency translation

Revenue and expense accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, and, except for the components of shareholders' equity, the balance sheet accounts are also translated at the same exchange rates. The components of shareholders' equity are translated at the historical exchange rates.

(4) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(5) Investments in securities

Trading securities are carried at fair value and held-to-maturity bonds are carried at amortized cost. Marketable securities available for sale are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities available for sale are carried at cost or amortized cost. Shares of unconsolidated subsidiaries and affiliated companies are stated at cost. Cost of securities sold is determined by the moving average method.

When an impairment of an investment in non-marketable securities is considered not to be recovered in a reasonable period, the amounts of the securities are written down to their estimated realizable value and the impairment is treated as a realized loss on an investment in the consolidated financial statements.

Securities held by the foreign consolidated subsidiaries are primarily stated at fair value.

Effective the year ended March 31, 2010, due to the issuance of the Accounting Standards Board of Japan Statement No. 10 "Accounting Standard for Financial Instruments", the scope of securities which are carried at fair value is changed.

The effect due to this change is immaterial to "Securities", "Deferred tax assets", "Deferred tax liabilities" and "Unrealized gains on securities available for sale" for the year ended March 31, 2010.

(6) Derivative financial instruments and hedge accounting

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for hedge accounting under which unrealized gain or loss is not charged to or credited to operations.

The Company and its domestic consolidated subsidiaries apply fair value hedges to equity swaps entered into for the hedge of the future price fluctuation risk arising from the investment in equity securities.

The exceptional method is applied to interest rate swaps for the hedge of the future interest rate fluctuation risk arising from the borrowings when these transactions meet the given requirements.

Fair value hedges are applied to forward foreign exchange contracts and currency swaps for the hedge of the future exchange rate fluctuation risk of foreign currency bonds as exceptional accounting rule is applied when these transactions meet the given requirements.

The Company reviews the hedge effectiveness on a regular basis and examines whether designated derivatives are highly effective in offsetting changes in fair value of hedged items for the period from the inception of the hedging instruments to date.

(7) Depreciation

Depreciation of tangible fixed assets excluding leased assets of the Company and its domestic consolidated subsidiaries is computed by the declining-balance method, except for buildings acquired in Japan subsequent to March 31, 1998 on which depreciation is computed by the straight-line method at rates based on the estimated useful lives of the respective assets.

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

(8) Reserve for outstanding losses and claims

In accordance with the regulations of the Insurance Business Law, the reserve for outstanding losses and claims, which represents the accumulation of the estimates for reported losses and includes provision for losses incurred but not reported (IBNR), has been established at an amount estimated to be sufficient, in the opinion of management, to discharge of all losses and claims incurred.

The scope of insurance contracts for which the Company provides IBNR reserves includes all lines of business of the Company except for compulsory automobile liability insurance and earthquake insurance, for which a premium reserve is calculated pursuant to the provisions of the Insurance Business Law and the related rules and regulations as stated in Note 1.(9). Furthermore, the Company is required to perform an analysis to categorize each line of business into long-tail lines of business or short-tail lines of business based on the loss development patterns, and if a line of business is determined as long-tail and material as a result of the Company's analysis, IBNR reserves for the line of business have been calculated based on the actuarial and statistical methods using the incurred and paid claims data by accident year. The IBNR reserves for the short-tail lines of business or the lines of business deemed immaterial have been calculated by a formula which approximates the estimated IBNR reserves based on the actual claims experience in a certain period of time in the past in accordance with the Insurance Business Law.

(9) Underwriting reserves

Pursuant to the provisions of the Insurance Business Law and the related rules and regulations, the Company and its consolidated insurance subsidiaries in Japan are required to maintain underwriting reserves mainly calculated as follows:

(a) Premium reserve

Insurance other than compulsory automobile liability insurance and earthquake insurance:

The amount which is the greater of the unearned premiums or the underwriting balance at the end of the year for policies written during the year, by lines of business and types of policy.

Compulsory automobile liability insurance:

The accumulated total sum of the premiums written less the losses and claims incurred, and the related net investment income less the related income taxes and contributions to the Japan Red Cross Society and other Japanese institutions.

Insurance companies are not permitted to recognize any profit or loss from underwriting compulsory automobile liability insurance.

Earthquake insurance:

The accumulated total sum of the premiums written less the losses, claims incurred and net underwriting expense, and the related net investment income less income taxes.

Catastrophe reserve:

In addition to the above, in order to provide for any extraordinary risks which might arise from a catastrophe, the Company is required, under the standards for accounting practices of property and casualty insurance companies in Japan, to accumulate a catastrophe reserve at least calculated at rates varying by line of business and ranging from 3% to 4% of the net premiums written, except for nuclear energy insurance, for which the provision is calculated at 50%.

(b) Policyholders' deposit funds

Underwriting reserves include premium reserve and policyholders' deposit funds for long-term saving type products. Policyholders' deposit funds for long-term saving type products represent an accumulation of account deposits and credited income.

(10) Policy acquisition costs

The costs of acquiring and renewing business, which include agent commission and certain other costs directly related to the acquisition of business, are expensed when incurred as the Insurance Business Law in Japan does not permit insurance companies to defer and amortize these costs.

(11) Income taxes

Deferred tax assets and liabilities were initially recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax basis of the assets and liabilities, and were measured using the enacted tax rates and laws which would be in effect when the differences were expected to reverse.

(12) Accrued severance benefits

An employee whose employment is terminated is entitled, in most cases, to a lump-sum payment, the amount of which is determined by reference to the current basic rate of pay, length of service and conditions under which the termination occurs.

In addition to the lump-sum severance benefit plan, the Company and its domestic consolidated subsidiaries have a defined benefit pension plan covering substantially all their employees.

Accrued retirement benefits for employees at March 31, 2010 and 2009 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of March 31, 2010 and 2009, as adjusted for unrecognized actuarial loss, and unrecognized loss on plan amendments.

Actuarial loss and prior service cost are amortized principally by the straight-line method over certain years within the average remaining years of service of the eligible employees.

The Company contributes ¥25,276 million (\$271,668 thousand) of stocks that it holds to the retirement benefits trust and records other special gains of ¥15,013 million (\$161,369 thousand) for contribution to the retirement benefits trust for the year ended March 31, 2010.

Effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted the Accounting Standards Board of Japan Statement No. 19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)".

This change has no effect on "Ordinary profit" and "Income before income taxes and minority interests" for the year ended March 31, 2010 because the same discount rate as a conventional method is used.

(13) Reserve for officers' retirement allowances

The domestic consolidated subsidiaries record reserve for officers' retirement allowances, based on internal regulations, at the amount payable if the officers terminated their services at the end of the year.

(14) Reserve for possible loan losses

The Company and its consolidated insurance subsidiaries in Japan provide a reserve for possible loan losses pursuant to their internal rules for self-assessment of asset quality and for providing reserves for possible credit losses.

For loans to borrowers who are classified as substantially bankrupt or who are bankrupt in the formal legal sense, a reserve is provided at 100% of the amount remaining after deduction of the estimated recoverable amounts from the disposal of collateral and from guarantees.

For loans to borrowers who, although neither substantially bankrupt nor bankrupt in the legal sense, have experienced serious management difficulties and whose failure is imminent, a reserve is provided at an amount deemed necessary out of that remaining after deduction of the disposal of collateral and from guarantees.

For loans to borrowers whose loan repayment capability is deemed uncertain in the light of their earnings and financial condition, a reserve is provided at an amount based on the estimated bad debt expenses over the following three years.

The classification of borrowers and calculation of provision for possible loan losses are based on the result of the self-assessment, which is performed in accordance with the Company's internal policy and guidelines and is independently reviewed by internal audit unit.

For other loans, a reserve is provided based on their historical loan loss experience.

The reserve relating to loans to certain developing countries is provided based on the prospective loss after consideration of the relevant country's political and economic situations, etc.

The other consolidated subsidiaries provide reserves at amounts deemed sufficient to cover their estimated future losses on individual accounts.

(15) Reserve for decline in value of assets

In accordance with the Insurance Business Law, the Company and its consolidated insurance subsidiaries in Japan are required to set aside a reserve to cover any declines in the value of their assets at an amount calculated at rates varying by type of asset and, in case permission is granted by the Prime Minister of Japan, able to exclude all or a portion of this amount from such accounting treatment. Also, the Company and its consolidated insurance subsidiaries in Japan may reduce this reserve by an amount equivalent to the net loss resulting from reappraisals and sales of property and securities or from operations, or by a specified amount permitted by the Commissioner of Financial Services Agency for other reasons.

(16) Amounts per share

Basic net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding during each fiscal year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding and potential shares outstanding at the end of March 31, 2010. Diluted net income per share has not been disclosed because of net loss in the consolidated statement of income for the year ended March 31, 2009.

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

(17) Leases

Finance leases other than those which transfer the ownership of the leased property to the Company and its consolidated subsidiaries which commenced on or after April 1, 2008 are treated according to the accounting method equivalent to that used for ordinary sale and purchase transactions.

Finance leases other than those which transfer the ownership of the leased property to the Company and its consolidated subsidiaries which commenced on or before March 31, 2008 continue to be accounted for as operating leases.

(18) Amortization of software costs

Amortization of software costs of the consolidated subsidiaries are computed by the straight-line method based on the estimated useful life.

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥93.04 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2010. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3. Financial Instruments

(1) Overview of financial instruments

a) Our policy to manage financial instruments

In accordance with the basic policy to “control the risk appropriately and expand the value of net asset”, the Company fully recognizes the characteristic of investment fund for the insurance company and manages the investment asset through the approaches focused on risk management, taking into consideration the optimal mix of safety, liquidity and profitability. In addition to the traditional method such as investment in stocks, bonds, and loans, the Company also leverages alternative investment to diversify the risk and the investment methodology domestically and internationally and pursue middle- and long-term return.

And to manage the investment asset regarding long-term liability such as savings-type insurance appropriately, the Company intends to get the stable return for the future maturity payment by the methodology based on ALM.

Considering the scale and characteristic of investment assets, the consolidated subsidiaries aim to get the middle- and long-term investment return, and manage their investment assets appropriately through conservative approach to ensure soundness of assets.

In addition, with a view to strengthen the financial structure, the Company increased its capital substantively by the issuance of subordinated bond (i.e. hybrid finance), which is deemed as capital to some extent by major credit rating agencies.

b) The nature and risk of financial instruments

The Company holds a large proportion of domestic stocks mainly from the viewpoint of the maintenance of good relationship in the middle to long term with those companies as insurance customers. But generally domestic stocks have high volatility in terms of prices, and the Company is exposed to price volatility risk such as the following, in some cases

of the decline in stock prices, the profit would decrease by recognition of losses on sale and impairment losses, and the net asset would decrease by the decrease of unrealized gains.

To diversify the investment risk, the Company invests in foreign bonds and stocks. Then the Company is exposed to not only asset value volatility risk on each local currency basis but also foreign currency volatility risk by which the Company is potentially impacted significantly on the value and the investment return of those assets when exchange rates fluctuate.

Since the Company has fixed-rate assets including bonds and loans, the Company is exposed to interest rate volatility risk, by which there is a possibility that the asset value would decrease when interest rates rise.

And the securities and the loans which the Company holds are exposed to credit risk which would cause a significant decrease in their value or uncollectible interest and principal due to the deterioration of creditworthiness and bankruptcy of the issuer and the borrower.

The consolidated subsidiaries mainly hold deposits and bonds such as government bonds, so they are exposed to credit risk and interest rate volatility risk. As some subsidiaries hold stocks and foreign currency bonds, they are exposed to price volatility risk and foreign currency volatility risk. For example, when stock price declines and the exchange rate fluctuates, the profit would decrease by recognition of losses on sale and impairment losses, and the net asset would decrease by the decrease of unrealized gains.

The Company is exposed to interest rate volatility risk on the subordinated bond which the Company has issued, as the coupon payment is linked to floating rate after a lapse of 5 years from the issuance.

The Company and some domestic consolidated subsidiaries utilize derivative transactions mainly to hedge the risk in investment.

Other than above, the Company also utilizes derivative transactions to get investment profit within a certain volume of transaction.

The Company mainly utilizes the following derivative transactions.

- Currency derivatives: forward foreign exchanges, currency swaps, currency options
- Interest rate derivatives: interest rate swaps
- Equity derivatives: equity swaps, stock index futures
- Bond derivatives: bond futures, bond forwards
- Others: credit derivatives, weather derivatives, earthquake derivatives and so on

Some of the domestic consolidated subsidiaries utilize derivative transactions such as forward foreign exchanges, interest rate swaps, and credit derivatives.

These derivatives have the risks as follows; the foreign currency volatility risk, the interest rate volatility risk, the stock price volatility risk, the bond price volatility risk, and the credit risk of the underlying financial instruments. However, the Company believes that the derivative instruments utilized by the Company effectively eliminate the market risk of assets it holds.

The Company and some domestic consolidated subsidiaries apply the hedge accounting by using derivative transactions.

The profit and loss from hedged items should be recognized for some equity derivatives to hedge the future stock price volatility risk (i.e. fair value hedge). The profit and loss from hedged items should be recognized for some forward foreign exchange transactions and currency swap transactions to hedge the future foreign currency volatility risk regarding the foreign bonds (i.e. fair value hedge) as exceptional accounting rule is applied when these transactions meet the given requirements. In addition, the exceptional method is applied to interest rate swap transactions for hedging the future interest rate volatility risk when these transactions meet the given requirements.

Hedge effectiveness is assessed periodically by comparing the fair value fluctuation of hedged items and hedging instruments during the periods from the start dates of the hedges to the assessment dates as a rule. When hedged items and hedging instruments are highly interrelated, when interest rate swap transactions meet requirements for applying the exceptional method or when forward foreign exchange transactions and currency swap transactions meet requirements for applying exceptional accounting, assessment of hedge effectiveness is not performed.

Also, the Company and its consolidated subsidiaries do not utilize the leverage transactions, which are more volatile than underlying financial instruments.

And the Company and some domestic consolidated subsidiaries utilize the over-the-counter derivative transactions. They may have default risk by bankruptcy of counterparty etc. (i.e. credit risk). However, as all counterparties are global leading financial institutions, the Company believes the credit risk is limited.

c) The risk management structure regarding financial instruments

The board of directors of the Company has established “the risk management basic policy” to properly identify the risk profile held by the Company and the Group, to avoid unforeseen loss and to control the risk appropriately in order to ensure the financial soundness, as well as to properly manage the risk and return and to take appropriate action to address any emerging risks through organized approach. Based on the said basic policy, “the company risk management rules” has been established, to define the organization structure for risk management and the important requirements to execute operation. The risk management department has been established to manage the Company’s risks cross-functionally in an integrated manner, and the responsible sections have been assigned to manage the risks appropriately according to the nature of risks. The risks held by the Company and the compliance with the rules are reported regularly to the board of directors.

The consolidated subsidiaries manage the risks appropriately by reporting regularly the status of financial instruments they hold and compliance with the rules to the board of directors in accordance with risk management policy determined by the respective subsidiaries.

The Company employs the integrated management model to manage investment risks in an integrated fashion, which encompasses not only market risk, credit risk and property investment risk but also long-term insurance liability of savings-type insurance including the risk that investment return would fall below assumed interest rate. The information on investment assets is captured on a daily basis, and investment risk is quantified daily. The rigorous credit review is performed for each transaction to properly monitor the credit exposure. In addition, the credit limit is determined for each debtor based on internal credit rating to avoid concentrating the risk on a specific borrower.

And in addition to daily cash management, the Company estimates the cash outflow of claim payments when a major disaster occurs, and ensures that liquidity assets are saved enough to respond to the claims.

d) Supplemental explanation about the fair value of financial instruments

While the fair value of financial instruments is based on the market price, such value may be measured reasonably if the market price is not obtainable. In view that certain assumption is employed to measure the fair value, the resulting value might differ depending on the assumption to be applied.

(2) Fair value of financial instruments

Carrying value, fair value, and unrealized gains (losses) as of March 31, 2010 are as follows. Meanwhile, financial instruments which the Company considers extremely difficult to determine the fair value are not included in the following table. (Please refer to "b)" for details.)

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Cash	¥ 142,276	¥ 142,276	¥ —	\$ 1,529,193	\$ 1,529,193	\$ —
Short-term investments	162,022	162,022	—	1,741,424	1,741,424	—
Time deposits	44,723	44,723	—	480,689	480,689	—
CP under resale agreements	61,489	61,489	—	660,895	660,895	—
Money trusts	8,121	8,121	—	87,288	87,288	—
Call loans	46,800	46,800	—	503,009	503,009	—
Certificate of deposit	887	887	—	9,542	9,542	—
Investments in securities	4,376,046	4,394,320	18,273	47,034,038	47,230,438	196,400
Trading securities	17,832	17,832	—	191,664	191,664	—
Held-to-maturity bonds	860,856	879,129	18,273	9,252,541	9,448,941	196,400
Securities available for sale	3,497,358	3,497,358	—	37,589,832	37,589,832	—
Loans	493,186			5,300,805		
Reserve for possible loan losses (*1)	(1,430)			(15,375)		
	491,756	496,813	5,057	5,285,429	5,339,786	54,357
Monetary receivables bought (allocated on other assets)	34,585	34,585	—	371,729	371,729	—
Total assets	¥ 5,206,687	¥ 5,230,017	¥ 23,330	\$55,961,814	\$56,212,572	\$ 250,757
Bonds	128,000	129,664	1,664	1,375,752	1,393,637	17,884
Total liabilities	¥ 128,000	¥ 129,664	¥ 1,664	\$ 1,375,752	\$ 1,393,637	\$ 17,884
Derivative transactions (*2)						
To which hedge accounting is not applied	2,152	2,152	—	23,131	23,131	—
To which hedge accounting is applied	(1,846)	(1,847)	(1)	(19,841)	(19,858)	(17)
Total derivative transactions	¥ 306	¥ 304	¥ (1)	\$ 3,289	\$ 3,272	\$ (17)

(*1) General and individual reserves for possible loan losses responding to loans are excluded.

(*2) This table shows derivatives which are allocated on other assets and other liabilities collectively.

Assets and liabilities arising out from derivatives transactions are shown on a net basis. The items which are net debt in total are shown in brackets ().

a) Calculation methods for the fair value of financial instruments

Assets

(1) Cash

Since all deposits are short term, the fair value approximates the book value, so the book value is presented as the fair value.

(2) Short-term investments

Since all time deposits, CP under resale agreements, call loans and certificate of deposit are short term, the fair value approximates the book value, so the book value is presented as the fair value.

For money trust, the fair value of the domestic bonds is based on exchange price, the price released by the Japan Securities Dealers Association, and the price quoted by counterparties. The fair value of the domestic stocks and the foreign securities are based on exchange price.

(3) Monetary receivables bought (allocated on other assets)

The fair value is based on the price quoted by counterparties.

(4) Investments in securities

The fair value of the domestic bonds is based on exchange price, the price released by the Japan Securities Dealers Association, and the price quoted by counterparties. The fair value of the domestic stocks is based on exchange price. The fair value of the foreign securities is based on exchange price and the price quoted by counterparties.

(5) Loans

For the loans categorized as normal or special mention, the fair value is the amount of future collection cash flow of each loan which is discounted by the risk free rate for the corresponding the period, adding credit risk premium and liquidity premium thereto. For the loans categorized as non-performing, probably irrecoverable or irrecoverable, since the potential loan losses are estimated based on the amount expected to be covered by collateral and guarantee, the fair value approximates the amount which the current estimated loan losses are deducted from the carrying amount on the consolidated balance sheet, so such amount is presented as the fair value.

Regarding the loans guaranteed by credit company, for each kind of affiliated credit company loan, the fair value is the amount of future cash flow from collection of each loan class which is discounted by the risk free rate for the corresponding period, adding credit risk premium of each credit company and liquidity premium thereto.

Liabilities

Bonds

The fair value is calculated as the amount of future cash flow discounted at the risk free rate for the corresponding period, adding credit risk premium and liquidity premium thereto.

Derivatives

Please see Note 15 "Derivatives."

b) The financial instruments which the Company considers extremely difficult to determine the fair value are as follows. These financial instruments are not included in "(4) Investments in securities."

	Millions of yen	Thousands of U.S. dollars
Domestic securities:		
Bonds	¥ 1,000	\$ 10,748
Stocks (*1)	59,405	638,489
Foreign securities (*2)	32,729	351,782
Other securities (*3)	9,966	107,124
Total	¥ 103,101	\$ 1,108,145

(*1) Since they are the unlisted stocks and do not have the quoted market price, it is considered extremely difficult to determine the fair value, therefore they are not included in the scope of fair value disclosure.

(*2) Since they are the unlisted stocks and do not have the quoted market price, or investments mainly include the unlisted stocks which do not have the quoted market price, it is considered extremely difficult to determine the fair value, therefore they are not included in the scope of fair value disclosure.

(*3) Since these financial instruments mainly include the unlisted stocks which do not have the quoted market price, it is considered extremely difficult to determine the fair value, and therefore they are not included in the scope of fair value disclosure.

c) The redemption schedules after the consolidated balance sheet date for monetary receivables and securities which have maturity date

	Millions of yen			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Deposits (allocated on cash)	¥ 142,236	¥ —	¥ —	¥ —
Short-term investments	151,241	2,659	—	—
Time deposits	42,063	2,659	—	—
CP under resale agreements	61,490	—	—	—
Call loans	46,800	—	—	—
Certificate of deposit	887	—	—	—
Investments in securities				
Held-to-maturity bonds				
Government bonds	3,000	11,250	50,113	364,683
Municipal bonds	1,200	63,335	4,965	1,000
Corporate bonds	8,800	170,044	72,991	16,400
Foreign bonds	43,253	41,487	4,000	18
Fixed maturity securities available for sale				
Government bonds	115,837	392,539	199,497	292,704
Municipal bonds	9,793	17,750	3,606	—
Corporate bonds	45,569	242,028	91,676	176,382
Foreign bonds	32,912	160,076	105,805	57,671
Other securities	23	1,976	7,320	—
Loans (*)	149,425	227,706	81,840	30,510
Monetary receivables bought (allocated on other assets)	1,516	6,610	2,000	24,580
Total	¥ 704,810	¥ 1,337,465	¥ 623,815	¥ 963,950

	Thousands of U.S. dollars			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Deposits (allocated on cash)	\$ 1,528,766	\$ —	\$ —	\$ —
Short-term investments	1,625,554	28,587	—	—
Time deposits	452,102	28,587	—	—
CP under resale agreements	660,900	—	—	—
Call loans	503,009	—	—	—
Certificate of deposit	9,542	—	—	—
Investments in securities				
Held-to-maturity bonds				
Government bonds	32,244	120,915	538,617	3,919,636
Municipal bonds	12,898	680,730	53,364	10,748
Corporate bonds	94,582	1,827,644	784,512	176,268
Foreign bonds	464,896	445,908	42,992	197
Fixed maturity securities available for sale				
Government bonds	1,245,025	4,219,041	2,144,211	3,146,001
Municipal bonds	105,259	190,780	38,765	—
Corporate bonds	489,786	2,601,334	985,339	1,895,770
Foreign bonds	353,741	1,720,517	1,137,207	619,858
Other securities	250	21,247	78,683	—
Loans (*)	1,606,038	2,447,405	879,624	327,933
Monetary receivables bought (allocated on other assets)	16,302	71,049	21,496	264,191
Total	\$ 7,575,346	\$ 14,375,162	\$ 6,704,813	\$ 10,360,607

(*) Of loans, ¥1,571 million (\$16,891 thousand) in which the redemption schedules can not be expected is not included. These loans are non-performing, probably irrecoverable or irrecoverable loans.

d) The contractual maturities of the bonds, borrowings and lease obligations after the consolidated balance sheet date.

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 2 years	Due from 2 years to 3 years	Due from 3 years to 4 years	Due from 4 years to 5 years	Due after 5 years
Bonds	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 128,000
Borrowings	87	70	38	16	13	333
Lease obligations	1,151	1,144	983	455	29	0
Total	¥ 1,239	¥ 1,214	¥ 1,022	¥ 472	¥ 43	¥ 128,334

	Thousands of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 2 years	Due from 2 years to 3 years	Due from 3 years to 4 years	Due from 4 years to 5 years	Due after 5 years
Bonds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,375,752
Borrowings	942	754	418	176	147	3,584
Lease obligations	12,374	12,303	10,567	4,898	318	6
Total	\$ 13,316	\$ 13,058	\$ 10,986	\$ 5,075	\$ 466	\$ 1,379,343

4. Short-Term Investments

Short-term investments as of March 31, 2010 and 2009 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Time deposits	¥ 44,723	¥ 35,539	\$ 480,689
CP under resale agreements	61,489	81,978	660,895
Money trusts	8,121	9,715	87,288
Call loans	46,800	73,600	503,009
Commercial paper	—	1,999	—
Certificate of deposit	887	995	9,542
Total	¥ 162,022	¥ 203,829	\$ 1,741,424

a) Money trusts for trading purpose included in money trusts as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Carrying value	¥ 1,316	¥ —	\$ 14,147
Net unrealized gain recognized in consolidated statements of income	¥ 0	¥ —	\$ 2

b) The cost and related aggregate fair values of money trusts held as neither trading nor held-to-maturity as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cost	¥ 6,772	¥ 11,708	\$ 72,790
Carrying value	6,805	9,715	73,140
Net unrealized gain (loss)	¥ 32	¥ (1,992)	\$ 350

The Company and its domestic consolidated subsidiaries recognize devaluation loss on marketable securities available for sale included in money trust if the fair value is declined by 30% or more of their cost on the balance sheet date.

Devaluation loss on marketable securities available for sale included in money trust as of March 31, 2009 is ¥202 million.

5. Investments in Securities

The components of investments in securities as of March 31, 2010 and their fair value and other related information by holding intentions are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Domestic securities:		
Bonds	¥ 2,404,650	\$ 25,845,339
Stocks	1,134,023	12,188,558
Foreign securities	883,165	9,492,322
Other securities	57,309	615,963
Total	¥ 4,479,148	\$ 48,142,183

a) Trading securities included in investments in securities are ¥17,832 million (\$191,664 thousand).

b) Information regarding securities classified as held-to-maturity bonds are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:						
Domestic bonds	¥ 721,198	¥ 740,275	¥ 19,077	\$ 7,751,491	\$ 7,956,534	\$ 205,042
Foreign bonds	52,750	53,097	346	566,966	570,694	3,727
Subtotal	773,949	793,373	19,423	8,318,458	8,527,228	208,770
Securities whose carrying value exceeds their fair value:						
Domestic bonds	49,364	48,611	(752)	530,572	522,482	(8,089)
Foreign bonds	37,542	37,144	(398)	403,510	399,230	(4,280)
Subtotal	86,907	85,756	(1,150)	934,082	921,712	(12,369)
Total	¥ 860,856	¥ 879,129	¥ 18,273	\$ 9,252,541	\$ 9,448,941	\$ 196,400

c) Information regarding securities available for sale are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Cost	Unrealized gain (loss)	Carrying value	Cost	Unrealized gain (loss)
Securities whose carrying value exceeds their cost:						
Domestic securities:						
Bonds	¥ 1,451,928	¥ 1,416,198	¥ 35,729	\$15,605,425	\$15,221,398	\$ 384,026
Stocks	1,046,167	462,984	583,183	11,244,280	4,976,190	6,268,090
Foreign securities	325,478	295,071	30,407	3,498,269	3,171,451	326,818
Other securities	63,472	58,557	4,915	682,203	629,375	52,828
Subtotal	2,887,047	2,232,812	654,235	31,030,180	23,998,416	7,031,763
Securities whose cost exceeds their carrying value:						
Domestic securities:						
Bonds	176,280	178,321	(2,040)	1,894,678	1,916,606	(21,928)
Stocks	23,310	25,798	(2,487)	250,544	277,279	(26,734)
Foreign securities	426,848	473,675	(46,826)	4,587,793	5,091,091	(503,297)
Other securities	19,343	20,193	(849)	207,906	217,039	(9,133)
Subtotal	645,783	697,987	(52,204)	6,940,923	7,502,017	(561,093)
Total	¥ 3,532,831	¥ 2,930,800	¥ 602,031	\$37,971,103	\$31,500,434	\$ 6,470,669

Securities available for sale which are considered extremely difficult to determine their fair value are not included in the above table.

d) Securities available for sale sold are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Domestic securities:						
Bonds	¥ 132,398	¥ 3,108	¥ 409	\$ 1,423,023	\$ 33,412	\$ 4,396
Stocks	59,747	32,263	4,455	642,167	346,773	47,889
Foreign securities	63,050	3,326	7,219	677,670	35,751	77,594
Other securities	1,006	32	21	10,816	353	225
Total	¥ 256,202	¥ 38,731	¥ 12,105	\$ 2,753,678	\$ 416,290	\$ 130,106

e) Devaluation losses on securities available for sale are as follows:

	Millions of yen	Thousands of U.S. dollars
Domestic securities:		
Bonds	¥ 715	\$ 7,693
Stocks	2,508	26,966
Foreign securities	335	3,601
Other securities	31	342
Total	¥ 3,591	\$ 38,603

The Company and its domestic consolidated subsidiaries recognize devaluation loss on securities available for sale if the fair value is declined by 30% or more of their cost on the balance sheet date.

f) Total interest and dividend income are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Interest on bank deposits	¥ 510	\$ 5,483
Interest on CP under resale agreements	168	1,815
Interest on call loans	79	854
Interest and dividends on securities	97,218	1,044,910
Interest on loans	8,913	95,800
Income from real estate	5,335	57,343
Total income from investment assets	112,225	1,206,208
Interest on other assets	1,143	12,286
Total interest and dividend income	¥ 113,368	\$ 1,218,495
Presentation in the consolidated statements of income:		
Interest and dividend income on deposits of premiums, etc.	¥ 40,586	\$ 436,227
Interest and dividend income	72,782	782,267
Total interest and dividend income	¥ 113,368	\$ 1,218,495

The components of investments in securities as of March 31, 2009 and their fair value and other related information by holding intentions are summarized as follows:

	Millions of yen
Domestic securities:	
Bonds	¥ 2,291,718
Stocks	928,667
Foreign securities	850,588
Other securities	54,593
Total	¥ 4,125,568

a) Trading securities included in investments in securities are ¥29,265 million.

b) Information regarding marketable securities classified as held-to-maturity bonds are as follows:

	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Domestic bonds	¥ 657,737	¥ 676,847	¥ 19,109
Foreign bonds	6,063	6,102	39
Subtotal	663,800	682,950	19,149
Securities whose carrying value exceeds their fair value:			
Domestic bonds	79,944	78,598	(1,345)
Foreign bonds	90,203	86,496	(3,706)
Subtotal	170,147	165,095	(5,051)
Total	¥ 833,948	¥ 848,045	¥ 14,097

c) Information regarding marketable securities available for sale are as follows:

	Millions of yen		
	Cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their cost:			
Domestic securities:			
Bonds	¥ 1,249,352	¥ 1,281,361	¥ 32,008
Stocks	351,109	704,902	353,792
Foreign securities	207,363	230,732	23,368
Other securities	38,908	40,435	1,526
Subtotal	1,846,734	2,257,430	410,695
Securities whose cost exceeds their carrying value:			
Domestic securities:			
Bonds	272,667	267,576	(5,091)
Stocks	181,027	166,225	(14,802)
Foreign securities	487,900	424,036	(63,864)
Other securities	40,800	39,555	(1,244)
Subtotal	982,396	897,394	(85,001)
Total	¥ 2,829,131	¥ 3,154,825	¥ 325,694

The Company and its domestic consolidated subsidiaries recognize devaluation loss on marketable securities available for sale if the fair value is declined by 30% or more of their cost on the balance sheet date. Devaluation losses on marketable securities available for sale are ¥71,487 million.

d) Securities available for sale sold are as follows:

	Millions of yen
Proceeds from sales	¥ 227,289
Gain on sales	19,446
Loss on sales	2,223

e) The redemption schedules for securities available for sale and held-to-maturity bonds with maturity date are as follows:

	Millions of yen			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Domestic securities:				
Government bonds	¥ 105,145	¥ 436,052	¥ 257,449	¥ 608,701
Municipal bonds	15,095	84,281	18,962	999
Corporate bonds	67,667	363,607	178,117	150,540
Foreign bonds	56,556	200,696	126,216	97,266
Other securities	2,324	6,830	9,340	26,749
Total	¥ 246,789	¥ 1,091,468	¥ 590,086	¥ 884,256

f) Total interest and dividend income are summarized as follows:

	Millions of yen
Interest on bank deposits	¥ 707
Interest on CP under resale agreements	513
Interest on call loans	362
Interest and dividends on securities	105,755
Interest on loans	9,444
Income from real estate	5,346
Total income from investment assets	122,130
Interest on other assets	1,418
Total interest and dividend income	¥123,548

Presentation in the consolidated statements of income:

Interest and dividend income on deposits of premiums, etc.	¥ 43,024
Interest and dividend income	80,523
Total interest and dividend income	¥123,548

6. Loans

As of March 31, 2010 and 2009, the balances of loans include the following risk-monitored loans:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans to borrowers in bankruptcy	¥ 821	¥ 491	\$ 8,830
Overdue loans	2,101	2,474	22,591
Loans overdue for three months or more	5	4	61
Restructured loans	1,199	451	12,896
Total	¥ 4,129	¥ 3,421	\$ 44,379

Loans to borrowers in bankruptcy represent non-accrual loans to borrowers who are legally bankrupt as defined in Article 96-1-3 and 4 of the Corporate Income Tax Law Enforcement Regulation (Article 97 of 1965 Cabinet Order).

Overdue loans represent non-accrual loans other than (i) loans to borrowers in bankruptcy and (ii) loans of which payments of interest are deferred in order to assist or facilitate the restructuring of borrowers in financial difficulties.

Loans overdue for three months or more represent loans on which the payment of principal and/or interest has not been

received for three months or more from the due date, and which are not included in loans to borrowers in bankruptcy or overdue loans.

Restructured loans are loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.) and are not classified in any of the above categories.

7. Tangible Fixed Assets

The components of tangible fixed assets as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Land	¥ 103,625	¥ 104,173	\$ 1,113,774
Buildings	290,179	288,021	3,118,864
Furniture and equipment	58,057	59,231	624,000
Leased assets	4,700	2,440	50,521
Construction in progress	730	1,220	7,852
Subtotal	457,292	455,087	4,915,013
Less accumulated depreciation	(242,018)	(236,040)	(2,601,226)
Total	¥ 215,274	¥ 219,047	\$ 2,313,787

8. Income Taxes

Income taxes applicable to the Company include corporation and inhabitants' taxes, which, in the aggregate, resulted in statutory tax rates of approximately 36.09% for 2010 and 2009, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The provision for income taxes incurred and prior is different from what would be obtained by applying the statutory tax rates to income before income taxes and minority interests due to the permanent difference and other items.

A reconciliation of effective tax rates reflected in the consolidated statements of income for the year ended March 31, 2010 to the statutory tax rate is as follows:

	2010
Statutory tax rate	36.09%
Effect of:	
Permanently nontaxable dividends received	(5.48)
Amortization of excess of net assets acquired over cost of investment	2.07
Permanently nondeductible expenses	1.88
Other, net	(0.81)
Effective tax rate	33.74%

No reconciliation between the statutory income tax rate and the effective income tax rate has been disclosed for the year ended March 31, 2009, because of net loss before income taxes and minority interest in the consolidated statement of income for the year ended March 31, 2009.

Deferred tax assets and liabilities as of March 31, 2010 and 2009 consist of:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets (liabilities):			
Underwriting reserves	¥ 201,589	¥ 190,842	\$ 2,166,697
Reserve for outstanding losses and claims	54,784	71,331	588,826
Devaluation loss on securities and real estate	29,675	33,590	318,956
Accrued severance benefits	28,128	35,829	302,324
Tax loss carryforward	26,727	31,567	287,271
Intangible fixed assets in tax matters	21,718	20,758	233,432
Unrealized gains on securities available for sale	(212,001)	(113,822)	(2,278,603)
Other, net	20,259	18,712	217,749
Valuation allowance	(36,216)	(39,596)	(389,253)
Net deferred tax assets	¥ 134,666	¥ 249,212	\$ 1,447,400

9. Accrued Severance Benefits

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2010 and 2009 for the Company's and its consolidated subsidiaries' severance benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Retirement benefit obligation	¥ (108,825)	¥ (121,447)	\$ (1,169,661)
Plan assets at fair value	33,872	3,026	364,060
Unfunded retirement benefit obligation	(74,953)	(118,420)	(805,600)
Unrecognized actuarial loss	(3,405)	20,327	(36,602)
Unrecognized prior service costs	(93)	(1,248)	(1,002)
Net retirement benefit obligation	(78,451)	(99,342)	(843,205)
Accrued severance benefits	¥ (78,451)	¥ (99,342)	\$ (843,205)

The components of severance benefit expenses for the years ended March 31, 2010 and 2009 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥ 6,750	¥ 6,108	\$ 72,550
Interest cost	1,775	1,744	19,082
Expected return on plan assets	(7)	—	(84)
Amortization of actuarial loss	3,748	3,795	40,285
Prior service costs	(1,318)	(1,250)	(14,173)
Subtotal	10,947	10,398	117,660
Payment into the defined contribution type pension plan	2,749	2,641	29,554
Total	¥ 13,696	¥ 13,040	\$ 147,214

The assumptions used in accounting for the above plans for the years ended March 31, 2010 and 2009 are as follows:

	2010	2009
Discount rates	1.5%–2.0%	1.5%
Expected return on plan assets	2.5%	0.0%

10. Retained Earnings

In accordance with the Insurance Business Law of Japan, the Company has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Insurance Business Law of Japan provides that an amount equal to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital equals 100% of the common stock. The legal reserve amounted to ¥40,026 million (\$430,209 thousand) and ¥36,088 million as of March 31, 2010 and 2009, respectively.

11. Changes in Net Assets

Types and numbers of issued shares and treasury stocks are as follows:

	Thousands of shares	
	Issued shares Common stock	Treasury stocks Common stock
Shares issued at March 31, 2008	987,733	3,181
Increase in shares	—	248
Decrease in shares	—	241
Shares issued at March 31, 2009	987,733	3,188
Increase in shares	—	697
Decrease in shares	3,678	3,886
Shares issued at March 31, 2010	984,055	—

The following dividends of ¥20.0 (\$0.215) and ¥20.0 per share were paid during the years ended March 31, 2010 and 2009, respectively.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash dividends	¥ 19,690	¥ 19,691	\$ 211,639

The following appropriation of retained earnings was approved at the meeting of the shareholders held on June 28, 2010.

	Millions of yen	Thousands of U.S. dollars	Record date	Effective date
Cash dividends (¥20 = \$0.215 per share)	¥19,681	\$211,533	March 31, 2010	June 29, 2010

12. Cash and Cash Equivalents

A reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows to "Cash" in the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash	¥ 142,276	¥ 115,246	\$ 1,529,193
Short-term investments	162,022	203,829	1,741,424
Investments in securities	4,479,148	4,125,568	48,142,183
Short-term investments other than cash equivalents	(47,411)	(24,326)	(509,577)
Investments in securities other than cash equivalents	(4,473,191)	(4,120,819)	(48,078,152)
Cash and cash equivalents	¥ 262,844	¥ 299,497	\$ 2,825,071

The breakdown of assets and liabilities of newly consolidated subsidiary, Saison Automobile and Fire Insurance Company, Limited at the commencement of the consolidation is as follows. The following also shows the acquisition cost of the shares of Saison Automobile and Fire Insurance Company, Limited and amounts paid (net) for the acquisition of such shares.

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Assets	¥ 24,471	\$ 263,025
[Investments in securities]	[19,294]	[207,377]
Goodwill	568	6,105
Liabilities	(21,095)	(226,734)
[Underwriting funds]	[(19,149)]	[(205,822)]
Minority interests	(1,222)	(13,137)
Carrying value of shares previously acquired	(1,606)	(17,269)
Acquisition cost of shares newly acquired	1,115	11,990
Cash and cash equivalents	(1,179)	(12,681)
Net increase due to the share acquisition	¥ 64	\$ 691

13. Impairment of Fixed Assets

(1) Policy to categorize fixed assets in asset group

The Company categorizes properties used for the insurance business as a single asset group for the entire insurance business. Properties for rent and idle properties used for other than insurance business are categorized as a single asset group for each property.

The consolidated subsidiaries categorize properties used for the business as a single asset group for each subsidiary.

(2) Background of recognition of impairment losses

When realizable value is below the carrying value for the asset group among the properties for rent, the Company devalues the carrying value to the realizable value. These decreases in the carrying value are recorded as impairment losses in extraordinary losses.

The consolidated subsidiaries do not recognize any impairment losses.

(3) Impairment losses

Impairment losses on fixed assets for the years ended March 31, 2010 and 2009 are summarized as follows:

		Millions of yen		
		2010		
Purpose of use	Asset group	Land	Buildings	Total
Lease assets	Kanda Ogawamachi Building	¥ 360	¥ 19	¥ 380

		Millions of yen		
		2009		
Purpose of use	Asset group	Land	Buildings	Total
		—	—	—

		Thousands of U.S. dollars		
		2010		
Purpose of use	Asset group	Land	Buildings	Total
Lease assets	Kanda Ogawamachi Building	\$ 3,872	\$ 213	\$ 4,086

(4) Calculation methods of realizable value

The realizable value is calculated using the net sales value. The net sales value is the appraisal value based on the Real Estate Appraisal Standard.

14. Leases

Finance leases other than those which transfer the ownership of the leased property to the Company and its consolidated subsidiaries which commenced on or before March 31, 2008 continue to be accounted for as operating leases.

The following pro forma amounts represented the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2010 and 2009, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Furniture and equipment:			
Acquisition costs	¥ 3,128	¥ 4,331	\$ 33,626
Accumulated depreciation	(1,968)	(2,272)	(21,156)
Accumulated impairment loss	—	—	—
Net book value	¥ 1,160	¥ 2,058	\$ 12,470

Lease payments relating to finance leases accounted for as operating leases amounted to ¥893 million (\$9,604 thousand) and ¥1,058 million, which are equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms for the years ended March 31, 2010 and 2009, respectively.

Future minimum lease payments subsequent to March 31, 2010 for noncancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
	Operating leases	Finance leases	Operating leases	Finance leases
2011	¥ 587	¥ 680	\$ 6,314	\$ 7,314
2012 and thereafter	1,491	479	16,027	5,156
Total	¥ 2,078	¥ 1,160	\$ 22,341	\$ 12,470

Future minimum lease revenues subsequent to March 31, 2010 for noncancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	Operating leases	Operating leases
2011	¥ 1,561	\$ 16,784
2012 and thereafter	8,411	90,408
Total	¥ 9,973	\$ 107,192

15. Derivatives

Derivative transactions as of March 31, 2010 are as follows:

(1) Derivative transactions to which hedge accounting is not applied

	Millions of yen		Thousands of U.S. dollars	
	Contract amount	Fair value	Contract amount	Fair value
Forward foreign exchange contracts:				
Short positions	¥ 39,691	¥ 929	\$ 426,604	\$ 9,992
Long positions	33,833	1,049	363,644	11,275
Currency options positions:				
Short positions: Call options	7,620		81,900	
Options premiums	9	(0)	98	(0)
Long positions: Put options	6,756		72,622	
Options premiums	9	—	98	—
Credit derivatives:				
Long positions:	4,000		42,992	
Premiums	60	23	646	255
Weather derivatives:				
Short positions:	447		4,813	
Premiums	15	(36)	171	(391)
Long positions:	36		386	
Premiums	—	—	—	—
Earthquake derivatives:				
Short positions:	3,840		41,272	
Premiums	117	(0)	1,257	(2)
Long positions:	3,447		37,048	
Premiums	358	174	3,854	1,873
Other forward:				
Long positions:	294	12	3,161	128

* The fair value of the forward foreign exchange contracts is based on the forward rates as of March 31, 2010.

(2) Derivative transactions to which hedge accounting is applied

Methods for hedge accounting	Type	Main hedge objectives	Millions of yen		Thousands of U.S. dollars	
			Contract amount	Fair value	Contract amount	Fair value
Fair value hedge	Forward foreign exchange contracts: Short positions	Securities available for sale	¥ 46,938	¥ (1,846)	\$ 504,498	\$ (19,841)
The exceptional accounting for certain forward foreign exchange transactions	Currency swap agreements:	Loans	18	*	194	*
The exceptional accounting for certain forward interest rate swap transactions	Interest rate swap agreements:	Borrowings	100	(1)	1,074	(17)

* The currency swap agreements that applied exceptional accounting is accounted for together in loans of hedge objectives. Therefore, the fair value of the currency swap agreements is included in the fair value of the loans.

Derivative transactions as of March 31, 2009 are as follows:

The Company and its domestic consolidated subsidiaries enter into forward foreign exchange contracts, currency options positions and currency swaps to reduce their exposure to fluctuations in foreign exchange rates relating to their assets denominated in foreign currencies. They also enter into interest rate swaps to reduce their exposure to fluctuations in interest rates relating to their debt securities and loans. In addition, they enter into equity swaps to offset their exposure to fluctuations in stock prices.

On the other hand, the Company and its domestic consolidated subsidiaries enter into forward foreign exchange contracts, currency options positions, bond futures, bond forward, credit derivatives, weather derivatives and earthquake derivatives to gain investment income or premium income up to the limits permitted under their internal risk management policies.

The contract amounts of those transactions and the related fair values are as follows:

	Millions of yen	
	Contract amount	Fair value
Forward foreign exchange contracts:		
Short positions	¥ 144,452	¥ 154,584
Long positions	46,949	48,395
Credit derivatives:		
Long positions:	5,000	
Premiums	235	785
Weather derivatives:		
Short positions:	308	
Premiums	14	17
Long positions:	30	
Premiums	—	—
Earthquake derivatives:		
Short positions:	4,150	
Premiums	129	0
Long positions:	3,726	
Premiums	388	238
Other forward:		
Long positions:	742	765

*1. The fair value of the forward foreign exchange contracts is based on the forward rates as of March 31, 2009.

*2. Derivative instruments to which hedge accounting is applied are excluded from the above table.

16. Segment Information

The Company and its consolidated subsidiaries operate principally in two business segments; property and casualty insurance and life insurance.

Information with respect to the two segments for the years ended March 31, 2010 and 2009 is summarized as follows:

Millions of yen

	2010				2009			
	Property and casualty insurance	Life insurance	Adjustments and eliminations	Consolidated	Property and casualty insurance	Life insurance	Adjustments and eliminations	Consolidated
Ordinary income	¥1,703,159	¥ 104,621	¥ —	¥1,807,781	¥1,659,745	¥ 108,234	¥ —	¥1,767,980
Adjustments and eliminations	1,694	17	(1,711)	—	3,061	15	(3,076)	—
Total	1,704,853	104,639	(1,711)	1,807,781	1,662,807	108,249	(3,076)	1,767,980
Ordinary expense	1,655,564	105,098	(1,711)	1,758,951	1,813,306	101,802	(3,076)	1,912,032
Ordinary profit (loss)	49,288	(459)	—	48,829	(150,499)	6,446	—	(144,052)
Assets	5,013,320	1,151,366	(618)	6,164,068	4,809,506	1,104,956	(1,083)	5,913,379
Depreciation	11,250	384	—	11,634	10,559	232	—	10,792
Impairment loss	380	—	—	380	—	—	—	—
Capital investment	9,571	3,387	—	12,959	11,715	2,599	—	14,314

Thousands of U.S. dollars

	2010			
	Property and casualty insurance	Life insurance	Adjustments and eliminations	Consolidated
Ordinary income	\$18,305,665	\$ 1,124,483	\$ —	\$19,430,148
Adjustments and eliminations	18,214	186	(18,400)	—
Total	18,323,879	1,124,669	(18,400)	19,430,148
Ordinary expense	17,794,120	1,129,609	(18,400)	18,905,328
Ordinary profit (loss)	529,759	(4,939)	—	524,819
Assets	53,883,492	12,374,964	(6,642)	66,251,813
Depreciation	120,916	4,136	—	125,053
Impairment loss	4,086	—	—	4,086
Capital investment	102,872	36,414	—	139,286

As mentioned in Note 1 "Significant Accounting Policies", the Company adopted the Accounting Standards Board of Japan Statement No. 10 "Accounting Standard for Financial Instruments" from the year ended March 31, 2010 and the scope of securities which are carried at fair value is changed.

The effect due to this change is immaterial to "Assets" of property and casualty insurance business and life insurance business.

As mentioned in Note 1 "Significant Accounting Policies", the Company and its domestic consolidated subsidiaries adopted the Accounting Standards Board of Japan Statement No. 19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" from the year ended March 31, 2010.

This change has no effect on "Ordinary profit (loss)" of property and casualty insurance business and life insurance business because the same discount rate as a conventional method is used.

The investment activities are considered as a part of insurance business rather than as separate.

Information related to geographical segments and overseas sales is not disclosed because overseas segments are immaterial.

17. Stock Option Plan

The Company has the following stock option plans as of March 31, 2010:

	Grantee and number	Number of stock options granted	Grant date	Exercise period
2000 stock options	Company directors: 29	Common stock: 450,000 stocks	Dec. 15, 2000	Jun. 30, 2002 – Jun. 29, 2010 ^{*a}
2001 stock options	Company directors: 12 Executive officers: 16	Common stock: 450,000 stocks	Aug. 1, 2001	Jun. 29, 2003 – Jun. 28, 2011 ^{*b}
2002 stock options	Company directors: 15 Executive officers: 32	Common stock: 800,000 stocks	Aug. 1, 2002 Nov. 1, 2002 Jan. 1, 2003 May 1, 2003 Jun. 1, 2003	Jun. 28, 2004 – Jun. 27, 2012 ^{*c}
2003 stock options	Company directors: 9 Executive officers: 28	Common stock: 600,000 stocks	Aug. 1, 2003 Feb. 2, 2004	Jun. 28, 2005 – Jun. 27, 2013 ^{*c}
2004 stock options	Company directors: 8 Executive officers: 31	Common stock: 625,000 stocks	Aug. 2, 2004 Feb. 1, 2005	Jun. 30, 2006 – Jun. 29, 2014 ^{*c}
2005 stock options	Company directors: 11 Executive officers: 36	Common stock: 733,000 stocks	Aug. 1, 2005 Feb. 1, 2006	Jun. 29, 2007 – Jun. 28, 2015 ^{*c}
2006 stock options	Company directors: 10 Executive officers: 32	Common stock: 640,000 stocks	Aug. 7, 2006 Feb. 15, 2007	Jun. 29, 2008 – Jun. 28, 2016 ^{*c, *e}
2007 stock options	Company directors: 15 Executive officers: 26	Common stock: 785,000 stocks	Aug. 13, 2007 Feb. 12, 2008	Jun. 28, 2009 – Jun. 27, 2017 ^{*c, *f}
2008 stock options	Company directors: 14 Executive officers: 30	Common stock: 471,600 stocks	Aug. 11, 2008	Aug. 12, 2008 – Aug. 11, 2033 ^{*d}
2009 stock options	Company directors: 13 Executive officers: 29	Common stock: 747,100 stocks	Aug. 10, 2009	Aug. 11, 2009 – Aug. 10, 2034 ^{*d}

^{*a} For retired directors, the exercise period expires in shorter of the original expiration period or three years after their retirement.

^{*b} For retired directors or executive officers, the exercise period expires in shorter of the original expiration period or three years after their retirement.

^{*c} For retired directors or executive officers, the exercise period expires in shorter of the original expiration period or five years after their retirement.

^{*d} Stock options may be exercised only during a period of 10 days from the date immediately succeeding the date on which an individual with stock options forfeits his/her position as either a director or an executive officer.

^{*e} For the 2006 stock options, the starting date of the exercise period for the executive officers who were granted 5,000 stocks on August 7, 2006 is July 22, 2008, and the starting date of the exercise period for the executive officers who were granted 5,000 stocks on February 15, 2007 is January 27, 2009.

^{*f} For the 2007 stock options, the starting date of the exercise period for the executive officers who were granted 5,000 stocks on August 13, 2007 is July 28, 2009, and the starting date of the exercise period for the executive officers who were granted 5,000 stocks on February 12, 2008 is January 26, 2010.

The number of stock options granted is presented as the equivalent number of common stocks. All the stock options are vested on the grant date.

Operating, general and administrative expenses, and loss adjustment expenses included ¥465 million (\$5,002 thousand) and ¥443 million expenses related to the stock option plans for the years ended March 31, 2010 and 2009, respectively.

Changes in the number of stock options during the years ended March 31, 2009 and 2010, which is presented as the number of stock, are as follows:

Number of stock options (vested)

(Unit: stocks)

	March 31, 2008	Vested	Exercised	Lapsed	March 31, 2009
2000 stock options	10,000	—	—	—	10,000
2001 stock options	34,000	—	—	—	34,000
2002 stock options	323,000	—	15,000	30,000	278,000
2003 stock options	370,000	—	30,000	—	340,000
2004 stock options	572,000	—	—	—	572,000
2005 stock options	728,000	—	—	—	728,000
2006 stock options	640,000	—	—	—	640,000
2007 stock options	785,000	—	—	—	785,000
2008 stock options	—	471,600	18,300	—	453,300

	March 31, 2009	Vested	Exercised	Lapsed	March 31, 2010
2000 stock options	10,000	—	10,000	—	—
2001 stock options	34,000	—	—	24,000	10,000
2002 stock options	278,000	—	20,000	63,000	195,000
2003 stock options	340,000	—	—	90,000	250,000
2004 stock options	572,000	—	—	—	572,000
2005 stock options	728,000	—	—	—	728,000
2006 stock options	640,000	—	—	—	640,000
2007 stock options	785,000	—	—	—	785,000
2008 stock options	453,300	—	156,000	—	297,300
2009 stock options	—	747,100	—	—	747,100

Unit value information

	Grant date	Exercise price	Average stock price at time of exercise during the year ended as of March 31, 2010	Average stock price at time of exercise during the year ended as of March 31, 2009	Fair unit value on grant date
2000 stock options	Dec. 15, 2000	¥ 605 (\$ 6.50)	¥ 605 (\$ 6.50)	—	—
2001 stock options	Aug. 1, 2001	¥ 797 (\$ 8.57)	—	—	—
2002 stock options	Aug. 1, 2002	¥ 777 (\$ 8.35)	—	¥ 989	—
	Nov. 1, 2002	¥ 712 (\$ 7.65)	—	—	—
	Jan. 1, 2003	¥ 705 (\$ 7.58)	—	—	—
	May 1, 2003	¥ 581 (\$ 6.24)	¥ 660 (\$ 7.09)	—	—
2003 stock options	Jun. 1, 2003	¥ 574 (\$ 6.17)	—	—	—
	Aug. 1, 2003	¥ 735 (\$ 7.90)	—	¥ 1,122	—
2004 stock options	Feb. 2, 2004	¥ 901 (\$ 9.68)	—	¥ 992	—
	Aug. 2, 2004	¥ 1,167 (\$ 12.54)	—	—	—
2005 stock options	Feb. 1, 2005	¥ 1,082 (\$ 11.63)	—	—	—
	Aug. 1, 2005	¥ 1,148 (\$ 12.34)	—	—	—
2006 stock options	Feb. 1, 2006	¥ 1,665 (\$ 17.90)	—	—	—
	Aug. 7, 2006	¥ 1,598 (\$ 17.18)	—	—	¥ 470 (\$ 5.05)
2007 stock options	Feb. 15, 2007	¥ 1,623 (\$ 17.44)	—	—	¥ 515 (\$ 5.54)
	Aug. 13, 2007	¥ 1,547 (\$ 16.63)	—	—	¥ 379 (\$ 4.07)
2008 stock options	Feb. 12, 2008	¥ 990 (\$ 10.64)	—	—	¥ 236 (\$ 2.54)
	Aug. 11, 2008	¥ 1 (\$ 0.01)	¥ 570 (\$ 6.13)	¥ 505	¥ 940 (\$ 10.10)
2009 stock options	Aug. 10, 2009	¥ 1 (\$ 0.01)	—	—	¥ 623 (\$ 6.70)

The fair unit value of stock options granted is calculated by the binomial model.

Primary factors and their estimation methods are as follows:

	2008 stock options	2009 stock options
Valuation date	Aug. 11, 2008	Aug. 10, 2009
Unit period	3 months	3 months
Volatility	29%	35%
Stock price on valuation date	¥974	¥648 (\$6.96)
Exercise price	¥1	¥1 (\$0.01)
Estimated remaining period	3 years and 5 months	3 years and 4 months
Dividend rate	1.02%	1.12%
Interest rate	2.41%	2.27%

The interval of the data point (lattice point) to observe and estimate the future exercise of the stock options during the exercisable period (for 10 days after retirement) is one day.

Volatility is calculated based on stock price performance in the period corresponding to the anticipated time to maturity.

Remaining period is estimated by taking the weighted average of the periods to each lattice point under the binomial model assuming that options will be exercised at certain lattice points when value of exercise exceeds the expected discount value of the options at the next point.

Dividend rate is based on historical dividend rate since the fiscal year ended March 1990.

Interest rate is determined for the period from the grant date to maturity based on the swap rate for each corresponding period.

18. Business Combinations

Business combinations for the year ended March 31, 2010 are as follows:

1. Transactions under common control

(1) Details of constituent companies and operations, legal form of business combination, name of the company after combination, and summary of transactions including purpose thereof

(a) Details of constituent companies and operations

Healthcare Frontier Japan Inc. : Property and casualty insurance related business
 Zenkoku Houmon Kenko Shido Kyoukai K. K. : Property and casualty insurance related business

(b) Legal form of business combination

Merger between Healthcare Frontier Japan Inc. (surviving company) and Zenkoku Houmon Kenko Shido Kyoukai K. K. (merging company)

(c) Name of the company after combination in English

Healthcare Frontier Japan Inc.

(d) Summary of transactions including purpose thereof

Healthcare Frontier Japan Inc. merged with Zenkoku Houmon Kenko Shido Kyoukai K. K. on April 1, 2009 with the aim to reorganize and roll out the healthcare guidance services in line with the healthcare program reform by Ministry of Health, Labour and Welfare.

(2) Summary of accounting treatment

The transactions were recorded under common control in accordance with report of the Business Accounting Council "Accounting Standard for Business Combinations in Japan" (issued on October 31, 2003) and the Accounting Standards Board of Japan Guidance No. 10 "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (issued on November 15, 2007).

2. Transactions under common control

(1) Details of constituent companies and operations, legal form of business combination, and summary of transactions including purpose thereof

(a) Details of constituent companies and operations

Sompo Japan Insurance Inc. : Property and casualty insurance business

Sompo Japan Asia Holdings Pte. Ltd. : Financial services

(b) Legal form of business combination

Investment in kind by the Company of shares in affiliated companies in Sompo Japan Asia Holdings Pte. Ltd.

(c) Summary of transactions including purpose thereof

During the year ended March 31, 2010, the Company made investment in kind in Sompo Japan Asia Holdings Pte. Ltd. of all the shares held by the Company in Berjaya Sompo Insurance Berhad with the aim of strengthening strategic planning support and management control across the region and further expanding operations and enhancing internal control by bringing subsidiaries and affiliates in Southeast Asia under the control of Sompo Japan Asia Holdings Pte. Ltd.

(2) Summary of accounting treatment

The transactions were treated at appropriate book value as transactions under common control in accordance with the report of the Business Accounting Council "Accounting Standard for Business Combinations in Japan" (issued on October 31, 2003), the Accounting Standards Board of Japan Statement No. 7 "Accounting Standard for Business Divestitures" (issued on December 27, 2005), and the Accounting Standards Board of Japan Guidance No. 10 "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (issued on November 15, 2007).

Business combinations for the year ended March 31, 2009 are as follows:

Transactions under common control

(1) Details of constituent companies and operations, legal form of business combination, and summary of transactions including purpose thereof:

(a) Details of constituent companies and operations

Sompo Japan Insurance Inc. : Property and casualty insurance business

Sompo Japan Asia Holdings Pte. Ltd. : Financial services

(b) Legal form of business combination

Investment in kind by the Company of shares in subsidiaries and affiliated companies in Sompo Japan Asia Holdings Pte. Ltd.

(c) Summary of transactions including purpose thereof

During the current consolidated business year, the Company made investment in kind in Sompo Japan Asia Holdings Pte. Ltd. of all the shares held by the Company in Sompo Japan Insurance (Singapore) Pte. Ltd. and Sompo Japan Service (Thailand) Co., Ltd. with the aim of strengthening strategic planning support and management control across the region and further expanding operations and enhancing internal control by bringing subsidiaries and affiliates in Southeast Asia under the control of Sompo Japan Asia Holdings Pte. Ltd.

(2) Summary of accounting treatment

The transactions were treated at appropriate book value as transactions under common control, in accordance with the report of the Business Accounting Council "Accounting Standard for Business Combinations in Japan", the Accounting Standards Board of Japan Statement No. 7 "Accounting Standard for Business Divestitures", and the Accounting Standards Board of Japan Guidance No. 10 "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures".

19. Subsequent Events

(1) Establishment of a joint holding company through a share exchange

The Company established a joint holding company, NKSJ Holdings, Inc. (the "Joint Holding Company"), effective as of April 1, 2010, jointly with NIPPONKOA Insurance Co., Ltd. ("NIPPONKOA", and collectively with the Company, the "Parties") through a share exchange as a result of which the Joint Holding Company holds 100% of the shares of the Parties and the businesses of the Parties will be integrated approved by extraordinary shareholder's meeting held on December 22, 2009.

- (a) Name of the Joint Holding Company
NKSJ Holdings, Inc.
- (b) Location of the Head Office of the Joint Holding Company
26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo
- (c) Representatives of Holding Company
Representative Director, Chairman and CEO: Makoto Hyodo
Representative Director, President and CEO: Masatoshi Sato
- (d) Capital
¥100,000 million (\$1,074,806 thousand)
- (e) Business of the Joint Holding Company
Management and administration of companies made subsidiaries pursuant to applicable provisions of the Insurance Business Law, including, but not limited to, property and casualty insurance companies and life insurance companies, and business incidental thereto.
- (f) Background and objectives of business integration
In the face of the declining birthrate and aging society – the significant challenges Japan faces in the middle- to long-term period – as well as of increased risks associated with depopulating society, orating global climate change, and in response to the diversified consumer demands amidst the individuals' lifestyle changes, companies are urged to take proper actions and contribute to social safety and to customers' sense of security. Based on this shared perspective, the Company and NIPPONKOA decided to establish a new solution service group which provides customers with security and service of the highest quality and contribute to social welfare, while sharing as a unitary group the strengths nurtured through 120 years of their respective history.
- (g) Establishment date
April 1, 2010

(2) Acquisition of shares of Fiba Sigorta Anonim Sirketi

As of June 15, 2010, the Company has reached an agreement with Fiba Holding Anonim Sirketi and its affiliates to acquire, through the Company and its subsidiaries, 93.4% of the common shares in Fiba Sigorta Anonim Sirketi ("Fiba Sigorta"), a Turkish property and casualty insurance company.

(a) Profiles of Fiba Sigorta

Location of the Head Office:	Istanbul, Turkey
Description of business:	Property and casualty insurance
Net premiums written:	242 million Turkish liras
(Fiscal year ended December 31, 2009)	(¥14,566 million, \$156,565 thousand)
Total assets:	356 million Turkish liras
(As of December 31, 2009)	(¥21,441 million, \$230,454 thousand)

(b) Purpose

The Company will establish a platform for further business opportunities by merging Fiba Sigorta, which has achieved high growth rate and profitability in Turkey, where sustained economic growth is expected.

(c) Timing of share acquisition

The Company will acquire 93.4% common shares in Fiba Sigorta which is agreed to be acquired and all or any of the remaining 6.6% if so requested by the relevant shareholders, who are Fiba Sigorta's current and former directors and employees.

The share acquisition is expected to be completed by October 2010.

(d) Acquisition cost

The share acquisition cost is expected to be a maximum of 485 million Turkish liras (¥29,172 million, \$313,550 thousand). The shares are expected to be acquired directly by the Company or through its consolidated subsidiaries.

* The translation of Turkish lira amounts into yen amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥60.15 = 1.00 Turkish lira, the approximate rate of exchange prevailing on March 31, 2010.

Report of Independent Auditors



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
Tel: +81 3 3503 1100
Fax: +81 3 3503 1197

Report of Independent Auditors

The Board of Directors
Sompo Japan Insurance Inc.

We have audited the accompanying consolidated balance sheets of Sompo Japan Insurance Inc. (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income (loss), changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

1. As described in Note 19, the Company became a wholly-owned subsidiary of NKSJ Holdings, Inc. which was established on April 1, 2010.
2. As described in Note 19, as of June 15, 2010, the Company has reached an agreement with Fiba Holding Anonim Sirketi and its affiliates to acquire the common shares in Fiba Sigorta Anonim Sirketi.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 28, 2010

Sompo Japan Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

Sompo Japan Insurance Inc. As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Assets			
Cash	¥ 92,216	¥ 87,023	\$ 991,144
Short-term investments (Note 3)	141,302	175,828	1,518,730
Investments in securities (Note 4)	3,525,735	3,225,496	37,894,837
Loans (Note 5)	476,173	502,025	5,117,946
Accrued investment income	8,670	8,985	93,189
Tangible fixed assets, at cost (Note 6)	451,679	451,240	4,854,685
Less accumulated depreciation	(239,435)	(234,376)	(2,573,466)
	212,244	216,864	2,281,218
Intangible fixed assets	758	758	8,147
Insurance business balances receivable:			
Premiums receivable and agents' balances	121,846	116,425	1,309,612
Reinsurance balances recoverable	83,087	102,720	893,029
Other	9,041	8,289	97,179
	213,975	227,435	2,299,821
Other assets	249,611	198,387	2,682,844
Deferred tax assets (Note 7)	121,347	237,293	1,304,254
Reserve for possible loan losses	(5,068)	(16,374)	(54,481)
Reserve for possible losses on investment securities	(7,734)	(7,287)	(83,134)
Total assets	¥ 5,029,232	¥ 4,856,435	\$ 54,054,517

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Liabilities and net assets			
Liabilities:			
Underwriting funds:			
Reserve for outstanding losses and claims (Note 14)	¥ 687,801	¥ 758,538	\$ 7,392,532
Underwriting reserves (Notes 14 and 15)	3,109,784	3,182,874	33,424,169
	3,797,586	3,941,412	40,816,702
Insurance business balances payable:			
Reinsurance balances payable	60,740	60,956	652,843
Other	5,015	4,712	53,902
	65,755	65,669	706,746
Accrued taxes	3,248	4,320	34,910
Bonds	128,000	—	1,375,752
Accrued severance benefits (Note 8)	76,741	98,711	824,825
Reserve for decline in value of assets	11,462	5,779	123,201
Other liabilities	126,257	124,820	1,357,019
Total liabilities	4,209,051	4,240,713	45,239,158
Net assets (Note 10):			
Common stock:			
Authorized 2,000,000,000 shares, issued 987,733,424 shares in 2009 and 984,055,299 shares in 2010	70,000	70,000	752,364
Additional paid-in capital	24,229	24,229	260,423
Legal reserve (Note 9)	40,026	36,088	430,209
Retained earnings	298,277	282,242	3,205,909
Treasury stock, 3,188,703 shares in 2009, at cost	—	(2,839)	—
Total shareholders' equity	432,534	409,720	4,648,907
Unrealized gains on securities available for sale	386,343	205,017	4,152,449
Stock options (Note 16)	1,302	984	14,002
Total net assets	820,181	615,721	8,815,359
Total liabilities and net assets	¥ 5,029,232	¥ 4,856,435	\$ 54,054,517

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Income (Loss)

Sompo Japan Insurance Inc. For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Ordinary income			
Underwriting income:			
Net premiums written (Note 14)	¥ 1,258,896	¥ 1,290,464	\$ 13,530,697
Deposits of premiums by policyholders	112,383	145,491	1,207,901
Interest and dividend income on deposits of premiums, etc. (Note 4)	40,537	43,024	435,694
Reversal of reserve for outstanding losses and claims (Note 14)	70,737	—	760,287
Reversal of underwriting reserves (Note 14)	73,089	71,065	785,568
Other underwriting income	2,160	862	23,220
	1,557,803	1,550,908	16,743,370
Investment income:			
Interest and dividend income (Note 4)	50,472	59,486	542,479
Realized gain on sales of securities	37,205	18,424	399,889
Other investment income	7,934	1,584	85,275
	95,612	79,496	1,027,644
Other ordinary income	8,387	7,420	90,151
Total ordinary income	1,661,802	1,637,825	17,861,166
Ordinary expenses			
Underwriting expenses:			
Net losses paid (Note 14)	855,048	832,768	9,190,117
Loss adjustment expenses	74,920	74,972	805,252
Net commissions and brokerage fees (Note 14)	210,910	215,692	2,266,883
Maturity refunds and dividends to policyholders	191,699	202,798	2,060,403
Provision for reserve for outstanding losses and claims (Note 14)	—	82,472	—
Other underwriting expenses	7,901	2,030	84,921
	1,340,481	1,410,733	14,407,577
Investment expenses:			
Realized loss on sales of securities	11,750	2,006	126,295
Devaluation loss on securities	2,843	78,746	30,560
Other investment expenses	15,805	53,532	169,879
	30,399	134,285	326,736
Operating, general and administrative expenses	229,567	244,055	2,467,409
Other ordinary expenses	11,036	2,635	118,617
Total ordinary expenses	1,611,484	1,791,710	17,320,340
Ordinary profit (loss)	50,318	(153,884)	540,825
Special gains and losses			
Reversal of (provision for) reserve for decline in value of assets	(5,682)	31,191	(61,080)
Impairment loss (Note 11)	(380)	—	(4,086)
Other special gains, net	15,861	1,847	170,477
	9,798	33,039	105,310
Income (loss) before income taxes	60,116	(120,845)	646,136
Income taxes (Note 7):			
Current	519	1,613	5,584
Prior	(1,159)	—	(12,463)
Deferred	17,982	(48,515)	193,277
	17,342	(46,901)	186,398
Net income (loss)	¥ 42,774	¥ (73,943)	\$ 459,738
		Yen	U.S. dollars (Note 2)
Net income (loss) per share:			
Basic	¥ 43.44	¥ (75.10)	\$ 0.467
Diluted	43.40	—	0.466
Cash dividends per share attributable to the year	20.00	20.00	0.215

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Changes in Net Assets

Sompo Japan Insurance Inc. For the years ended March 31, 2010 and 2009

	Thousands		Millions of yen					
	Thousands of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Treasury stock	Unrealized gains on securities available for sale	Stock options
Balance at March 31, 2008	987,733	¥ 70,000	¥ 24,241	¥ 32,150	¥ 379,826	¥ (2,842)	¥ 570,558	¥ 557
Net loss	—	—	—	—	(73,943)	—	—	—
Cash dividends	—	—	—	3,938	(23,629)	—	—	—
Changes in treasury stock – net	—	—	(11)	—	(10)	3	—	—
Changes in other than shareholders' equity, net	—	—	—	—	—	—	(365,540)	426
Total changes	—	—	(11)	3,938	(97,584)	3	(365,540)	426
Balance at March 31, 2009	987,733	¥ 70,000	¥ 24,229	¥ 36,088	¥ 282,242	¥ (2,839)	¥ 205,017	¥ 984
Net income	—	—	—	—	42,774	—	—	—
Cash dividends	—	—	—	3,938	(23,629)	—	—	—
Changes in treasury stock – net	(3,678)	—	—	—	(3,109)	2,839	—	—
Changes in other than shareholders' equity, net	—	—	—	—	—	—	181,326	318
Total changes	(3,678)	—	—	3,938	16,035	2,839	181,326	318
Balance at March 31, 2010	984,055	¥ 70,000	¥ 24,229	¥ 40,026	¥ 298,277	¥ —	¥ 386,343	¥ 1,302

	Thousands of U.S. dollars (Note 2)						
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Treasury stock	Unrealized gains on securities available for sale	Stock options
Balance at March 31, 2009	\$ 752,364	\$ 260,423	\$ 387,881	\$ 3,033,555	\$ (30,522)	\$ 2,203,538	\$ 10,576
Net income	—	—	—	459,738	—	—	—
Cash dividends	—	—	42,327	(253,966)	—	—	—
Changes in treasury stock – net	—	—	—	(33,416)	30,522	—	—
Changes in other than shareholders' equity, net	—	—	—	—	—	1,948,911	3,426
Total changes	—	—	42,327	172,354	30,522	1,948,911	3,426
Balance at March 31, 2010	\$ 752,364	\$ 260,423	\$ 430,209	\$ 3,205,909	\$ —	\$ 4,152,449	\$ 14,002

See accompanying notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Sompo Japan Insurance Inc. March 31, 2010

1. Significant Accounting Policies

The accompanying non-consolidated financial statements of Sompo Japan Insurance Inc. (the "Company") have been prepared on the basis of the same accounting policies as those discussed in Note 1 to the consolidated financial statements except as described below:

(1) Basis of preparation

The accompanying non-consolidated financial statements of the Company have been compiled from the financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and have been prepared on the basis of the statutory accounting principles applicable to property and casualty insurance companies generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(2) Foreign currency translation

All revenues and expenses arising from transactions in foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gains or losses are credited or charged to income.

(3) Investments in securities

Trading securities are carried at fair value and held-to-maturity bonds are carried at amortized cost. Marketable securities available for sale are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities available for sale are carried at cost or amortized cost. Shares of subsidiaries and affiliated companies are stated at cost. Cost of securities sold is determined by the moving average method.

When an impairment of an investment in non-marketable securities is considered not to be recovered in a reasonable period, the amounts of the securities are written down to their estimated realizable value and the impairment is treated as a realized loss on an investment in the financial statements.

Effective the year ended March 31, 2010, due to the issuance of the Accounting Standards Board of Japan Statement No. 10 "Accounting Standard for Financial Instruments", the scope of securities which are carried at fair value is changed.

The effect due to this change is immaterial to "Securities", "Deferred tax assets", and "Unrealized gains on securities available for sale" for the year ended March 31, 2010.

(4) Accrued severance benefits

An employee whose employment is terminated is entitled, in most cases, to a lump-sum payment, the amount of which is determined by reference to the current basic rate of pay, length of service and conditions under which the termination occurs.

In addition to the lump-sum severance benefit plan, the Company has a defined benefit pension plan covering substantially all its employees.

Accrued retirement benefits for employees at March 31, 2010 and 2009 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of March 31, 2010 and 2009, as adjusted for unrecognized actuarial loss, and unrecognized loss on plan amendments.

Actuarial loss and prior service cost are amortized principally by the straight-line method over certain years within the average remaining years of service of the eligible employees.

The Company contributes ¥25,276 million (\$271,668 thousand) of stocks that it holds to the retirement benefits trust and records other special gains of ¥15,013 million (\$161,369 thousand) for contribution to the retirement benefits trust for the year ended March 31, 2010.

Effective the year ended March 31, 2010, the Company adopted the Accounting Standards Board of Japan Statement No. 19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)".

This change has no effect on "Ordinary profit" and "Income before income taxes" for the year ended March 31, 2010 because the same discount rate as a conventional method is used.

(5) Reserve for possible losses on investment securities

Reserve for possible losses on investment securities is based on the estimated possible losses on non-marketable investment securities.

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥93.04 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2010. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3. Short-Term Investments

Short-term investments as of March 31, 2010 and 2009 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Time deposits	¥ 26,239	¥ 8,565	\$ 282,019
CP under resale agreements	61,489	81,978	660,895
Money trusts	6,773	9,684	72,805
Call loans	46,800	73,600	503,009
Commercial paper	—	1,999	—
Total	¥ 141,302	¥ 175,828	\$ 1,518,730

The cost and related aggregate carrying values of money trusts as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cost	¥ 6,741	¥ 11,677	\$ 72,454
Carrying value	6,773	9,684	72,805
Net unrealized gain (loss)	¥ 32	¥ (1,992)	\$ 350

The Company recognizes devaluation loss on marketable securities available for sale included in money trust if the fair value is declined by 30% or more of their cost on the balance sheet date.

Devaluation loss on marketable securities available for sale included in money trust as of March 31, 2009 is ¥202 million.

4. Investments in Securities

The components of investments in securities as of March 31, 2010 and their fair value and other related information by holding intentions are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Domestic securities:		
Bonds	¥ 1,444,871	\$ 15,529,571
Stocks	1,239,408	13,321,239
Foreign securities	787,306	8,462,021
Other securities	54,149	582,004
Total	¥ 3,525,735	\$ 37,894,837

a) The Company did not have any marketable securities classified as trading securities.

b) The Company did not have any marketable securities classified as held-to-maturity bonds.

c) Information regarding marketable securities available for sale are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Cost	Unrealized gain (loss)	Carrying value	Cost	Unrealized gain (loss)
Securities whose carrying value exceeds their cost:						
Domestic securities:						
Bonds	¥ 1,317,001	¥ 1,283,775	¥ 33,226	\$14,155,222	\$13,798,106	\$ 357,116
Stocks	1,045,105	462,579	582,526	11,232,861	4,971,833	6,261,028
Foreign securities	265,232	238,934	26,297	2,850,731	2,568,084	282,646
Other securities	62,926	58,059	4,867	676,339	624,024	52,315
Subtotal	2,690,265	2,043,348	646,917	28,915,154	21,962,047	6,953,106
Securities whose cost exceeds their carrying value:						
Domestic securities:						
Bonds	126,869	128,021	(1,152)	1,363,601	1,375,985	(12,383)
Stocks	23,291	25,776	(2,484)	250,338	277,044	(26,706)
Foreign securities	390,660	436,799	(46,138)	4,198,848	4,694,749	(495,901)
Other securities	15,841	16,664	(822)	170,269	179,113	(8,843)
Subtotal	556,663	607,262	(50,598)	5,983,057	6,526,892	(543,834)
Total	¥ 3,246,929	¥ 2,650,611	¥ 596,318	\$34,898,212	\$28,488,940	\$ 6,409,271

Securities available for sale which are considered extremely difficult to determine their fair value are not included in the above table.

d) Securities available for sale sold are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Domestic securities:						
Bonds	¥ 102,821	¥ 2,406	¥ 19	\$ 1,105,131	\$ 25,870	\$ 209
Stocks	59,740	32,261	4,455	642,096	346,746	47,889
Foreign securities	60,982	2,413	7,176	655,443	25,940	77,135
Other securities	1,006	32	21	10,816	353	225
Total	¥ 224,550	¥ 37,114	¥ 11,672	\$ 2,413,487	\$ 398,910	\$ 125,461

e) Devaluation losses on securities available for sale are as follows:

	Millions of yen	Thousands of U.S. dollars
Domestic securities:		
Bonds	¥ —	\$ —
Stocks	2,506	26,935
Foreign securities	335	3,601
Other securities	31	342
Total	¥ 2,873	\$ 30,879

The Company recognizes devaluation loss on securities available for sale if the fair value is declined by 30% or more of their cost on the balance sheet date.

f) Total interest and dividend income are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Interest on bank deposits	¥ 138	\$ 1,487
Interest on CP under resale agreements	165	1,782
Interest on call loans	76	820
Interest and dividends on securities	75,591	812,458
Interest on loans	8,335	89,588
Income from real estate	5,563	59,791
Total income from investment assets	89,869	965,928
Interest on other assets	1,139	12,245
Total interest and dividend income	¥ 91,009	\$ 978,173
Presentation in the non-consolidated statements of income:		
Interest and dividend income on deposits of premiums, etc.	¥ 40,537	\$ 435,694
Interest and dividend income	50,472	542,479
Total interest and dividend income	¥ 91,009	\$ 978,173

The components of investments in securities as of March 31, 2009 and their fair value and other related information by holding intentions are summarized as follows:

	Millions of yen
Domestic securities:	
Bonds	¥ 1,396,367
Stocks	1,019,302
Foreign securities	756,705
Other securities	53,120
Total	¥ 3,225,496

a) The Company did not have any marketable securities classified as trading securities.

b) The Company did not have any marketable securities classified as held-to-maturity bonds.

c) Information regarding marketable securities available for sale are as follows:

	Millions of yen		
	Cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their cost:			
Domestic securities:			
Bonds	¥ 1,139,825	¥ 1,169,800	¥ 29,974
Stocks	350,784	703,841	353,057
Foreign securities	155,938	174,443	18,505
Other securities	38,906	40,433	1,526
Subtotal	1,685,455	2,088,519	403,063
Securities whose cost exceeds their carrying value:			
Domestic securities:			
Bonds	229,591	226,566	(3,024)
Stocks	181,027	166,225	(14,802)
Foreign securities	474,450	411,238	(63,211)
Other securities	39,328	38,084	(1,244)
Subtotal	924,397	842,114	(82,282)
Total	¥ 2,609,853	¥ 2,930,634	¥ 320,781

The Company recognizes devaluation loss on marketable securities available for sale if the fair value is declined by 30% or more of their cost on the balance sheet date. Devaluation losses on marketable securities available for sale are ¥70,193 million.

d) Securities available for sale sold are as follows:

	Millions of yen
Proceeds from sales	¥ 169,809
Gain on sales	18,241
Loss on sales	1,785

e) The redemption schedules for securities available for sale and held-to-maturity bonds with maturity date are as follows:

	Millions of yen			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Domestic securities:				
Government bonds	¥ 98,808	¥ 339,450	¥ 201,943	¥ 243,660
Municipal bonds	15,095	26,409	7,621	—
Corporate bonds	57,257	211,304	76,102	118,712
Foreign bonds	20,235	112,249	101,943	94,076
Other securities	2,324	6,830	9,340	26,749
Total	¥ 193,721	¥ 696,243	¥ 396,951	¥ 483,198

f) Total interest and dividend income are summarized as follows:

	Millions of yen
Interest on bank deposits	¥ 163
Interest on CP under resale agreements	494
Interest on call loans	359
Interest and dividends on securities	85,724
Interest on loans	8,919
Income from real estate	5,453
Total income from investment assets	101,114
Interest on other assets	1,396
Total interest and dividend income	¥ 102,511

Presentation in the non-consolidated statements of income:

Interest and dividend income on deposits of premiums, etc.	¥ 43,024
Interest and dividend income	59,486
Total interest and dividend income	¥ 102,511

5. Loans

As of March 31, 2010 and 2009, the balances of loans include the following risk-monitored loans:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans to borrowers in bankruptcy	¥ 821	¥ 491	\$ 8,830
Overdue loans	2,071	2,463	22,261
Loans overdue for three months or more	—	—	—
Restructured loans	1,199	451	12,896
Total	¥ 4,092	¥ 3,406	\$ 43,989

Loans to borrowers in bankruptcy represent non-accrual loans to borrowers who are legally bankrupt as defined in Article 96-1-3 and 4 of the Corporate Income Tax Law Enforcement Regulation (Article 97 of 1965 Cabinet Order).

Overdue loans represent non-accrual loans other than (i) loans to borrowers in bankruptcy and (ii) loans of which payments of interest are deferred in order to assist or facilitate the restructuring of borrowers in financial difficulties.

Loans overdue for three months or more represent loans on which the payment of principal and/or interest has not been received for three months or more from the due date, and which are not included in loans to borrowers in bankruptcy or overdue loans.

Restructured loans are loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.) and are not classified in any of the above categories.

6. Tangible Fixed Assets

The components of tangible fixed assets as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Land	¥ 103,535	¥ 104,108	\$ 1,112,807
Buildings	287,766	286,108	3,092,935
Furniture and equipment	56,029	57,828	602,213
Leased assets	3,617	1,974	38,875
Construction in progress	730	1,220	7,852
Subtotal	451,679	451,240	4,854,685
Less accumulated depreciation	(239,435)	(234,376)	(2,573,466)
Total	¥ 212,244	¥ 216,864	\$ 2,281,218

7. Income Taxes

Income taxes applicable to the Company include corporation and inhabitants' taxes, which, in the aggregate, resulted in statutory tax rates of approximately 36.09% for 2010 and 2009, respectively.

The provision for income taxes incurred is different from what would be obtained by applying the statutory tax rates to income before income taxes due to the permanent difference and other items.

A reconciliation of the effective tax rates reflected in the non-consolidated statements of income for the year ended March 31, 2010 to the statutory tax rate is as follows:

	2010
Statutory tax rate	36.09%
Effect of:	
Permanently nontaxable dividends received	(5.27)
Change in valuation allowance	(2.63)
Permanently nondeductible expenses	1.43
Other, net	(0.77)
Effective tax rate	28.85%

No reconciliation between the statutory income tax rate and the effective income tax rate has been disclosed for the year ended March 31, 2009, because of net loss before income taxes in the non-consolidated statement of income for the year ended March 31, 2009.

Deferred tax assets and liabilities as of March 31, 2010 and 2009 consist of:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets (liabilities):			
Underwriting reserves	¥ 192,453	¥ 184,205	\$ 2,068,506
Reserve for outstanding losses and claims	51,996	68,711	558,858
Devaluation loss on securities and real estate	32,246	33,589	346,586
Accrued severance benefits	27,696	35,625	297,679
Tax loss carryforward	19,140	26,148	205,723
Intangible fixed assets in tax matters	18,118	17,439	194,733
Unrealized gains on securities available for sale	(209,884)	(111,921)	(2,255,852)
Other, net	21,795	17,292	234,260
Valuation allowance	(32,214)	(33,797)	(346,242)
Net deferred tax assets	¥ 121,347	¥ 237,293	\$ 1,304,254

8. Accrued Severance Benefits

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the non-consolidated balance sheets as of March 31, 2010 and 2009 for the Company's severance benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Retirement benefit obligation	¥ (106,625)	¥ (120,669)	\$ (1,146,014)
Plan assets at fair value	33,403	2,990	359,024
Unfunded retirement benefit obligation	(73,221)	(117,678)	(786,989)
Unrecognized actuarial loss	(3,520)	20,217	(37,835)
Unrecognized prior service costs	—	(1,251)	—
Net retirement benefit obligation	(76,741)	(98,711)	(824,825)
Accrued severance benefits	¥ (76,741)	¥ (98,711)	\$ (824,825)

The components of severance benefit expenses for the years ended March 31, 2010 and 2009 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥ 6,130	¥ 5,873	\$ 65,892
Interest cost	1,757	1,741	18,885
Expected return on plan assets	—	—	—
Amortization of actuarial loss	3,757	3,788	40,390
Prior service costs	(1,251)	(1,251)	(13,447)
Subtotal	10,394	10,151	111,720
Payment into the defined contribution type pension plan	2,501	2,449	26,889
Total	¥ 12,896	¥ 12,601	\$ 138,610

The assumptions used in accounting for the above plans for the years ended March 31, 2010 and 2009 are as follows:

	2010	2009
Discount rates	1.5%	1.5%
Expected return on plan assets	0.0%	0.0%

9. Legal Reserve

In accordance with the Insurance Business Law of Japan, the Company has provided a legal reserve by appropriation of retained earnings. The Insurance Business Law of Japan provides that an amount equal to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital equals 100% of the common stock.

10. Changes in Net Assets

See Note 11 to the consolidated financial statements.

11. Impairment of Fixed Assets

See Note 13 to the consolidated financial statements.

12. Leases

Finance leases other than those which transfer the ownership of the leased property to the Company which commenced on or before March 31, 2008 continue to be accounted for as operating leases.

The following pro forma amounts represented the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2010 and 2009, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Furniture and equipment:			
Acquisition costs	¥ 2,934	¥ 4,166	\$ 31,535
Accumulated depreciation	(1,832)	(2,162)	(19,691)
Accumulated impairment loss	(—)	(—)	(—)
Net book value	¥ 1,101	¥ 2,003	\$ 11,843

Lease payments relating to finance leases accounted for as operating leases amounted to ¥844 million (\$9,077 thousand) and ¥1,012 million, which are equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms for the years ended March 31, 2010 and 2009, respectively.

Future minimum lease payments subsequent to March 31, 2010 for noncancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
	Operating leases	Finance leases	Operating leases	Finance leases
2011	¥ 247	¥ 646	\$ 2,663	\$ 6,953
2012 and thereafter	751	454	8,081	4,889
Total	¥ 999	¥ 1,101	\$ 10,745	\$ 11,843

Future minimum lease revenues subsequent to March 31, 2010 for noncancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	Operating leases	Operating leases
2011	¥ 1,561	\$ 16,784
2012 and thereafter	8,411	90,408
Total	¥ 9,973	\$ 107,192

13. Derivatives

Derivative transactions as of March 31, 2010 are as follows:

(1) Derivative transactions to which hedge accounting is not applied

	Millions of yen		Thousands of U.S. dollars	
	Contract amount	Fair value	Contract amount	Fair value
Forward foreign exchange contracts:				
Short positions	¥ 39,691	¥ 929	\$ 426,604	\$ 9,992
Long positions	33,833	1,049	363,644	11,275
Currency options positions:				
Short positions: Call options	7,620		81,900	
Options premiums	9	(0)	98	(0)
Long positions: Put options	6,756		72,622	
Options premiums	9	—	98	—
Weather derivatives:				
Short positions:	447		4,813	
Premiums	15	(36)	171	(391)
Long positions:	36		386	
Premiums	—	—	—	—
Earthquake derivatives:				
Short positions:	3,840		41,272	
Premiums	117	(0)	1,257	(2)
Long positions:	3,447		37,048	
Premiums	358	174	3,854	1,873
Other forward:				
Long positions:	294	12	3,161	128

* The fair value of the forward foreign exchange contracts is based on the forward rates as of March 31, 2010.

(2) Derivative transactions to which hedge accounting is applied

Methods for hedge accounting	Type	Main hedge objectives	Millions of yen		Thousands of U.S. dollars	
			Contract amount	Fair value	Contract amount	Fair value
Fair value hedge	Forward foreign exchange contracts: Short positions	Securities available for sale	¥ 42,001	¥ (1,671)	\$ 451,432	\$ (17,970)
The exceptional accounting for certain forward foreign exchange transactions	Currency swap agreements:	Loans	18	*	194	*

* The currency swap agreements that applied exceptional accounting is accounted for together in loans of hedge objectives. Therefore, the fair value of the currency swap agreements is included in the fair value of the loans.

Derivative transactions as of March 31, 2009 are as follows:

The Company enters into forward foreign exchange contracts, currency options positions and currency swaps to reduce its exposure to fluctuations in foreign exchange rates relating to its assets denominated in foreign currencies. The Company also enters into interest rate swaps to reduce its exposure to fluctuations in interest rates relating to its debt securities and loans. In addition, the Company enters into equity swaps to offset its exposure to fluctuations in stock prices.

On the other hand, the Company enters into forward foreign exchange contracts, currency options positions, bond futures, bond forward, credit derivatives, weather derivatives and earthquake derivatives to gain investment income or premium income up to the limits permitted under its internal risk management policies.

The contract amounts of those transactions and the related fair values are as follows:

	Millions of yen	
	Contract amount	Fair value
Forward foreign exchange contracts:		
Short positions	¥ 144,452	¥ 154,584
Long positions	46,949	48,395
Credit derivatives:		
Long positions:	500	
Premiums	36	99
Weather derivatives:		
Short positions:	308	
Premiums	14	17
Long positions:	30	
Premiums	—	—
Earthquake derivatives:		
Short positions:	4,150	
Premiums	129	0
Long positions:	3,726	
Premiums	388	238
Other forward:		
Long positions:	742	765

*1. The fair value of the forward foreign exchange contracts is based on the forward rates as of March 31, 2009.

*2. Derivative instruments to which hedge accounting is applied are excluded from the above table.

14. Reinsurance

Reinsurance amounts included in the financial statements for the years ended March 31, 2010 and 2009 are as follows:

a) Reserve for outstanding losses and claims

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Reserve for outstanding losses and claims (before deducting ceded reserve for outstanding losses and claims, excluding insurances stated in (ii))	¥ 664,572	¥ 739,805	\$ 7,142,867
Ceded reserve for outstanding losses and claims relating to the above	32,589	38,585	350,276
Difference (i)	631,982	701,219	6,792,591
Reserve for outstanding losses and claims involved in earthquake insurance and compulsory automobile liability insurance (ii)	55,818	57,319	599,941
Total (i + ii)	¥ 687,801	¥ 758,538	\$ 7,392,532

b) Underwriting reserves

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Ordinary underwriting reserves (before deducting ceded underwriting reserves)	¥ 911,963	¥ 920,299	\$ 9,801,848
Ceded underwriting reserves relating to the above	29,431	28,597	316,330
Difference (i)	882,532	891,702	9,485,517
Other underwriting reserves (ii)	2,227,252	2,291,171	23,938,652
Total (i + ii)	¥ 3,109,784	¥ 3,182,874	\$ 33,424,169

c) Net premiums written

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Premiums written	¥ 1,481,617	¥ 1,519,798	\$ 15,924,517
-) Reinsurance premiums ceded	222,720	229,333	2,393,819
Net premiums written	¥ 1,258,896	¥ 1,290,464	\$ 13,530,697

d) Net losses paid

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Losses paid	¥ 1,057,360	¥ 1,037,833	\$ 11,364,577
-) Reinsurance recoverable	202,311	205,065	2,174,460
Net losses paid	¥ 855,048	¥ 832,768	\$ 9,190,117

e) Net commissions and brokerage fees

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Commissions and brokerage fees	¥ 228,376	¥ 232,832	\$ 2,454,601
-) Ceded reinsurance commissions received	17,465	17,140	187,718
Net commissions and brokerage fees	¥ 210,910	¥ 215,692	\$ 2,266,883

f) Provision for (reversal of) underwriting reserves

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Provision for (reversal of) ordinary underwriting reserves (before deducting ceded underwriting reserves)	¥ (8,335)	¥ (9,588)	\$ (89,595)
Provision for (reversal of) ceded underwriting reserves relating to the above	833	(1,295)	8,963
Difference (i)	(9,169)	(8,292)	(98,558)
Provision for (reversal of) other underwriting reserves (ii)	(63,919)	(62,772)	(687,009)
Total (i + ii)	¥ (73,089)	¥ (71,065)	\$ (785,568)

g) Provision for (reversal of) reserve for outstanding losses and claims

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Provision for (reversal of) reserve for outstanding losses and claims (before deducting ceded reserve for outstanding losses and claims, excluding insurances stated in (ii))	¥ (75,232)	¥ 83,191	\$ (808,608)
Provision for (reversal of) ceded reserve for outstanding losses and claims relating to the above	(5,996)	(613)	(64,448)
Difference (i)	(69,236)	83,804	(744,160)
Provision for (reversal of) reserve for outstanding losses and claims involved in earthquake insurance and compulsory automobile liability insurance (ii)	(1,500)	(1,332)	(16,127)
Total (i + ii)	¥ (70,737)	¥ 82,472	\$ (760,287)

15. Policyholders' Deposit Funds

Underwriting reserves include premium reserve and policyholders' deposit funds for long-term saving type products. Policyholders' deposit funds for long-term saving type products represent an accumulation of account deposits and credited income. Underwriting reserves as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
(a) Premium reserve	¥ 1,739,292	¥ 1,766,187	\$ 18,694,025
(b) Policyholders' deposit funds	1,370,492	1,416,686	14,730,144
Total	¥ 3,109,784	¥ 3,182,874	\$ 33,424,169

* The catastrophe reserves which are included in premium reserve are ¥394,687 million (\$4,242,125 thousand) and ¥377,788 million as of March 31, 2010 and 2009, respectively.

16. Stock Option Plan

See Note 17 to the consolidated financial statements.

17. Business Combinations

See Note 18 to the consolidated financial statements.

18. Subsequent Events

See Note 19 to the consolidated financial statements.

Report of Independent Auditors



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197

Report of Independent Auditors

The Board of Directors
Sompo Japan Insurance Inc.

We have audited the accompanying non-consolidated balance sheets of Sompo Japan Insurance Inc. (the "Company") as of March 31, 2010 and 2009, and the related non-consolidated statements of income (loss) and changes in net assets for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of the Company at March 31, 2010 and 2009, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

1. As described in Note 18, the Company became a wholly-owned subsidiary of NKSJ Holdings, Inc. which was established on April 1, 2010.
2. As described in Note 18, as of June 15, 2010, the Company has reached an agreement with Fiba Holding Anonim Sirketi and its affiliates to acquire the common shares in Fiba Sigorta Anonim Sirketi.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 28, 2010

Nipponkoa Consolidated Financial Statements

Consolidated Balance Sheets

NIPPONKOA Insurance Co., Ltd. and Consolidated Subsidiaries As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Assets:			
Cash and bank deposits (Note 10)	¥ 107,791	¥ 113,074	\$ 1,158,550
Call loans	50,478	16,043	542,540
Receivables under resale agreements	—	29,996	—
Receivables under securities borrowing transactions	25,382	32,127	272,812
Monetary receivables bought	6,129	41,300	65,879
Money in trust (Note 5)	76,668	74,843	824,041
Investments in securities (Notes 1(e), 4 and 10)	2,176,326	2,134,547	23,391,298
Loans (Note 7)	241,181	242,215	2,592,231
Tangible fixed assets (Notes 1(h), 9 and 10):	273,477	268,965	2,939,352
Less accumulated depreciation	142,565	139,037	1,532,300
Tangible fixed assets, net	130,912	129,928	1,407,052
Other assets	171,847	168,893	1,847,027
Deferred tax assets (Notes 1(o) and 12)	67,324	108,748	723,609
Reserve for doubtful accounts (Note 1(j))	(2,136)	(2,195)	(22,962)
Total assets	¥ 3,051,905	¥ 3,089,523	\$ 32,802,079

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Liabilities:			
Underwriting fund:			
Outstanding claims (Note 1(k))	¥ 275,520	¥ 290,239	\$ 2,961,309
Underwriting reserves (Note 1(l))	2,206,768	2,267,137	23,718,489
	2,482,288	2,557,377	26,679,799
Income taxes payable	8,112	3,802	87,195
Reserve for retirement benefits (Notes 1(m) and 14)	22,963	22,007	246,815
Reserve for price fluctuations (Note 1(n))	6,205	3,060	66,698
Other liabilities (Note 10)	97,392	157,625	1,046,782
Deferred tax liabilities (Notes 1(o) and 12)	85	37	915
Negative goodwill (Note 1(r))	—	146	—
Total liabilities	¥ 2,617,048	¥ 2,744,056	\$ 28,128,207
Net assets:			
Common stock:			
Authorized 1,500,000,000 shares as of March 31, 2010 and 2009; issued 752,453,310 shares as of March 31, 2010, 816,743,118 shares as of March 31, 2009 (Note 16)	¥ 91,249	¥ 91,249	\$ 980,752
Capital surplus	46,702	46,702	501,956
Retained earnings	119,733	169,993	1,286,901
Treasury stock:			
N/A as of March 31, 2010 and 64,339,041 shares as of March 31, 2009 (Note 16)	—	(58,122)	—
Total shareholders' equity	257,684	249,822	2,769,610
Net unrealized gains on available-for-sale securities (Note 1(e))	179,805	97,349	1,932,566
Net deferred gains (losses) on hedge accounting	2,115	3,700	22,741
Foreign currency translation adjustment (Note 1(c))	(5,662)	(6,198)	(60,862)
Total valuation and translation adjustments	176,259	94,851	1,894,445
Subscription rights to shares (Note 17)	565	458	6,072
Minority interests	348	334	3,744
Total net assets	434,857	345,467	4,673,872
Total liabilities and net assets	¥ 3,051,905	¥ 3,089,523	\$ 32,802,079

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

NIPPONKOA Insurance Co., Ltd. and Consolidated Subsidiaries For the years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	2010
Operating income:				
Net premiums written	¥ 645,021	¥ 663,888	¥ 698,685	\$ 6,932,729
Life insurance premiums	66,337	63,568	64,158	713,000
Reversal of underwriting reserves (Note 1(l))	59,350	81,420	51,363	637,901
Deposit premiums from policyholders	38,562	42,425	66,689	414,467
Interest and dividends (Note 8)	53,169	58,479	59,632	571,470
Net realized gains on securities	7,960	24,005	26,090	85,561
Other operating income, net	4,001	—	—	43,009
	874,402	933,786	966,620	9,398,140
Operating expenses:				
Net losses paid	410,141	406,234	419,969	4,408,222
Life insurance losses and other payments	12,327	11,816	11,925	132,492
Provision for (reversal of) outstanding claims (Note 1(k))	(14,968)	(1,400)	17,311	(160,879)
Loss adjustment expenses	36,355	36,107	37,119	390,754
Commissions and brokerage expenses	113,952	116,647	122,887	1,224,771
Operating and administrative expenses	141,127	140,827	145,062	1,516,845
Maturity refunds to policyholders	142,510	176,779	182,773	1,531,710
Dividends to policyholders	250	8	8	2,696
Revaluation loss on securities	1,819	36,000	9,654	19,557
Other operating expenses, net	—	13,807	2,166	—
	843,516	936,829	948,878	9,066,171
Ordinary profit (loss)	30,886	(3,043)	17,742	331,969
Special items:				
Impairment losses (Note 15)	(263)	(489)	(530)	(2,834)
Reversal of (provision for) reserve for price fluctuations (Note 1(n))	(3,145)	18,002	(2,690)	(33,808)
Other special gains (losses), net (Notes 1(m), 13 and 14)	(3,116)	(162)	(1,128)	(33,494)
Income before income taxes and minority interests	24,360	14,307	13,392	261,831
Income taxes:				
Income taxes	11,343	8,429	9,164	121,924
Deferred tax adjustment (Notes 1(o) and 12)	(1,019)	(4,118)	(4,809)	(10,959)
Total income taxes	10,324	4,311	—	110,964
Minority interests	18	24	46	194
Net income	¥ 14,018	¥ 9,971	¥ 8,991	\$ 150,672
		Yen		U.S. dollars (Note 2)
Net income per share (Notes 1(p) and 20):				
Basic	¥ 18.63	¥ 13.15	¥ 11.63	\$ 0.200
Diluted	18.59	13.13	11.62	0.199

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

NIPPONKOA Insurance Co., Ltd. and Consolidated Subsidiaries For the years ended March 31, 2010, 2009 and 2008

	Shares			
	2010	2009	2008	
Thousands of common shares				
Ending balance at previous fiscal year	816,743	816,743	826,743	
Changes during this period				
Retirement of treasury stock	(64,289)	—	(10,000)	
Total changes during this period	(64,289)	—	(10,000)	
Ending balance at current fiscal year	752,453	816,743	816,743	

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	2010
Shareholders' equity				
Common stock				
Ending balance at previous fiscal year	¥ 91,249	¥ 91,249	¥ 91,249	\$ 980,752
Ending balance at current fiscal year	91,249	91,249	91,249	980,752
Capital surplus reserves				
Ending balance at previous fiscal year	46,702	46,702	46,702	501,956
Changes during this period				
Retirement of treasury stock	(57,974)	—	(9,463)	(623,115)
Disposal of treasury stock	(177)	(126)	(59)	(1,906)
Reclassification of negative other capital surplus reserve	58,152	126	9,523	625,022
Total changes during this period	—	—	—	—
Ending balance at current fiscal year	46,702	46,702	46,702	501,956
Retained earnings				
Ending balance at previous fiscal year	169,993	165,741	172,244	1,827,104
Changes during this period				
Cash dividends	(6,019)	(5,716)	(5,971)	(64,695)
Net income	14,018	9,971	8,991	150,672
Reclassification of negative other capital surplus reserve	(58,152)	(126)	(9,523)	(625,022)
Effect of changes in accounting policies applied to foreign subsidiaries	—	124	—	—
Changes in the scope of consolidation	(107)	—	—	(1,158)
Total changes during this period	(50,260)	4,252	(6,503)	(540,202)
Ending balance at current fiscal year	119,733	169,993	165,741	1,286,901
Treasury stock				
Ending balance at previous fiscal year	(58,122)	(51,592)	(23,318)	(624,708)
Changes during this period				
Acquisition of treasury stock	(149)	(6,781)	(37,854)	(1,603)
Retirement of treasury stock	57,974	—	9,463	623,115
Disposal of treasury stock	297	251	116	3,196
Total changes during this period	58,122	(6,530)	(28,274)	624,708
Ending balance at current fiscal year	—	(58,122)	(51,592)	—
Total shareholders' equity				
Ending balance at previous fiscal year	249,822	252,099	286,877	2,685,105
Changes during this period				
Cash dividends	(6,019)	(5,716)	(5,971)	(64,695)
Net income	14,018	9,971	8,991	150,672
Acquisition of treasury stock	(149)	(6,781)	(37,854)	(1,603)
Disposal of treasury stock	120	124	57	1,289
Effect of changes in accounting policies applied to foreign subsidiaries	—	124	—	—
Changes in the scope of consolidation	(107)	—	—	(1,158)
Total changes during this period	7,862	(2,277)	(34,777)	84,505
Ending balance at current fiscal year	¥ 257,684	¥ 249,822	¥ 252,099	\$ 2,769,610

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	2010
Valuation and translation adjustments				
Net unrealized gains on available-for-sale securities				
Ending balance at previous fiscal year	¥ 97,349	¥ 289,992	¥ 480,712	\$ 1,046,323
Changes during this period				
Net change of items other than shareholders' equity	82,455	(192,642)	(190,719)	886,242
Total changes during this period	82,455	(192,642)	(190,719)	886,242
Ending balance at current fiscal year	179,805	97,349	289,992	1,932,566
Net deferred gains (losses) on hedge accounting				
Ending balance at previous fiscal year	3,700	1,790	87	39,770
Changes during this period				
Net change of items other than shareholders' equity	(1,584)	1,909	1,703	(17,028)
Total changes during this period	(1,584)	1,909	1,703	(17,028)
Ending balance at current fiscal year	2,115	3,700	1,790	22,741
Foreign currency translation adjustment				
Ending balance at previous fiscal year	(6,198)	(1,492)	(1,303)	(66,618)
Changes during this period				
Net change of items other than shareholders' equity	535	(4,705)	(188)	5,756
Total changes during this period	535	(4,705)	(188)	5,756
Ending balance at current fiscal year	(5,662)	(6,198)	(1,492)	(60,862)
Total valuation and translation adjustments				
Ending balance at previous fiscal year	94,851	290,291	479,495	1,019,475
Changes during this period				
Net change of items other than shareholders' equity	81,407	(195,439)	(189,204)	874,970
Total changes during this period	81,407	(195,439)	(189,204)	874,970
Ending balance at current fiscal year	176,259	94,851	290,291	1,894,445
Subscription rights to shares (Note 17)				
Ending balance at previous fiscal year	458	408	268	4,932
Changes during this period				
Net change of items other than shareholders' equity	106	50	139	1,140
Total changes during this period	106	50	139	1,140
Ending balance at current fiscal year	565	458	408	6,072
Minority interests				
Ending balance at previous fiscal year	334	398	382	3,591
Changes during this period				
Net change of items other than shareholders' equity	14	(64)	16	152
Total changes during this period	14	(64)	16	152
Ending balance at current fiscal year	348	334	398	3,744
Total net assets				
Ending balance at previous fiscal year	345,467	543,198	767,024	3,713,103
Changes during this period				
Cash dividends	(6,019)	(5,716)	(5,971)	(64,695)
Net income	14,018	9,971	8,991	150,672
Acquisition of treasury stock	(149)	(6,781)	(37,854)	(1,603)
Disposal of treasury stock	120	124	57	1,289
Effect of changes in accounting policies applied to foreign subsidiaries	—	124	—	—
Changes in the scope of consolidation	(107)	—	—	(1,158)
Net change of items other than shareholders' equity	81,527	(195,453)	(189,048)	876,263
Total changes during this period	89,389	(197,731)	(223,825)	960,768
Ending balance at current fiscal year	¥ 434,857	¥ 345,467	¥ 543,198	\$ 4,673,872

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

NIPPONKOA Insurance Co., Ltd. and Consolidated Subsidiaries For the years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	2010
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ 24,360	¥ 14,307	¥ 13,392	\$ 261,831
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities:				
Depreciation	7,258	7,007	6,963	78,014
Impairment losses	263	489	530	2,834
Increase (decrease) in reserve for retirement benefits	956	(21,577)	(2,121)	10,278
Increase (decrease) in reserve for outstanding claims	(14,904)	(1,393)	17,424	(160,197)
Increase (decrease) in underwriting reserves	(60,398)	(82,440)	(52,408)	(649,164)
Interest charges	80	250	165	869
Interest and dividends	(53,169)	(58,479)	(59,632)	(571,470)
Net loss (gain) on investments and loans	(13,420)	22,850	(13,603)	(144,248)
Net loss (gain) on sales of tangible fixed assets	(21)	164	45	(228)
Increase (decrease) in other assets (excludes investing and financing activities)	(3,731)	(1,505)	2,942	(40,108)
Increase (decrease) in other liabilities (excludes investing and financing activities)	(2,894)	36	(2,750)	(31,109)
Other, net	(3,616)	(6,887)	(585)	(38,870)
Sub-total	(119,237)	(127,178)	(89,635)	(1,281,568)
Interest and dividends received	54,131	59,564	60,293	581,805
Interest paid	(154)	(177)	(165)	(1,656)
Income taxes paid	(7,094)	(8,931)	(11,716)	(76,248)
Net cash provided by (used in) operating activities	(72,354)	(76,723)	(41,223)	(777,668)
Cash flows from investing activities:				
Net decrease (increase) in short-term investments	1,725	(819)	(1,675)	18,549
Purchases of monetary receivables bought	—	(990)	(4,001)	—
Proceeds from sales or maturity of monetary receivables bought	4,099	8,401	7,049	44,066
Increase in money in trust	(17,000)	(13,400)	(12,000)	(182,717)
Decrease in money in trust	20,280	14,926	13,585	217,973
Purchases of investments in securities	(279,508)	(676,561)	(894,425)	(3,004,177)
Proceeds from sales or maturity of investments in securities	370,796	769,245	936,606	3,985,349
Loans made	(52,752)	(74,991)	(41,573)	(566,990)
Collection of loans	53,786	58,252	64,140	578,103
Increase (decrease) in cash received under securities lending transactions	(41,829)	42,308	—	(449,586)
Acquisition of tangible fixed assets	(9,194)	(7,835)	(8,935)	(98,821)
Proceeds from sales of tangible fixed assets	819	778	1,849	8,805
Acquisition of shares in a subsidiary that accompany changes in the scope of consolidation	(20)	—	—	(219)
Sale of shares in a subsidiary that accompany changes in the scope of consolidation	—	—	2,517	—
Other, net	(302)	(43)	0	(3,250)
Net cash provided by (used in) investing activities	50,900	119,271	63,135	547,085
Cash flows from financing activities:				
Dividends paid	(6,019)	(5,716)	(5,971)	(64,695)
Treasury stock acquired	(149)	(6,781)	(37,854)	(1,603)
Sales of treasury stock	120	124	57	1,289
Dividends paid to minority interests	(8)	(12)	(13)	(86)
Other, net	(87)	(162)	(150)	(943)
Net cash provided by (used in) financing activities	(6,144)	(12,548)	(43,932)	(66,038)
Effect of exchange rate changes on cash and cash equivalents	213	(2,298)	(816)	2,293
Net increase (decrease) in cash and cash equivalents	(27,384)	27,700	(22,836)	(294,329)
Cash and cash equivalents at beginning of year	168,525	140,825	163,661	1,811,326
Cash and cash equivalents at end of year (Notes 1(d) and 19)	¥ 141,141	¥ 168,525	¥ 140,825	\$ 1,516,997

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

NIPPONKOA Insurance Co., Ltd. March 31, 2010

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

NIPPONKOA Insurance Co., Ltd. ("the Company") and its consolidated domestic subsidiaries maintain their accounting records and prepare their financial statements using generally accepted statutory accounting principles and practices applicable to insurance companies in Japan. Accounting principles and practices for consolidated foreign subsidiaries conform to International Financial Reporting Standards. The accompanying consolidated financial statements have been prepared by the Company as required by the Financial Instruments and Exchange Act, and accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan.

As permitted by the Financial Instruments and Exchange Act in Japan, amounts of less than one million yen have been truncated. Accordingly, the totals in yen do not necessarily agree with the sum of the individual amounts.

(b) Principles of Consolidation

The consolidated financial statements include accounts of the Company and its significant subsidiaries (collectively "the Companies"). Consolidated foreign subsidiaries are included on the basis of fiscal years ending on December 31, since the difference in the fiscal year ends does not exceed three months. As for major transactions occurring between the fiscal year ends of the consolidated foreign subsidiaries and the Company, necessary adjustments are made upon consolidation.

The consolidated subsidiaries of the Company are NIPPONKOA Life Insurance Company Limited, SONPO 24 Insurance Company Limited, Nippon Insurance Company of Europe Limited, NIPPONKOA Insurance Company (Europe) Limited, NIPPONKOA Insurance Company (China) Limited, NIPPONKOA Insurance Company (Asia) Limited and NIPPONKOA Management Services (Europe) Limited.

Commencing in the year ended March 31, 2010, NIPPONKOA Insurance Company (China) Limited is newly established and recognized as a consolidated subsidiary.

All other subsidiaries of the Company are not consolidated as their total assets, sales, net income and retained earnings in the aggregate are considered immaterial.

The equity method of accounting for investments in common shares of 17 non-consolidated subsidiaries and 4 affiliates has not been applied because the effect to consolidated net income and retained earnings are minor and those are also immaterial in the aggregate.

(c) Foreign Currency Translation

1) Foreign currency accounts:

The Company and its consolidated domestic subsidiaries translate short-term and long-term receivables and payables denominated in foreign currencies into Japanese yen at the exchange rate as of each balance sheet date.

All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions are made. The resulting gains/losses on foreign exchange are credited or charged to the statements of income.

2) Foreign currency financial statements of consolidated subsidiaries:

The balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate as of each balance sheet date except for shareholders' equity, which is translated at historical exchange rates. All revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the year-end exchange rate. Differences arising from such translation are shown in a separate component of net assets.

(d) Cash Equivalents

Cash equivalents in the consolidated statements of cash flows are short-term, highly liquid investments with an original maturity of three months or less, and subject to insignificant risk of changes in value.

(e) Investments in Securities

Accounting standards and methods for valuation of investments in securities held by the Company and its consolidated domestic subsidiaries are as follows:

- i) Held-to-maturity bonds are carried at amortized cost.
- ii) Underwriting reserves bonds are carried at amortized cost determined by the moving-average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Underwriting Reserves Bonds in the Insurance Industry" (Japanese Institute of Certified Public Accountants Industry Audit Practice Committee Report No. 21).

The outline of the risk management policy in relation to underwriting reserves bonds is as follows.

NIPPONKOA Life Insurance Company Limited sets up "policy reserve for single-premium whole-life" as a sub-category, and follows the management policy to match the duration of the policy reserves in the sub-category with the duration of underwriting reserves bonds corresponding to this sub-category within a certain range, to better manage the changes in the interest rate risk associated with the assets and liabilities.

- iii) Stocks of subsidiaries and affiliates are carried at cost determined by the moving-average method.
- iv) Marketable securities classified as available-for-sale are recorded according to their mark-to-market values based on the prices prevailing in the market on the balance sheet date. The unrealized gains/losses, net of tax, on the available-for-sale securities are recognized as a component of net assets. Cost for sale is calculated by the moving-average method.
- v) Non-marketable securities classified as available-for-sale for which it is exceedingly difficult to recognize fair value are recorded at cost determined by the moving-average method.

(Changes in Accounting Procedures)

Effective from the current fiscal year, the Company and its consolidated domestic subsidiaries have adopted "Accounting Standard for Financial Instruments" latest amended on March 10, 2008.

As a result of this adoption, an extent of securities evaluated with fair value is reclassified. There is no significant influence to the financial result of the Company and its consolidated domestic subsidiaries from this reclassification.

Valuations of securities included in money in trust are as follows:

- i) Securities included in individually managed money in trust are valued by the market value method.
- ii) Securities included in individually managed money in trust not classified as trading securities or held-to-maturity securities are valued by the same method as available-for-sale securities.

(f) Derivatives

Derivative transactions outstanding are accounted for by the market value method.

(g) Hedge Accounting

The deferral hedge accounting method is applied to hedging transactions for interest rate swaps to hedge cash flow fluctuation risk of bonds and loans with variable interest rates and interest rate fluctuation risk related to long-term insurance contracts based on "The Accounting and Auditing Treatment on the Application of the Financial Products Accounting Standard to the Insurance Industry" (Japanese Institute of Certified Public Accountants Industry Audit Practice Committee Report No. 26, hereinafter Industry Audit Practice Committee Report No. 26). Where certain transactions fulfill the required conditions for the application of the exceptional treatment for interest rate swaps, this treatment is applied to such transactions.

The fair value hedge accounting method is applied to foreign exchange forward contracts and currency option transactions in order to reduce the risk of foreign exchange rate fluctuation on foreign currency denominated assets. Where certain transactions fulfill the required conditions for the application of assignment accounting, this accounting is applied to such transactions.

Hedge effectiveness is judged by comparing the accumulated fluctuation of the market value or cash flows between each hedged item and the related hedging instrument for the period from the commencement of the hedge to the date of judgment. However, if the material conditions of the hedging instrument and the hedged item are the same and there is high effectiveness for each hedge transaction, the judgment for the effectiveness is omitted.

As for hedge effectiveness based on Industry Audit Practice Committee Report No. 26, this is judged by monitoring the circumstance of the interest rate which affects the calculation of theoretical prices of both insurance liabilities as hedged item and interest rate swap as hedging instrument grouped by the remaining period.

(h) Tangible Fixed Assets (excluding Leased Assets)

Tangible fixed assets (excluding leased assets) are primarily recorded at cost less accumulated depreciation. Depreciation of tangible fixed assets (excluding leased assets) held by the Company and its consolidated domestic subsidiaries are charged under application of the declining-balance method. However, the straight-line method is applied to buildings (excluding connected installations) acquired on or after April 1, 1998. The consolidated foreign subsidiaries of the Company compute depreciation of tangible fixed assets (excluding leased assets) by the straight-line method.

(i) Leases

The Company's finance leases, other than those that are deemed to transfer the ownership of the leased assets to the lessees, and for which lease transactions took effect during a consolidated fiscal year that began prior to April 1, 2008, are accounted for by a method similar to the procedures used for ordinary operating leases.

(j) Reserve for Doubtful Accounts

Reserve for doubtful accounts of the Company and its consolidated domestic subsidiaries is provided under the application of the standards for asset self-assessment and the standards for write-offs and provisions as follows:

For loans to borrowers that are bankrupt, under special liquidation procedures, barred from bill clearing transactions, or that are otherwise in a state of legal or virtual bankruptcy, a reserve is provided in the amount equivalent to such loans net of the expected realizable collateral value and the estimated recoverable guarantee value.

For loans to borrowers that are found to be facing a material risk of going into bankruptcy in the future, a reserve is provided in the amount equivalent to such loans net of the expected realizable collateral value and the estimated recoverable guarantee value, with further adjustments made as deemed necessary under consideration of such borrowers' overall repayment capabilities.

For all other loans, a reserve is provided based on the actual default ratios derived from the defaults observed during certain past periods.

Furthermore, the divisions in charge of respective portfolios of assets evaluate the entire loan portfolio according to the standards for asset self-assessment, and the internal independent inspection department audits the results of the divisional assessments. The provisions made as described above are based on those audit findings.

(k) Outstanding Claims

In accordance with the regulations of the Insurance Business Law in Japan, the Company and its consolidated domestic subsidiaries have established a reserve for outstanding claims in amounts estimated to be sufficient, in the opinion of management, to discharge claims incurred and reported, and also have a provision for losses incurred but not reported at the balance sheet date.

(l) Underwriting Reserves

Non-life insurance

Pursuant to the provisions of the Insurance Business Law and related rules and regulations in Japan, the Company and SONPO 24 Insurance Company Limited are required to maintain underwriting reserves in amounts determined as follows:

1) Ordinary underwriting reserves

Insurance other than compulsory automobile liability insurance and earthquake insurance

The greater of the unearned premiums or the underwriting balance at the end of the year for policies written during the year, computed by each line of business and type of policy.

Compulsory automobile liability insurance

Accumulated total sum of premiums written less claims incurred plus related net investment income less contributions to the Japan Red Cross Society and other Japanese institutions. Insurance companies are not permitted to recognize any profit or loss from underwriting compulsory automobile liability insurance.

Earthquake insurance

Accumulated total amounts of the underwriting balance and related net investment income.

In addition to the above, in order to provide for any extraordinary risks which might arise from a catastrophe, the Company is required to maintain a contingency reserve, at an amount determined based on net premiums written, that varies by line of business.

2) Deposits by policyholders

The Company maintains reserves for the deposit portion of premiums, and investment income on such portion, both of which are refundable to policyholders under the contract.

Life insurance

Pursuant to the provisions of the Insurance Business Law and related rules and regulations in Japan, NIPPONKOA Life Insurance Company Limited is required to maintain ordinary underwriting reserves in amounts determined on the basis of

future policy benefits for life insurance contracts. These ordinary underwriting reserves for policies subject to the standard policy reserve rules are calculated by the methods prescribed by the Commissioner of Financial Services Agency (Notification of the Ministry of Finance No. 48, 1996) and reserves for remaining policies not subject to the standard policy reserve rules are calculated by the net level premium reserve method.

(m) Reserve for Retirement Benefits

Reserve for retirement benefits of the Company and its consolidated domestic subsidiaries is provided on the basis of estimated amounts of retirement benefits obligation and plan assets at the balance sheet date.

Prior service cost is amortized by the straight-line method for a certain period (10 years) which shall not exceed the average remaining period of employees' service.

Any actuarial difference incurred in each year is amortized from the following year by the straight-line method for a certain period (10 years) which shall not exceed the average remaining period of employees' service.

(Additional Information)

In January 2008, the Company decided to transfer part of the retirement benefit plans to the defined contribution pension plan as of April 2008 and applied "Accounting for Transfer between Retirement Benefit Plans (ASBJ Implementation Guideline on Accounting Standard No. 1)." As a result of the partial termination of the schemes due to the transfers, the Company posted ¥1,085 million as special loss, which applied for the year ended March 31, 2008.

(Changes in Accounting Procedures)

Effective from the current fiscal year, the Company and its consolidated domestic subsidiaries have adapted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19). There is no influence to the financial result of the Company and its consolidated domestic subsidiaries from this reclassification because the Company and its consolidated domestic subsidiaries continually use the same discount rate as the prior method.

(n) Reserve for Price Fluctuations

In accordance with Article 115 of the Insurance Business Law in Japan, the Company and its consolidated domestic subsidiaries must set aside a reserve, of an amount calculated at rates varying according to the kind of asset, unless permission is granted by the Commissioner of the Financial Services Agency, for possible loss from price fluctuation of certain assets. Additionally, the Company and its consolidated domestic subsidiaries may reduce this reserve for net losses resulting from revaluation and sales of designated assets or from other investment activities, and if permission is granted by the Commissioner of the Financial Services Agency, for any other reason.

(o) Income Tax

The provision for income tax in the consolidated statements of income is computed based on income before income taxes and minority interests. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting assets and liabilities and the tax bases of these.

These deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

(p) Earnings per Share of Common Stock

Basic and diluted net income per share is computed based on the weighted average number of shares of outstanding common stock during each fiscal year.

Diluted net income per share reflects the potential dilution that could occur if outstanding stock options were exercised.

(q) Valuation of Assets and Liabilities of Consolidated Subsidiaries on Acquisition

All of the consolidated subsidiaries' assets and liabilities were valued at fair value as of the respective acquisition dates.

(r) Amortization of Goodwill

The difference between cost and fair value of net assets acquired for SONPO 24 Insurance Company Limited is amortized over 5 years by the straight-line method and the difference for other subsidiaries is charged or credited to the statements of income in the year of acquisition.

2. U.S. Dollar Amounts

The translations of Japanese Yen amounts into U.S. Dollar amounts are included solely for convenience and have been made, as a matter of arithmetical computation only, at ¥93.04=US\$1, the approximate rate prevailing at March 31, 2010. The translations should not be construed as representations that the Japanese Yen have been or could be readily converted, realized or settled in U.S. Dollars at that or any other rate.

3. Financial Instruments

Fiscal year ended March 31, 2010

(a) Information on conditions of financial instruments

1) Policies in utilizing financial instruments

The Company and its subsidiaries ("The NIPPONKOA Group") mainly sell non-life insurance and life insurance. In its non-life insurance business, liquidity is ensured by holding certain amounts of short-term funds and marketable financial instruments to prepare for payments related to insurance business. The NIPPONKOA Group promotes efficiency of asset management and improvements of profits as a basic principle. Derivative transactions are mainly utilized to reduce market risks involved in fluctuations of interest rates, foreign exchange rates and prices arising from asset management and market risks of long-term insurance liabilities caused by fluctuation of market interest rates. In addition, derivative transactions are utilized, to a certain extent, for the purpose of making profit. In its life insurance business, the NIPPONKOA Group promotes stable profit earning as a basic principle, with a recognition of characteristics of insurance contracts as liability.

2) Contents and risks of financial instruments

Financial instruments which the NIPPONKOA Group holds are mainly equity securities and debt securities that contain market risks, credit risks and liquidity risks that the NIPPONKOA Group may be unavoidably forced to finance or dispose of assets under unfavorable conditions due to factors such as chaos of markets or shortage of cash flows caused by the occurrence of a large disaster or a significant increase of cancellations of policies.

Long-term loans to firms dealing with the Company involve credit risks caused by breach of contracts.

Regarding derivative transactions, the Company enters into forward foreign exchange contracts, currency option contracts, currency swaps, interest rate swaps, bond futures, bond options, stock index futures, independent stock options, credit derivatives, weather derivatives and earthquake derivatives. These also involve market risks and credit risks. The consolidated domestic subsidiaries of the Company do not enter into derivative contracts. On the other hand, the consolidated foreign subsidiaries enter into forward foreign exchange contracts.

Market risks are risks associated with price fluctuations of investments, which are influenced by fluctuations of foreign exchange rates, interest rates and equity prices. These market risks are effectively reduced by derivative financial instruments that the NIPPONKOA Group utilizes to hedge risks on assets held. In addition, credit risks are those associated with decline of creditworthiness of the investments and/or issuers of securities we own or bankruptcy of our counterparties. The NIPPONKOA Group structures the levels of credit risks by selecting highly rated issuers.

The Company uses derivatives for hedging purposes. The deferral hedge accounting method is applied to hedging transactions for interest rate swaps to hedge cash flow fluctuation risk of bonds and loans with variable interest rates and interest fluctuation risk related to long-term insurance contracts based on "The Accounting and Auditing Treatment on the Application of the Financial Products Accounting Standard to the Insurance Industry" (Japanese Institute of Certified Public Accountants Industry Audit Practice Committee Report No. 26, hereafter Industry Audit Practice Committee Report No. 26). Where certain transactions fulfill the required conditions for the application of the exceptional treatment for interest rate swaps, this treatment is applied to such transactions.

The fair value hedge accounting method is applied to foreign exchange forward contracts and currency option transactions in order to reduce the risk of foreign exchange rate fluctuation on foreign currency denominated assets. Where certain transactions fulfill the required conditions for the application of assignment accounting, this accounting is applied to such transactions.

Hedge effectiveness is judged by comparing the accumulated fluctuation of the market value or cash flows between each hedged item and the related hedging instrument for the period from the commencement of the hedge to the date of judgment. However, if the material conditions of the hedging instrument and the hedged item are the same and there is high effectiveness for each hedge transaction, the judgment for the effectiveness is omitted.

As for hedge effectiveness based on Industry Audit Practice Committee Report No. 26, this is judged by monitoring the circumstance of the interest rate which affects the calculation of theoretical prices of both insurance liabilities as hedged item and interest rate swap as hedging instrument grouped by the remaining period.

3) Risk management on financial instruments

The Company and its consolidated domestic subsidiaries conduct financial instruments transactions according to their investment guidelines, which include regulations on maximum amounts for each investment and on acceptable investing ranges by creditworthiness of the counterparties. In conducting transactions, back office and front office are organizationally separated. Conditions of financial instruments transactions are aggregated by the supervising division for each transaction. Details of transactions and unrealized gain/loss of each financial instruments transaction are reported to management on a periodic basis.

Financial instruments transactions of consolidated foreign subsidiaries are conducted within the limits accepted by the Company. The Company receives reports of the results of investments every quarter from the consolidated foreign subsidiaries.

Individual risks are managed as follows:

i) Management of market risks

For assets related market risks, the Company monitors the condition of balance and unrealized gain/loss and price sensitivity caused by the changes in market circumstances, and measures VaR in order to judge the volume of market risks. The Company also manages risks to achieve acceptable limitation of the volume of market risks.

However, as VaR measures the volume of market risks calculated by defined statistical probability of occurrence based on historical fluctuations of the market and if market conditions are abnormal, it may not be possible to capture all relevant risks.

ii) Management of credit risks

The Company manages credit risks using internal rating, in which debtors are categorized into 12 levels based on extent of credit risk, for risk management of the portfolio and decision making for investments as a unified indicator of evaluation.

Each individual investment is strictly reviewed and the Company tries to retain appropriate profit to fit the level of internal rating. In addition, the Company sets limitation of credit by each company and groups not to concentrate credit of loans, securities and deposit into one organization in order to avoid huge losses. The Company also recognizes volume of risks for all portfolios by measuring VaR of credit risks monthly.

iii) Management of liquidity risks

The Company manages cash flows with ALM calculating future cash in and out. In addition, the Company maintains a minimum amount of liquid assets to prepare for large loss payment caused by the occurrence of disaster.

4) Additional information for fair value of financial instruments

The fair value of financial instruments includes prices based on market prices and reasonably calculated prices if market prices are not obtained. These prices would vary if different assumptions were applied because these calculations of prices depend on variable factors. In the "Derivatives" footnote, "Contracted amount" represents the contract amount or notional principal amount, not the exposed amount of market and/or credit risks.

Derivative transactions held for non-profit purpose are used to mitigate market risks, as the primary purpose. In this case, it is necessary to evaluate the results of derivative transactions by recognizing profit/loss derivatives and existing asset portfolios together.

(b) Fair value of financial instruments

As of March 31, 2010, book value and fair value are described as below. Some amounts that are very difficult to recognize are not contained in the below tables. (See (*2))

	Millions of yen			Thousands of U.S. dollars (Note 2)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
1) Cash and bank deposits	¥ 107,791	¥ 107,791	¥ —	\$ 1,158,550	\$ 1,158,550	\$ —
2) Call loans	50,478	50,478	—	542,540	542,540	—
3) Receivables under securities borrowing transactions	25,382	25,382	—	272,812	272,812	—
4) Monetary receivables bought	6,129	6,129	—	65,879	65,879	—
5) Money in trust	75,896	75,896	—	815,745	815,745	—
6) Investments in securities						
Held-to-maturity bonds	280,882	279,750	(1,131)	3,018,947	3,006,780	(12,166)
Underwriting reserves bonds	8,834	8,883	48	94,956	95,483	526
Available-for-sale securities	1,802,437	1,802,437	—	19,372,714	19,372,714	—
7) Loans	241,181			2,592,231		
Reserve for doubtful accounts (*)	(355)			(3,824)		
	240,825	243,551	2,726	2,588,406	2,617,708	29,301
Total assets	2,598,658	2,600,301	1,643	27,930,553	27,948,214	17,661
Derivatives (**)						
Hedge accounting not applied	105	105	—	1,128	1,128	—
Hedge accounting applied	2,884	2,885	0	31,007	31,010	2
Total of derivatives	¥ 2,989	¥ 2,990	¥ 0	\$ 32,136	\$ 32,138	\$ 2

(*) Reserve for doubtful accounts for loans is deducted.

(**) This amount contains all derivatives contained in other assets and other liabilities. Receivables and payables arising from derivatives are disclosed on a net basis.

(*1) Calculation methods for the fair value of financial instruments

Assets

- 1) Cash and bank deposits
Cash and bank deposits are short term and fair values of these approximate book values. The Company recognizes the book values as fair values.
- 2) Call loans
Call loans are short term and fair values of these approximate book values. The Company recognizes the book values as fair values.
- 3) Receivables under securities borrowing transactions
Receivables under securities borrowing transactions are short term and fair values of these approximate book values. The Company recognizes the book values as fair values.
- 4) Monetary receivables bought
Fair values are calculated using prices offered by financial institutions.
- 5) Money in trust
Fair values of bonds are calculated using prices released by the Japan Securities Dealers Association and average over-the-counter prices from vendors. Fair values of stocks are calculated using prices of exchanges. In addition, fair values of foreign securities are calculated using various factors such as prices of exchanges, prices released by industry associations and prices offered by financial institutions. In derivatives, listed derivatives are calculated using prices of exchanges and forward foreign exchanges are calculated using various factors such as forward exchange rate on the balance sheet date.
- 6) Investments in securities
Fair values of bonds are calculated using prices of exchanges, prices released by the Japan Securities Dealers Association and prices offered by financial institutions. Fair values of stocks are calculated using prices of exchanges. In addition, fair values of foreign securities are calculated using various factors such as prices of exchanges and prices offered by financial institutions.
- 7) Loans
Fair values of Loans are calculated by the total amount of principal and interest at discounted interest rates based on expected rate of new loans by type and category of internal ratings. In addition, for loans to bankrupt debtors, substantially bankrupt debtors and intensive control debtors, the estimated amount of doubtful accounts is calculated based on the present value of the expected future cash flows as fair values.

Derivatives

Forward foreign exchange contracts are based on forward exchange rate on balance sheet date. The fair value of derivatives such as forward foreign exchange contracts for which assignment accounting is applied is included in the fair value of investments in securities hedged by those derivatives since the derivative and the hedged security are accounted for as one financial instrument.

Fair values of interest rate swaps are present values of expected cash flows discounted by interest rate as of March 31, 2010.

Fair values of credit derivatives are calculated using prices offered by financial institutions.

(*2) Financial instruments that are extremely difficult to obtain their fair values are as follows and not included in 5) Money in trust nor 6) Investments in securities.

	Millions of yen	Thousands of U.S. dollars (Note 2)
	Book value	Book value
Money in trust	¥ 771	\$ 8,296
Stocks	58,046	623,890
Foreign securities	9,325	100,235
Other securities	16,798	180,553
Total	¥ 84,943	\$ 912,976

Money in trust mainly invests in real estate and stocks are unlisted without market prices. Fair value of money in trust and unlisted stocks is not disclosed because it is extremely difficult to obtain fair value.

Foreign securities mainly invest in unlisted stocks that have no market prices. Fair value of foreign securities is not disclosed because it is extremely difficult to obtain fair value.

Other securities mainly invest in real estate and unlisted stocks that have no market prices. Fair value of other securities is not disclosed because it is extremely difficult to obtain fair value.

(*3) Contractual cash flows from financial balances receivables and of investments in securities with maturity after March 31, 2010

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Bank deposits	¥ 107,594	¥ 134	¥ —	¥ —
Call loans	50,478	—	—	—
Receivables under securities borrowing transactions	25,382	—	—	—
Monetary receivables bought	2,140	3,774	437	—
Investments in securities				
Held-to-maturity bonds				
Government bonds	—	—	—	184,300
Municipal bonds	17	6	—	46,500
Corporate bonds	—	—	—	54,000
Underwriting reserves bonds				
Government bonds	—	—	—	8,800
Available-for-sale securities with maturity				
Government bonds	13,367	96,577	109,533	202,084
Municipal bonds	7,086	34,793	11,448	—
Corporate bonds	40,524	203,669	78,721	35,933
Foreign securities	24,626	124,339	119,651	10,412
Other securities	5,000	—	—	—
Loans (*)	74,735	121,472	21,210	22,647
Total	¥ 350,952	¥ 584,768	¥ 341,001	¥ 564,677

	Thousands of U.S. dollars (Note 2)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Bank deposits	\$ 1,156,432	\$ 1,449	\$ —	\$ —
Call loans	542,540	—	—	—
Receivables under securities borrowing transactions	272,812	—	—	—
Monetary receivables bought	23,007	40,571	4,698	—
Investments in securities				
Held-to-maturity bonds				
Government bonds	—	—	—	1,980,868
Municipal bonds	192	73	—	499,785
Corporate bonds	—	—	—	580,395
Underwriting reserves bonds				
Government bonds	—	—	—	94,582
Available-for-sale securities with maturity				
Government bonds	143,671	1,038,025	1,177,272	2,172,017
Municipal bonds	76,160	373,962	123,049	—
Corporate bonds	435,556	2,189,051	846,098	386,213
Foreign securities	264,685	1,336,409	1,286,022	111,916
Other securities	53,740	—	—	—
Loans (*)	803,259	1,305,589	227,968	243,412
Total	\$ 3,772,060	\$ 6,285,132	\$ 3,665,109	\$ 6,069,192

(*) ¥1,116 million (\$12,000 thousand) of carrying values for loans to bankrupt debtors, substantially bankrupt debtors and intensive control debtors, which are not expected to be collectible, are not included in Loans.

4. Investments in Securities

1) The components of investments in securities as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Domestic securities:			
Bonds	¥ 1,142,971	¥ 1,199,431	\$ 12,284,737
Stocks	653,178	559,381	7,020,408
Foreign securities	356,218	350,921	3,828,661
Other securities	23,956	24,813	257,490
Total	¥ 2,176,326	¥ 2,134,547	\$ 23,391,298

The amount of ¥28,966 million (\$311,333 thousand) of securities extended based on securities lending agreements as of March 31, 2010 has been included in investment in securities. The amount of ¥76,330 million of securities extended based on securities lending agreements as of March 31, 2009 has been included in investment in securities.

Of the securities received by the Company through loan transactions of bonds with collateral money and similar loan transactions (Repurchase transaction), those for which the Company and its consolidated domestic subsidiaries hold a right to dispose of them by sale or use as collateral at their discretion which the Company entirely own amounts to ¥27,709 million (\$297,826 thousand) and ¥33,795 million as of March 31, 2010 and 2009, respectively.

Shareholding amounts for non-consolidated subsidiaries and affiliates were ¥2,385 million (\$25,641 thousand) and ¥2,320 million as of March 31, 2010 and 2009, respectively.

2) Information regarding each category of the securities classified as trading securities, held-to-maturity, underwriting reserves and available-for-sale as of March 31, 2010 and 2009 are as follows:

Fiscal year ended March 31, 2009

 i) Trading securities
 N/A

ii) Held-to-maturity bonds with fair value

		Millions of yen		
		As of March 31, 2009		
Types		Book value	Fair value	Difference
Securities whose fair values exceed their book values	Bonds	¥ 189,241	¥ 199,599	¥ 10,358
	Foreign securities	—	—	—
	Sub-total	189,241	199,599	10,358
Securities whose book values exceed their fair values	Bonds	50,593	47,162	(3,430)
	Foreign securities	—	—	—
	Sub-total	50,593	47,162	(3,430)
Total		¥ 239,834	¥ 246,762	¥ 6,928

iii) Underwriting reserves bonds with fair value

		Millions of yen		
		As of March 31, 2009		
Types		Book value	Fair value	Difference
Securities whose fair values exceed their book values	Bonds	¥ 4,534	¥ 4,689	¥ 154
	Foreign securities	—	—	—
	Sub-total	4,534	4,689	154
Securities whose book values exceed their fair values	Bonds	—	—	—
	Foreign securities	—	—	—
	Sub-total	—	—	—
Total		¥ 4,534	¥ 4,689	¥ 154

iv) Available-for-sale securities with fair value

		Millions of yen		
		As of March 31, 2009		
Types		Cost	Book value	Difference
Securities whose book values exceed their costs	Bonds	¥ 769,070	¥ 784,027	¥ 14,957
	Stocks	252,222	431,463	179,240
	Foreign securities	90,482	96,738	6,256
	Other securities	999	1,012	12
	Sub-total	1,112,775	1,313,241	200,466
Securities whose costs exceed their book values	Bonds	173,501	169,535	(3,966)
	Stocks	76,913	69,105	(7,808)
	Foreign securities	269,964	242,440	(27,524)
	Other securities	17,453	16,934	(519)
	Sub-total	537,833	498,014	(39,818)
Total		¥ 1,650,608	¥ 1,811,256	¥ 160,647

(Notes)

- The NIPPONKOA Group recognized ¥35,784 million of impairments on available-for-sale securities with fair value. The NIPPONKOA Group recognized impairment on securities whose fair value is determinable as of the balance sheet date if the fair value declined by 30% or more from carrying value.
- Trust beneficiary rights on loan receivables purchased, classified as monetary receivables bought on the Consolidated Balance Sheets, are included in Other securities.

 v) Sales of held-to-maturity bonds during this period
 N/A

 vi) Sales of underwriting reserves bonds during this period
 N/A

vii) Sales of available-for-sale securities during this period

Types	Millions of yen		
	Fiscal year ended March 31, 2009		
	Proceeds from sales	Gross realized gains	Gross realized losses
Available-for-sale securities	¥ 340,677	¥ 33,215	¥ 8,835

viii) Available-for-sale securities whose fair value is not readily determinable

Available-for-sale securities:	Millions of yen
	As of March 31, 2009
Bonds	¥ 1,500
Stocks	¥ 57,753
Foreign securities	¥ 10,480
Other securities	¥ 61,838

(Note)

Certificates of deposit classified as cash and bank deposits on the Consolidated Balance Sheets and commercial paper classified as monetary receivables bought on the Consolidated Balance Sheets are included in Other securities.

ix) Carrying value of debt securities by contractual maturity for securities classified as available-for-sale, held-to-maturity and underwriting reserves

Types	Millions of yen			
	As of March 31, 2009			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	¥ 68,263	¥ 155,217	¥ 92,550	¥ 360,442
Municipal bonds	11,223	35,658	19,759	41,453
Corporate bonds	53,836	202,577	97,958	60,489
Foreign securities	26,257	125,182	127,660	32,164
Other securities	49,146	20,761	4,287	—
Total	¥ 208,726	¥ 539,397	¥ 342,217	¥ 494,550

(Note)

Certificates of deposit classified as cash and bank deposits on the Consolidated Balance Sheets and debts purchased and commercial paper classified as monetary receivables bought on the Consolidated Balance Sheets are included in Other securities.

Fiscal year ended March 31, 2010

i) Trading securities

N/A

ii) Held-to-maturity bonds

Types		Millions of yen			Thousands of U.S. dollars (Note 2)		
		As of March 31, 2010			As of March 31, 2010		
		Book value	Fair value	Difference	Book value	Fair value	Difference
Securities whose fair values exceed their book values	Bonds	¥ 170,958	¥ 175,548	¥ 4,589	\$ 1,837,474	\$ 1,886,802	\$ 49,327
	Foreign securities	—	—	—	—	—	—
	Sub-total	170,958	175,548	4,589	1,837,474	1,886,802	49,327
Securities whose book values exceed their fair values	Bonds	109,924	104,202	(5,721)	1,181,472	1,119,978	(61,494)
	Foreign securities	—	—	—	—	—	—
	Sub-total	109,924	104,202	(5,721)	1,181,472	1,119,978	(61,494)
Total		¥ 280,882	¥ 279,750	¥ (1,131)	\$ 3,018,947	\$ 3,006,780	\$ (12,166)

iii) Underwriting reserves bonds

		Millions of yen			Thousands of U.S. dollars (Note 2)		
		As of March 31, 2010			As of March 31, 2010		
Types		Book value	Fair value	Difference	Book value	Fair value	Difference
Securities whose fair values exceed their book values	Bonds	¥ 4,532	¥ 4,604	¥ 72	\$ 48,712	\$ 49,488	\$ 775
	Foreign securities	—	—	—	—	—	—
	Sub-total	4,532	4,604	72	48,712	49,488	775
Securities whose book values exceed their fair values	Bonds	4,302	4,279	(23)	46,244	45,994	(249)
	Foreign securities	—	—	—	—	—	—
	Sub-total	4,302	4,279	(23)	46,244	45,994	(249)
Total		¥ 8,834	¥ 8,883	¥ 48	\$ 94,956	\$ 95,483	\$ 526

iv) Available-for-sale securities

		Millions of yen			Thousands of U.S. dollars (Note 2)		
		As of March 31, 2010			As of March 31, 2010		
Types		Book value	Cost	Difference	Book value	Cost	Difference
Securities whose book values exceed their costs	Bonds	¥ 735,042	¥ 717,925	¥ 17,117	\$ 7,900,289	\$ 7,716,308	\$ 183,981
	Stocks	570,173	291,295	278,877	6,128,258	3,130,866	2,997,391
	Foreign securities	92,938	79,836	13,101	998,912	858,092	140,819
	Other securities	2,158	1,270	887	23,196	13,655	9,541
	Sub-total	1,400,313	1,090,328	309,984	15,050,656	11,718,922	3,331,734
Securities whose costs exceed their book values	Bonds	118,211	120,499	(2,288)	1,270,543	1,295,139	(24,596)
	Stocks	24,958	27,960	(3,001)	268,260	300,516	(32,256)
	Foreign securities	253,953	278,351	(24,397)	2,729,513	2,991,742	(262,229)
	Other securities	24,749	25,107	(358)	266,008	269,858	(3,850)
	Sub-total	421,873	451,919	(30,045)	4,534,325	4,857,257	(322,931)
Total		¥ 1,822,186	¥ 1,542,247	¥ 279,938	\$ 19,584,982	\$ 16,576,179	\$ 3,008,802

(Notes)

(1) Available-for-sale securities that are extremely difficult to obtain their fair values are not included in the above tables.

(2) Certificates of deposit classified as cash and bank deposit on the Consolidated Balance Sheets and debts purchased classified as monetary receivables bought on the Consolidated Balance Sheets are included in Other securities.

v) Sales of held-to-maturity bonds during this period

N/A

vi) Sales of underwriting reserves bonds during this period

N/A

vii) Sales of available-for-sale securities during this period

		Millions of yen			Thousands of U.S. dollars (Note 2)		
		Fiscal year ended March 31, 2010			Fiscal year ended March 31, 2010		
Types		Proceeds from sales	Gross realized gains	Gross realized losses	Proceeds from sales	Gross realized gains	Gross realized losses
Bonds		¥ 158,412	¥ 2,169	¥ 24	\$ 1,702,632	\$ 23,315	\$ 267
Stocks		22,476	11,754	26	241,583	126,335	289
Foreign securities		43,995	1,953	6,738	472,865	20,996	72,424
Other securities		2,534	350	—	27,242	3,765	—
Total		¥ 227,419	¥ 16,227	¥ 6,790	\$ 2,444,323	\$ 174,413	\$ 72,981

viii) Impairment of securities during this period

The NIPPONKOA Group recognized ¥1,860 million (\$19,998 thousand) (of which ¥910 million (\$9,780 thousand) of stocks, ¥71 million (\$763 thousand) of foreign securities, and ¥879 million (\$9,455 thousand) of other securities) of impairments on available-for-sale securities during this period.

The NIPPONKOA Group recognized impairment on securities, in principle, whose fair value is determinable as of the balance sheet date if the fair value declined by 30% or more from the carrying value.

5. Money in Trust

Fiscal year ended March 31, 2009

(a) Money in trust for trading purposes

	Millions of yen	
	As of March 31, 2009	
	Book value	Net unrealized loss charged to income
Money in trust	¥ 37,647	¥ (5,551)

(b) Held-to-maturity money in trust

N/A

(c) Money in trust other than those held for trading purposes or those held to maturity

	Millions of yen		
	As of March 31, 2009		
	Cost	Book value	Difference
Money in trust	¥ 37,000	¥ 36,296	¥ (703)

(Note)

Other than the above, money in trust held in joint accounts in the amount of ¥900 million are carried at their cost on the Consolidated Balance Sheets as of March 31, 2009.

Fiscal year ended March 31, 2010

(a) Money in trust for trading purposes

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	As of March 31, 2010		As of March 31, 2010	
	Book value	Net unrealized loss charged to income	Book value	Net unrealized loss charged to income
Money in trust	¥ 55,930	¥ 5,367	\$ 601,141	\$ 57,685

(b) Held-to-maturity money in trust

N/A

(c) Money in trust other than those held for trading purposes or those held to maturity

	Millions of yen			Thousands of U.S. dollars (Note 2)		
	As of March 31, 2010			As of March 31, 2010		
	Book value	Cost	Difference	Book value	Cost	Difference
Money in trust	¥ 19,966	¥ 20,050	¥ (83)	\$ 214,603	\$ 215,498	\$ (895)

(Note)

A part of money in trust that is extremely difficult to obtain their fair values is not included in the above tables.

6. Derivatives

Fiscal year ended March 31, 2009

(a) Status on derivative transactions

1) Types of transaction

The Company enters into forward foreign exchange contracts, currency option contracts, currency swaps, interest rate swaps, bond futures, bond options, stock index futures, independent stock options, credit derivatives, weather derivatives and earthquake derivatives. The consolidated domestic subsidiaries of the Company do not enter into derivative contracts. The consolidated foreign subsidiaries enter into forward foreign exchange contracts.

2) Transaction policies

The NIPPONKOA Group utilizes derivative financial instruments to hedge their exposure to market risks arising from fluctuations in prices, foreign exchange rates and interest rates.

The Company also utilizes derivatives for trading purposes, for which transactions are strictly controlled from a risk management perspective.

Derivatives are used for hedging purposes. The deferral hedge accounting method is applied to hedging transactions for interest rate swaps; to hedge cash flow fluctuation risk of bonds and loans with variable interest rates; and interest fluctuation risk related to long-term insurance contracts based on "The Accounting and Auditing Treatment on the Application of the Financial Products Accounting Standard to the Insurance Industry" (Japanese Institute of Certified Public Accountants Industry Audit Practice Committee Report No. 26, hereafter Industry Audit Practice Committee Report No. 26). Where certain transactions fulfill the required conditions for the application of the exceptional treatment for interest rate swaps, this treatment is applied to such transactions.

The fair value hedge accounting method is applied to foreign exchange forward contracts and currency option transactions in order to reduce the risk of foreign exchange rate fluctuation on foreign currency denominated assets. Where certain transactions fulfill the required conditions for the application of assignment accounting, this accounting is applied to such transactions.

Hedge effectiveness is judged by comparing the accumulated fluctuation of the market value or cash flows between each hedged item and the related hedging instrument for the period from the commencement of the hedge to the date of judgment. However, if the material conditions of the hedging instrument and the hedged item are the same and there is high effectiveness for each hedge transaction, the judgment for the effectiveness is omitted.

As for hedge effectiveness based on Industry Audit Practice Committee Report No. 26, this is judged by monitoring the circumstance of the interest rate which affects the calculation of theoretical prices of both insurance liabilities as hedged item and interest rate swap as hedging instrument grouped by the remaining period.

3) Risks associated with transactions

Derivative financial instruments that the NIPPONKOA Group utilizes involve mainly market risks and credit risks.

Market risks are those risks associated with price fluctuations of investments, which are influenced by fluctuations of foreign exchange rates, interest rates and equity prices. These market risks are effectively reduced on derivative financial instruments that the NIPPONKOA Group utilizes to hedge risks on assets held.

In addition, credit risks are those associated with decline of creditworthiness of investments and/or issuers of securities we own or bankruptcy of our counterparties. The NIPPONKOA Group structures the levels of credit risks by placing limits on its exposure to highly rated financial institutions.

4) Risk management on transactions

The Company and its consolidated domestic subsidiaries conduct derivative transactions according to their investment guidelines, which include regulations on maximum amounts for each investment and on acceptable investing limits by creditworthiness of the counterparties. In conducting transactions, back office and front office are systematically separated to supervise mutually.

Conditions of derivative transactions are aggregated by the supervising division for each derivative transaction. Conditions of details and unrealized gain/loss of each derivative transaction and of existing asset portfolios are reported to management on a periodic basis.

Derivative transactions of consolidated foreign subsidiaries are conducted within limits accepted by the Company. The Company receives reports of the results of investments every quarter from the consolidated foreign subsidiaries.

5) Supplementary information on "Fair value and other information on derivative transactions"

In "Fair value and other information on derivative transactions", "Contracted amount" represents the contract amount or notional principal amount, not the amount of exposure to market and/or credit risks.

Derivative transactions held for non-profit purpose are to mitigate market risks, as the primary purpose. In this case, it is necessary to evaluate the results of derivative transactions by recognizing profit/loss from derivatives and existing asset portfolios together.

(b) Fair value and other information on derivative transactions

1) Currency-related transactions

Currency-related transactions that have hedge accounting not applied: N/A

Currency-related transactions that have hedge accounting applied are exempt from disclosure.

2) Interest-related transactions

Types of transactions	Types	Millions of yen			
		As of March 31, 2009			
		Contracted amount	Over one year Contracted amount	Fair value	Net unrealized gain (loss)
Transactions not traded in exchanges	Interest rate swap agreements Receive fixed rate, pay floating rate	¥ 15,000	¥ 15,000	¥ 100	¥ 100
Total		—	—	—	¥ 100

(Notes)

(1) Derivative transaction related to interest rates other than described above: N/A

(2) Calculation method of fair values

Fair values are present values of expected cash flows discounted by interest rate as of March 31, 2009.

(3) Interest-related transactions that have hedge accounting applied are exempt from disclosure.

3) Stock-related transactions

N/A

4) Bond-related transactions

N/A

5) Other

Types of transactions	Types	Millions of yen			
		As of March 31, 2009			
		Contracted amount	Over one year Contracted amount	Fair value	Net unrealized gain (loss)
Transactions not traded in exchanges	Credit derivatives				
	Short positions	¥ 7,000	¥ 7,000	¥ (398)	¥ (398)
	Long positions	3,438	—	928	928
Total		—	—	—	¥ 529

(Note) Calculation method of fair values

Fair values are based on prices offered by financial institutions.

Fiscal year ended March 31, 2010
(a) Transactions with hedge accounting not applied
1) Currency-related transactions

N/A

2) Interest-related transactions

Millions of yen

		As of March 31, 2010			
Types of transactions	Types	Contracted amount	Over one year Contracted amount	Fair value	Net unrealized gain (loss)
Transactions not traded in exchanges	Interest rate swap agreements Receive fixed rate, pay floating rate	¥ 15,000	—	¥ 112	¥ 112
Total		—	—	¥ 112	¥ 112

Thousands of U.S. dollars (Note 2)

		As of March 31, 2010			
Types of transactions	Types	Contracted amount	Over one year Contracted amount	Fair value	Net unrealized gain (loss)
Transactions not traded in exchanges	Interest rate swap agreements Receive fixed rate, pay floating rate	\$ 161,220	—	\$ 1,212	\$ 1,212
Total		—	—	\$ 1,212	\$ 1,212

(Notes)

(1) Derivative transaction related to interest rates other than described above: N/A

(2) Calculation method of fair values

Fair values are present values of future cash flows discounted by interest rate as of March 31, 2010.

3) Stock-related transactions

N/A

4) Bond-related transactions

N/A

5) Other

Millions of yen

		As of March 31, 2010			
Types of transactions	Types	Contracted amount	Over one year Contracted amount	Fair value	Net unrealized gain (loss)
Transactions not traded in exchanges	Credit derivatives Short positions	¥ 7,000	¥ 7,000	¥ (7)	¥ (7)
Total		—	—	¥ (7)	¥ (7)

Thousands of U.S. dollars (Note 2)

		As of March 31, 2010			
Types of transactions	Types	Contracted amount	Over one year Contracted amount	Fair value	Net unrealized gain (loss)
Transactions not traded in exchanges	Credit derivatives Short positions	\$ 75,236	\$ 75,236	\$ (83)	\$ (83)
Total		—	—	\$ (83)	\$ (83)

(Note) Calculation method of fair values

Fair values are based on prices offered by financial institutions.

(b) Transactions with hedge accounting applied

1) Currency-related transactions

			Millions of yen		
			As of March 31, 2010		
Types of hedge accounting	Types	Hedged items	Contracted amount	Over one year Contracted amount	Fair value
Fair value hedge accounting	Forward foreign exchange contracts	Available-for-sale securities			
	Short positions				
	U.S. dollar		¥ 44,827	—	¥ (1,613)
	Canadian dollar		8,612	—	(521)
	Australian dollar		8,053	—	(396)
	Euro	68,040	—	2,104	
Assignment accounting for forward foreign exchange contracts	Forward foreign exchange contracts	Available-for-sale securities			
	Long positions				
	U.S. dollar		137	—	(Note (3))
Total			—	—	¥ (426)

			Thousands of U.S. dollars (Note 2)		
			As of March 31, 2010		
Types of hedge accounting	Types	Hedged items	Contracted amount	Over one year Contracted amount	Fair value
Fair value hedge accounting	Forward foreign exchange contracts	Available-for-sale securities			
	Short positions				
	U.S. dollar		\$ 481,810	—	\$ (17,340)
	Canadian dollar		92,567	—	(5,604)
	Australian dollar		86,559	—	(4,259)
	Euro	731,305	—	22,617	
Assignment accounting for forward foreign exchange contracts	Forward foreign exchange contracts	Available-for-sale securities			
	Long positions				
	U.S. dollar		1,482	—	(Note (3))
Total			—	—	\$ (4,587)

(Notes)

(1) Derivative transactions with currency other than described above: N/A

(2) Calculation method of fair values

Fair values are calculated with forward foreign exchange rates as of March 31, 2010.

(3) Assignment accounting for forward foreign exchange contracts are treated within fair value of securities described in "3. Financial instruments" because those are combined with securities subject to hedge accounting.

2) Interest-related transactions

			Millions of yen		
			As of March 31, 2010		
Types of hedge accounting	Types	Hedged items	Contracted amount	Over one year Contracted amount	Fair value
Deferral hedge	Interest rate swap agreements	Insurance liabilities			
	Receive fixed rate, pay floating rate		¥ 83,000	¥ 83,000	¥ 3,311
Exceptional treatment for interest rate swaps	Interest rate swap agreements	Loans			
	Receive fixed rate, pay floating rate		500	—	0
Total			—	—	¥ 3,311

			Thousands of U.S. dollars (Note 2)		
			As of March 31, 2010		
Types of hedge accounting	Types	Hedged items	Contracted amount	Over one year Contracted amount	Fair value
Deferral hedge	Interest rate swap agreements	Insurance liabilities	\$ 892,089	\$ 892,089	\$ 35,594
	Receive fixed rate, pay floating rate				
Exceptional treatment for interest rate swaps	Interest rate swap agreements	Loans	5,374	—	2
	Receive fixed rate, pay floating rate				
Total			—	—	\$ 35,597

(Notes)

(1) Derivative transaction related to interest other than described above: N/A

(2) Calculation method of fair values

Fair values are present values of expected cash flows discounted by interest rate as of March 31, 2010.

3) Stock-related transactions

N/A

4) Bond-related transactions

N/A

5) Other

N/A

7. Loans

Loans include "Loans to bankrupt borrowers" and "Delinquent/overdue loans" on which accrued interest income has not been recognized.

Loans also include "Delinquent/overdue loans for three months or more" in addition to the aforementioned loans.

Additionally, loans include "Restructured loans", which have been restructured to facilitate the restructuring of, or assist the borrowers, by reducing the interest or providing a grace period for the payment of principal/interest, etc. The balances of the loan categories described above as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Loans to bankrupt borrowers	¥ 41	¥ 11	\$ 445
Delinquent/overdue loans	1,191	1,695	12,806
Delinquent/overdue loans for three months or more	—	—	—
Restructured loans	566	191	6,088
Total	¥ 1,799	¥ 1,897	\$ 19,341

8. Interest and Dividends

Interest and dividends for the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	2010
Interest and dividends	¥ 53,169	¥ 58,479	¥ 59,632	\$ 571,470
Less Transfer of investment income on deposit premiums	22,157	24,155	26,498	238,146
Net interest and dividends	¥ 31,012	¥ 34,324	¥ 33,133	\$ 333,323

9. Tangible Fixed Assets

Advanced depreciation of tangible fixed assets as of March 31, 2010 and 2009 amounted to ¥19,007 million (\$204,294 thousand) and ¥19,039 million, respectively.

The components of tangible fixed assets as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Land	¥ 67,914	¥ 68,165	\$ 729,952
Buildings	170,019	159,424	1,827,377
Leased assets	70	58	760
Construction in progress	225	5,394	2,421
Other tangible fixed assets	35,247	35,922	378,841
Sub-total	273,477	268,965	2,939,352
Less accumulated depreciation	142,565	139,037	1,532,300
Total	¥ 130,912	¥ 129,928	\$ 1,407,052

10. Collateral

Assets pledged as collateral as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Cash and bank deposits	¥ 329	¥ 294	\$ 3,538
Investments in securities	6,434	7,876	69,161
Tangible fixed assets	4,288	4,762	46,089
Total	¥ 11,052	¥ 12,933	\$ 118,789

The Company had obligations from loans secured by collateral in the amount of ¥1,561 million (\$16,778 thousand) as of March 31, 2010 and ¥1,740 million as of March 31, 2009, respectively, included in "Other liabilities."

11. Leases

(a) Finance Leases

Information on finance leases, other than those that are deemed to transfer the ownership of the leased assets to the lessees, which are accounted for by a method similar to the procedures used for ordinary operating leases.

1) Acquisition cost, accumulated depreciation and net book value of movable property

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Acquisition cost	¥ 656	¥ 1,009	\$ 7,061
Accumulated depreciation	623	735	6,702
Net book value	¥ 33	¥ 273	\$ 358

2) Future minimum lease payments

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Within one year	¥ 32	¥ 229	\$ 353
Over one year	0	44	5
Total	¥ 33	¥ 273	\$ 358

3) Lease expense

Lease expense (the amount corresponding to depreciation expense) for the years ended March 31, 2010, 2009 and 2008 amounted to ¥215 million (\$2,311 thousand), ¥287 million and ¥332 million, respectively.

4) Computation of depreciation expense

Depreciation expense is computed by the straight-line method over a period up to the length of the relevant lease contract with no residual value. The figures shown in this note include the portion of interest thereon.

(b) Operating Leases

Information on future minimum lease payments for non-cancellable operating leases.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Within one year	¥ 188	¥ 141	\$ 2,026
Over one year	188	282	2,022
Total	¥ 376	¥ 423	\$ 4,049

12. Income Taxes

1) The components of the net deferred tax assets and liabilities as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2010	2010
Deferred tax assets:			
Underwriting reserves	¥ 105,920		\$ 1,138,440
Outstanding claims	19,355		208,031
Revaluation loss on securities	17,179		184,650
Software	11,446		123,032
Reserve for retirement benefits	7,793		83,764
Other	30,221		324,819
Sub-total	191,917		2,062,738
Valuation allowance	(24,591)		(264,310)
Total	167,325		1,798,428
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(95,495)		(1,026,388)
Other	(4,591)		(49,345)
Total	(100,086)		(1,075,734)
Deferred tax assets (liabilities), net	¥ 67,239		\$ 722,693

Millions of yen

2009

Deferred tax assets:	
Underwriting reserves	¥ 102,256
Revaluation loss on securities	19,347
Outstanding claims	17,130
Software	11,542
Tax loss carry forward	8,012
Other	30,729
Sub-total	189,019
Valuation allowance	(22,691)
Total	166,328
Deferred tax liabilities:	
Net unrealized gains on available-for-sale securities	(52,109)
Other	(5,507)
Total	(57,616)
Deferred tax assets (liabilities), net	¥ 108,711

2) The breakdown of the reconciliation between statutory tax rate in Japan and effective tax rate after application of tax effect for the years ended March 31, 2010, 2009 and 2008 were as follows:

	2010
Statutory tax rate in Japan	36.11%
Adjustments:	
Valuation allowance	12.90%
Non-taxable revenue including dividends received	(9.69%)
Non-deductible expenses for tax purposes such as entertainment allowance	1.62%
Others	1.44%
Effective tax rate after application of tax effect	42.38%

	2009
Statutory tax rate in Japan	36.10%
Adjustments:	
Non-taxable revenue including dividends received	(19.02%)
Loss of subsidiary company which does not have a tax effect	7.00%
Non-deductible expenses for tax purposes such as entertainment allowance	2.79%
Valuation allowance	2.32%
Others	0.94%
Effective tax rate after application of tax effect	30.13%

	2008
Statutory tax rate in Japan	36.10%
Adjustments:	
Non-taxable revenue including dividends received	(19.79%)
Loss of subsidiary company which does not have a tax effect	9.23%
Non-deductible expenses for tax purposes such as entertainment allowance	3.09%
Inhabitants' per capita taxes	1.98%
Valuation allowance	1.41%
Others	0.50%
Effective tax rate after application of tax effect	32.52%

13. Other Special Gains (Losses), Net

Other special losses for the fiscal year ended March 31, 2010 is mainly caused by expenses related to business integration amounting to ¥3,134 million (\$33,691 thousand).

14. Retirement Plan

(a) Overview

In addition to the defined contribution pension plan, the Company provides a defined benefit plan with a lump-sum payment for retiring employees. It also provides a corporate pension plan (Contract-type) and an in-house retirement pension plan both for retiring employees who receive or will receive employees' benefits. The Company has set up trust funds for the retirement plans.

The consolidated domestic subsidiaries of the Company provide defined benefit plans with lump-sum payments for retiring employees and one of them provides a defined contribution pension plan.

The consolidated foreign subsidiaries of the Company provide defined contribution pension plans.

(b) Reserve for Retirement Benefits

Reserve for retirement benefits as of March 31, 2010 and 2009 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Retirement benefits obligations	¥ (70,155)	¥ (71,490)	\$ (754,037)
Plan assets	45,465	44,480	488,664
Unfunded portion of retirement benefits obligations	(24,690)	(27,009)	(265,373)
Unrecognized actuarial difference	5,066	9,554	54,452
Unrecognized prior service cost	(1,957)	(2,658)	(21,040)
Net amount of retirement benefits obligations on the Consolidated Balance Sheets	(21,581)	(20,113)	(231,960)
Prepaid pension cost	1,382	1,894	14,855
Reserve for retirement benefits	¥ (22,963)	¥ (22,007)	\$ (246,815)

* Consolidated domestic subsidiaries adopt a simplified method in calculating their retirement benefits obligations.

Expense for retirement benefits as of March 31, 2010, 2009 and 2008 consists of the following:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	2010
Service cost	¥ 1,844	¥ 2,060	¥ 5,175	\$ 19,829
Interest expense	1,277	1,315	2,452	13,732
Expected investment income	(479)	(408)	(1,338)	(5,157)
Amortization of prior service cost	(700)	(700)	(1,510)	(7,528)
Amortization of actuarial difference	2,261	730	2,437	24,304
Sub-total	4,203	2,998	7,217	45,179
Amount contributed to the defined contribution pension plan	2,194	2,127	—	23,590
Loss resulting from partial termination of the retirement benefit plans of the Company	—	—	1,085	—
Loss resulting from partial termination of the retirement benefit plans of consolidated subsidiaries	2	—	—	31
Total	¥ 6,401	¥ 5,125	¥ 8,302	\$ 68,801

* Service cost includes expense for retirement benefits of consolidated subsidiaries under the simplified method.

(c) Basis for Calculation of Retirement Benefits Obligations as of March 31, 2010 and 2009

The estimated retirement benefits are allocated equally to each service year based on the total service years and vested benefit points. The expected earnings ratio on investments during the years ended March 31, 2010 and 2009 are between 0.0% and 1.5%. The discount rates for the years ended March 31, 2010 and 2009 are 1.8%. Both prior service cost and actuarial difference are amortized over 10 years.

15. Impairment Losses on Fixed Assets

The fixed assets of the Company and its consolidated domestic subsidiaries used in the insurance business operations, etc. are grouped together as a single fixed asset group, and investment properties and idle properties are grouped by individual properties.

Impairment losses on fixed assets for the years ended March 31, 2010 and 2009 are as follows:

March 31, 2010			Millions of yen		
Use	Category	District	Impairment losses		
			Land	Building	Total
Investment properties	Land and buildings	3 properties, including property in Shimane	¥ 29	¥ 125	¥ 155
Idle properties	Land and buildings	11 properties, including property in Okayama	25	82	108
Total			¥ 55	¥ 207	¥ 263

March 31, 2010			Thousands of U.S. dollars (Note 2)		
Use	Category	District	Impairment losses		
			Land	Building	Total
Investment properties	Land and buildings	3 properties, including property in Shimane	\$ 321	\$ 1,345	\$ 1,666
Idle properties	Land and buildings	11 properties, including property in Okayama	277	889	1,167
Total			\$ 599	\$ 2,234	\$ 2,834

The book values of the properties listed above, the profitability of which has decreased significantly due to falling land prices and other reasons were impaired to the recoverable amount. The amount of the resulting decrease has been accumulated within special loss from impairment losses on fixed assets amounting to ¥263 million (\$2,834 thousand). The recoverable amount is measured as the net sales value. The net sales value is measured by real estate appraisers.

March 31, 2009			Millions of yen			
Use	Category	District	Impairment losses			Total
			Land	Building	Others	
Investment properties	Land and buildings	4 properties, including property in Tokyo	¥ 1	¥ 121	¥ 95	¥ 218
Idle properties	Land and buildings	13 properties, including property in Fukui	210	60	—	270
Total			¥ 211	¥ 181	¥ 95	¥ 489

The book values of the properties listed above, the profitability of which has decreased significantly due to falling land prices and other reasons were impaired to the recoverable amount. The amount of the resulting decrease has been accumulated within special loss from impairment losses on fixed assets amounting to ¥489 million. The recoverable amount is measured as the net sales value. The net sales value is measured by real estate appraisers.

16. The Type and Total Number of Outstanding Shares, and the Type and Number of Treasury Stock

	Thousands of shares			
	Previous fiscal year-end	Increase during the current period	Decrease during the current period	Current fiscal year-end
Outstanding shares:				
Common stock	816,743	—	64,289	752,453
Total	816,743	—	64,289	752,453
Treasury stock:				
Common stock	64,339	280	64,619	—
Total	64,339	280	64,619	—

* A decrease of 64,289 thousand shares in the number of outstanding shares of common stock is due to retirement of treasury stock.

** An increase of 280 thousand shares in the number of treasury stock of common stock is due to purchase of fractional shares.

*** A decrease of 64,619 thousand shares in the number of treasury stock of common stock is due to the decrease of 64,289 thousand shares resulting from retirement of treasury stock, the decrease of 314 thousand shares resulting from the exercise of subscription rights to shares and the decrease of 15 thousand shares resulting from sale of fractional shares.

17. Subscription Rights to Shares

Category	Detail of subscription rights to shares	Millions of yen	Thousands of U.S. dollars (Note 2)
		Outstanding balance at the current fiscal year-end	Outstanding balance at the current fiscal year-end
The Company	Subscription rights to shares as stock options	¥ 565	\$ 6,072
Total		¥ 565	\$ 6,072

18. Stock Options

- 1) Stock option expenses in "Operating and administrative expenses" during the years ended March 31, 2010, 2009 and 2008 were ¥217 million (\$2,337 thousand), ¥196 million and ¥194 million, respectively.
- 2) Profit resulting from expiration of the exercise period during the years ended March 31, 2010 and 2009 were none and ¥36 million (\$366 thousand), respectively.

3) Terms of stock options

Grant date	Grantee categories and numbers of grantees	Number of stock options (number of shares)*	Fair value**	Exercise period
March 15, 2005	9 directors of the Company 21 executive officers of the Company	395,000 shares of common stock	—	(a) Exercise date can be anytime between 1 year and 7 years after retirement, but in all cases must be prior to June 29, 2024. (b) Regardless of (a), stock option holders with exercise dates after June 30, 2023 can exercise any option anytime after July 1, 2023.
March 15, 2006	10 directors of the Company 21 executive officers of the Company	387,000 shares of common stock	—	(a) Exercise date can be anytime between 1 year and 7 years after retirement, but in all cases must be prior to June 29, 2025. (b) Regardless of (a), stock option holders with exercise dates after June 30, 2024 can exercise any option anytime after July 1, 2024.
March 27, 2007	10 directors of the Company 21 executive officers of the Company	288,000 shares of common stock	¥934	From March 28, 2007 to March 27, 2027 (exercisable within 10 days after retirement)
March 17, 2008	8 directors of the Company 21 executive officers of the Company	276,000 shares of common stock	¥703	From March 18, 2008 to March 17, 2028 (exercisable within 10 days after retirement)
March 16, 2009	6 directors of the Company 20 executive officers of the Company	371,000 shares of common stock	¥530	From March 17, 2009 to March 16, 2029 (exercisable within 10 days after retirement)
October 7, 2009	6 directors of the Company 19 executive officers of the Company	408,000 shares of common stock	¥533	From October 8, 2009 to October 7, 2029 (exercisable within 10 days after retirement)

* The number is shown converting into applicable number of shares.

** Fair value per stock option at the grant date

*** The exercise price is ¥1 per share.

**** During the year ended March 31, 2010, options over 314 thousand shares were exercised. During the year ended March 31, 2009, options over 250 thousand shares were exercised.

4) Estimation methods for stock option fair value

Estimation methods for stock option fair value granted during the current period are as follows:

- Valuation method used: Black-Scholes model
- Assumptions and estimation methods utilized:

	2009 Stock Options
Volatility*	50.63%
Expected remaining period**	3 years
Expected dividend***	8.0 yen per share
Risk-free interest rate****	0.31%

* Calculated based on the real performance of the share price for the past three years (October 8, 2006 through October 7, 2009)

** Estimated based on past service results.

*** Based on actual dividends for the fiscal year ended March 31, 2009.

**** Yield of government bonds corresponding to the expected remaining period.

	2008 Stock Options
Volatility*	50.12%
Expected remaining period**	3 years
Expected dividend***	7.5 yen per share
Risk-free interest rate****	0.54%

* Calculated based on the real performance of the share price for the past three years (March 17, 2006 through March 16, 2009)

** Estimated based on past service results.

*** Based on actual dividends for the fiscal year ended March 31, 2008.

**** Yield of government bonds corresponding to the expected remaining period.

5) Estimation methods for the number of stock options vested

Estimated based on the past record.

19. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2010 and 2009 consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Items on the consolidated balance sheets:			
Cash and bank deposits	¥ 107,791	¥ 113,074	\$ 1,158,550
Call loans	50,478	16,043	542,540
Receivables under resale agreements	—	29,996	—
Monetary receivables bought	6,129	41,300	65,879
Investments in securities	2,176,326	2,134,547	23,391,298
Less:			
Bank deposits with original maturity longer than 3 months	(22,128)	(23,585)	(237,833)
Monetary receivables bought other than cash equivalents	(6,129)	(10,303)	(65,879)
Securities other than cash equivalents	(2,171,326)	(2,132,547)	(23,337,558)
Cash and cash equivalents	¥ 141,141	¥ 168,525	\$ 1,516,997

20. Per Share Information

(a) Net assets per share

			(Note 2)
	2010	2009	2010
Net assets per share	¥576.70	¥458.09	\$6.198

Computational elements for net assets per share are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Total net assets	¥ 434,857	¥ 345,467	\$ 4,673,872
Deduction from total net assets	913	793	9,816
Of which, subscription rights to shares	565	458	6,072
Of which, minority interests	348	334	3,744
Net assets at year-end attributable to common stock	¥ 433,943	¥ 344,674	\$ 4,664,055

	Thousands of shares	
	2010	2009
Number of shares of common stock at year-end used for calculation of net assets per share	752,453	752,404

(b) Basic net income per share

			(Note 2)
	2010	2009	2010
Basic net income per share	¥ 18.63	¥ 13.15	\$ 0.200

Computational elements for net assets per share are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Net income	¥ 14,018	¥ 9,971	\$ 150,672
Net income not attributable to common shareholders	—	—	—
Net income attributable to common stock	¥ 14,018	¥ 9,971	\$ 150,672

	Thousands of shares	
	2010	2009
Weighted average number of shares of outstanding common stock	752,467	757,928

(c) Diluted net income per share

			(Note 2)
	2010	2009	2010
Diluted net income per share	¥ 18.59	¥ 13.13	\$ 0.199

Computational elements for diluted net income per share are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Net income - diluted net income	—	—	—

	Thousands of shares	
	2010	2009
Increase in number of shares of common stock	1,263	999
Of which, subscription rights to shares	1,263	999

* There are no potential shares excluded from the calculation of diluted net income per share because they have no dilution effect.

21. Segment Information

March 31, 2010	Millions of yen				
	Non-life insurance	Life insurance	Total	Elimination	Consolidated
I. Operating income and expenses					
Operating income					
(a) Transactions with external customers	¥ 842,260	¥ 32,142	¥ 874,402	—	¥ 874,402
(b) Intercompany transactions	887	23	910	¥ (910)	—
Total	843,148	32,165	875,313	(910)	874,402
Operating expenses	813,254	31,172	844,427	(910)	843,516
Ordinary profit (loss)	29,893	992	30,886	—	30,886
II. Assets, depreciation, impairment losses and capital investment					
Assets	2,583,022	468,988	3,052,010	(105)	3,051,905
Depreciation	7,162	95	7,258	—	7,258
Impairment losses	263	—	263	—	263
Capital investment	9,213	366	9,580	—	9,580

March 31, 2010

Thousands of U.S. dollars (Note 2)

	Non-life insurance	Life insurance	Total	Elimination	Consolidated
I. Operating income and expenses					
Operating income					
(a) Transactions with external customers	\$9,052,671	\$345,468	\$9,398,140	—	\$9,398,140
(b) Intercompany transactions	9,540	248	9,788	\$ (9,788)	—
Total	9,062,211	345,717	9,407,929	(9,788)	9,398,140
Operating expenses	8,740,915	335,045	9,075,960	(9,788)	9,066,171
Ordinary profit (loss)	321,296	10,672	331,969	—	331,969
II. Assets, depreciation, impairment losses and capital investment					
Assets	27,762,491	5,040,717	32,803,208	(1,128)	32,802,079
Depreciation	76,984	1,029	78,014	—	78,014
Impairment losses	2,834	—	2,834	—	2,834
Capital investment	99,026	3,940	102,967	—	102,967

March 31, 2009

Millions of yen

	Non-life insurance	Life insurance	Total	Elimination	Consolidated
I. Operating income and expenses					
Operating income					
(a) Transactions with external customers	¥ 906,700	¥ 27,085	¥ 933,786	—	¥ 933,786
(b) Intercompany transactions	118	23	141	¥ (141)	—
Total	906,819	27,109	933,928	(141)	933,786
Operating expenses	909,046	27,925	936,971	(141)	936,829
Ordinary profit (loss)	(2,226)	(816)	(3,043)	—	(3,043)
II. Assets, depreciation, impairment losses and capital investment					
Assets	2,660,605	429,022	3,089,627	(103)	3,089,523
Depreciation	6,917	89	7,007	—	7,007
Impairment losses	489	—	489	—	489
Capital investment	8,637	111	8,749	—	8,749

* The segments are classified by the actual business operations of the NIPPONKOA Group.

** Major business of each segment is as follows:

Non-life insurance: Non-life insurance operation and related investment activities

Life insurance: Life insurance operation and related investment activities

Information related to geographical segments is not described because domestic operating income and assets constitute more than 90% of the aggregate amount of operating income and assets of all segments.

Information related to overseas sales is not described because overseas operating income constitutes less than 10% of consolidated operating income.

22. Subsequent Events

1) The appropriation of retained earnings of the Company including cash dividends in respect of the year ended March 31, 2010 was approved at the regular shareholders' meeting held on June 28, 2010 as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Retained earnings at March 31, 2010*	¥ 79,050	\$ 849,644
Appropriations:		
Reversal of reserve for dividends	34,385	369,577
Reversal of reserve for extraordinary losses	54,000	580,395
Cash dividends (¥8.00-\$0.08)	6,019	64,699
Transfer to legal reserve*	1,203	12,939
General reserve	24,038	258,361
Retained earnings to be carried forward	¥ 136,174	\$ 1,463,616

* The Company set aside a legal reserve of ¥38,151 million (\$410,052 thousand) as of March 31, 2010, which is not shown in the Consolidated Balance Sheets.

2) Establishment of a joint holding company through a share exchange

The Company established a joint holding company, NKSJ Holdings, Inc. (the Joint Holding Company), effective as of April 1, 2010, jointly with Sompo Japan Insurance Inc. (SOMPO JAPAN, and collectively with the Company, the Parties) through a share exchange as a result of which the Joint Holding Company holds 100% of the shares of the Parties and the businesses of the Parties will be integrated approved by extraordinary shareholders' meeting held on December 30, 2009.

- i) Name of the Joint Holding Company
NKSJ Holdings, Inc.
- ii) Location of the head office of the Joint Holding Company
26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo
- iii) Representatives of the Joint Holding Company
Representative Director, Chairman and CEO: Makoto Hyodo
Representative Director, President and CEO: Masatoshi Sato
- iv) Capital
¥100,000 million (\$1,074,806 thousand)
- v) Business of the Joint Holding Company
Management and administration of companies made subsidiaries pursuant to applicable provisions of the Insurance Business Law, including, but not limited to, non-life insurance companies and life insurance companies, and business incidental thereto.
- vi) Background and objectives of business integration
In the face of the declining birthrate and aging society—the significant challenges Japan faces in the medium to long-term period—as well as of increased risks associated with depopulating society, deteriorating global climate change, and in response to the diversified consumer demands amidst the individuals' lifestyle changes, companies are urged to take proper actions and contribute to social safety and to customers' sense of security.
Based on this shared perspective, SOMPO JAPAN and the Company decided to establish a “new solution service group which provides customers with security and service of the highest quality and contribute to social welfare”, while sharing as a unitary group the strengths nurtured through 120 years of their respective history.
- vii) Establishment date
April 1, 2010



PricewaterhouseCoopers Aarata
Sumitomo Fudosan Shiodome
Hamarikyu Bldg.,
8-21-1 Ginza, Chuo-ku, Tokyo
104-0061, Japan
Telephone : +81 (3) 3546 8450
Facsimile : +81 (3) 3546 8451
www.pwcaarata.or.jp

Report of Independent Auditors

To the Board of Directors of
NIPPONKOA Insurance Company, Limited

We have audited the accompanying consolidated balance sheets of NIPPONKOA Insurance Company, Limited (“the Company”) and its subsidiaries as of March 31, 2010 and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

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

As described in Note 22.2), effective April 1, 2010, the Company established a joint holding company, NKSJ Holdings, Inc., jointly with Sompo Japan Insurance Inc. through a share exchange.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

June 28, 2010

Referential Information (UNAUDITED)

The following segment information indicates the figures before eliminating intercompany balances and transactions between "Non-life insurance" and "Life insurance."

1. Non-life insurance

(1) Underwriting

	Millions of yen		Thousands of U.S. dollars* ¹
	2010	2009	2010
Direct premiums written			
Fire and allied lines	¥ 147,727	¥ 147,093	\$ 1,587,781
Marine	15,917	19,746	171,079
Personal accident	60,600	63,771	651,341
Voluntary automobile	331,748	339,259	3,565,658
Compulsory automobile liability	76,564	82,384	822,923
Other* ²	85,044	88,613	914,066
Total	¥ 717,603	¥ 740,867	\$ 7,712,852
Deposit premiums included in Total	38,562	42,425	414,467

	Millions of yen		Thousands of U.S. dollars* ¹
	2010	2009	2010
Net premiums written			
Fire and allied lines	¥ 96,896	¥ 96,063	\$ 1,041,452
Marine	14,488	17,786	155,723
Personal accident	50,672	52,918	544,626
Voluntary automobile	328,579	333,734	3,531,595
Compulsory automobile liability	74,355	81,099	799,182
Other* ²	80,028	82,287	860,149
Total	¥ 645,021	¥ 663,888	\$ 6,932,729

	Millions of yen		Thousands of U.S. dollars* ¹
	2010	2009	2010
Net losses paid			
Fire and allied lines	¥ 42,625	¥ 42,054	\$ 458,145
Marine	8,489	7,308	91,243
Personal accident	30,872	32,397	331,814
Voluntary automobile	212,321	203,299	2,282,047
Compulsory automobile liability	70,963	73,767	762,715
Other* ²	44,869	47,406	482,257
Total	¥ 410,141	¥ 406,234	\$ 4,408,222

*1: U.S. dollar amounts are translated from yen at the rate of ¥93.04=US\$1, the approximate rate prevailing at March 31, 2010.

*2: Of which, major lines of insurance are Liability, Transit, Movables all risks and Workers' compensation.

(2) Investments

Investment assets	Millions of yen		Thousands of U.S. dollars*
	2010	2009	2010
Bank deposits	¥ 93,358	¥ 100,910	\$ 1,003,418
Call loans	50,000	15,000	537,403
Receivables under resale agreements	—	29,996	—
Monetary receivables bought	6,129	41,300	65,879
Money in trust	56,752	38,547	609,975
Investments in securities	1,822,713	1,838,383	19,590,647
Loans	227,417	229,695	2,444,300
Land and buildings	123,825	117,074	1,330,882
Total	¥ 2,380,196	¥ 2,410,908	\$ 25,582,507
Total assets	¥ 2,608,022	¥ 2,685,605	\$ 28,031,192

Investments in securities	Millions of yen		Thousands of U.S. dollars*
	2010	2009	2010
Domestic securities:			
Government bonds	¥ 377,537	¥ 465,858	\$ 4,057,794
Municipal bonds	48,913	61,731	525,721
Corporate bonds	345,742	356,457	3,716,063
Stocks	671,286	579,539	7,215,030
Foreign securities	355,277	349,982	3,818,546
Other securities	23,956	24,813	257,490
Total	¥ 1,822,713	¥ 1,838,383	\$ 19,590,647

Investment income	Millions of yen						Thousands of U.S. dollars*
	2010			2009			2010
	Earned income	Average invested amounts	Yield per annum	Earned income	Average invested amounts	Yield per annum	Earned income
Bank deposits	¥ 145	¥ 80,420	0.18%	¥ 339	¥ 88,490	0.38%	\$ 1,559
Call loans	15	17,505	0.09	84	23,114	0.36	162
Receivables under resale agreements	2	1,963	0.13	49	9,509	0.52	28
Monetary receivables bought	123	32,588	0.38	327	40,312	0.81	1,323
Money in trust	328	58,473	0.56	659	43,829	1.51	3,529
Investments in securities	37,717	1,619,518	2.33	43,688	1,794,390	2.43	405,388
Loans	4,938	230,152	2.15	4,741	220,419	2.15	53,082
Land and buildings	1,612	123,671	1.30	1,753	119,096	1.47	17,334
Sub-total	44,883	2,164,294	2.07	51,645	2,339,161	2.21	482,408
Other	664	—	—	560	—	—	7,142
Total	¥ 45,547	—	—	¥ 52,205	—	—	\$ 489,550

* U.S. dollar amounts are translated from yen at the rate of ¥93.04=US\$1, the approximate rate prevailing at March 31, 2010.

2. Life insurance

(1) Underwriting

	Millions of yen		Thousands of U.S. dollars*
	2010	2009	2010
Amount of business in force:			
Individual insurance	¥ 4,004,461	¥ 3,809,387	\$ 43,040,215
Individual annuity insurance	197,176	204,720	2,119,271
Group insurance	1,105,286	1,005,352	11,879,696
Amount of new business:			
Individual insurance	¥ 641,732	¥ 595,018	\$ 6,897,380
Individual annuity insurance	5,194	6,751	55,835
Group insurance	31,321	28,307	336,643

(2) Investments

Investment assets	Millions of yen		Thousands of U.S. dollars*
	2010	2009	2010
Bank deposits	¥ 14,371	¥ 12,102	\$ 154,464
Call loans	478	1,043	5,137
Receivables under securities borrowing transactions	25,382	32,127	272,812
Money in trust	19,916	36,296	214,066
Investments in securities	378,612	321,164	4,069,352
Loans	13,763	12,519	147,930
Land and buildings	29	11	312
Total	452,553	415,265	4,864,076
Total assets	¥ 468,988	¥ 429,022	\$ 5,040,717

Investments in securities	Millions of yen		Thousands of U.S. dollars*
	2010	2009	2010
Domestic securities:			
Government bonds	¥ 243,074	¥ 210,615	\$ 2,612,581
Municipal bonds	52,132	46,363	560,323
Corporate bonds	75,571	58,405	812,251
Stocks	6,892	4,841	74,079
Foreign securities	941	938	10,115
Total	¥ 378,612	¥ 321,164	\$ 4,069,352

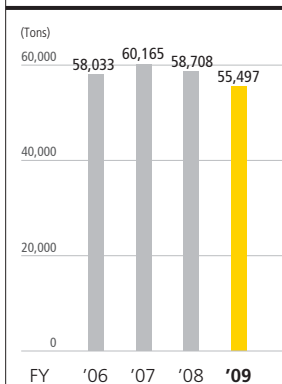
Investment income	Millions of yen						Thousands of U.S. dollars*
	2010			2009			2010
	Earned income	Average invested amounts	Yield per annum	Earned income	Average invested amounts	Yield per annum	Earned income
Bank deposits	¥ 0	¥ 11,455	0.00%	¥ 0	¥ 9,439	0.00%	\$ 0
Call loans	0	484	0.06	1	675	0.26	3
Receivables under securities borrowing transactions	29	18,763	0.16	129	30,918	0.42	321
Money in trust	691	26,494	2.61	665	37,000	1.80	7,429
Investments in securities	7,649	348,789	2.19	6,569	300,012	2.19	82,212
Loans	390	13,006	3.00	350	11,575	3.03	4,200
Land and buildings	—	26	—	—	13	—	—
Total	¥ 8,761	¥ 419,020	2.09%	¥ 7,716	¥ 389,633	1.98%	\$ 94,167

* U.S. dollar amounts are translated from yen at the rate of ¥93.04=US\$1, the approximate rate prevailing at March 31, 2010.

Sompo Japan

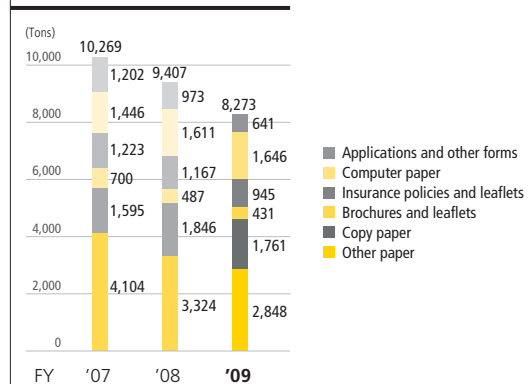
The data on p154-157 covers only main part of sustainability indicators.
Other data of Sompo Japan is reported in Sompo Japan's *Corporate Social Responsibility Communication 2010*.

CO₂ Emissions



* CO₂-equivalent emissions: Calculated using the coefficient designated in Japan's Act on Promotion of Global Warming Countermeasures.
* Goals for the reduction of CO₂ emissions in fiscal 2020 and fiscal 2050 are versus the level in fiscal 2002.
* Unit emissions: Tons/net premium income of ¥10 billion.

Paper Use



Waste Types, Totals and Recycling Ratios (FY2009)

	General waste	Industrial waste
Emission quantities*	2,817t	256t
Total recycling ratio	66.4%	
Paper recycling ratio	81.9%	

* Coverage: Only business offices owned by Sompo Japan (equivalent to 83.21% of total), excepting residential dormitories (family dormitories, single person dormitories, rental housing) and buildings/residences jointly managed with other parties.

Employee Numbers (as of March 31 each year)

	2009	2010
Non-consolidated	17,042	17,294
Consolidated	19,572	20,772

* Excluding directors and auditors

Employees by Employment Category (as of March 31, 2010)

	Male	Female	Total
Directors, Auditors	17	1	18
Executive officers	27	0	27
General full-time employees	6,168	7,954	14,122
Specialized full-time employees	98	8	106
Contracted employees	2,047	238	2,285
Trainees	702	52	754
Total	9,059	8,253	17,312

* Including directors, auditors and executive officers.

General full-time employee breakdown	Male	Female	Total
Core positions	5,376	233	5,609
Manager or above	2,368	20	2,388
Senior Deputy Manager	1,546	42	1,588
Deputy Manager	679	57	736
Other	783	114	897
General positions	2	7,718	7,720
Specialists	790	3	793

* Except employees on loan to other companies, and including those on loan from other companies.

Recruitment

	FY2007	FY2008	FY2009
New hire: New graduates (core positions)	257	279	188
New hire: New graduates (general positions)	702	836	454
New hire: New graduates (total)	959	1,115	642
Mid-career employment*	1,091	720	372

* Total of general full-time employees and contracted employees (except workers dispatched from other companies and rehires).

Promotion

	FY2007	FY2008	FY2009
Contracted employee to employee	103	217	10
Staff to employee	—	28	25

Rehiring

	FY2007	FY2008	FY2009
	170	171	184

Percentage of Disabled Employees (as of May 1 each year) (%)

	2008	2009	2010
	1.50	1.84	2.06

Women in Management Positions (as of March 31 each year)

	2008	2009	2010
Managers and above, total (core/general positions)	29	53	69
Senior Deputy Managers	49	45	48
Senior Assistant Manager	250	317	397

■ **Average Age, Average Years of Employment, Average Annual Salary (as of March 31, 2010)**

	Male	Female
Average age	44.6	33.4
Average years of employment	12.9	8.1
Average annual salary	6,812,350 yen	

■ **Sompo Japan Workers Union—Participation in Union**

	October 1, 2008	October 1, 2009	April 1, 2010
Eligible employees	14,418	15,297	17,469
Union members	14,307	15,191	17,272
Participation	99.2	99.3	98.9

■ **Participation in Courses on Human Rights**

	FY2007	FY2008	FY2009
	100%	100%	100%

* Results for training courses on CSR and human rights. All employees are eligible to take these courses.

■ **Occupational Accidents Occurred**

	FY2007	FY2008	FY2009
Industrial accidents	57	52	45
Commuting accidents	56	41	39

■ **Usage of Work-life Balance Support Programs**

	FY2007	FY2008	FY2009
Childbirth* ¹	180	232	263
Childcare* ²	214	286	387
(Male included above)	0	2	0
Childcare reduced work hours scheme* ³	96	121	165
Family nursing care	2	4	4
Career transfer program* ⁴	36	57	70

*¹ Childbirth: Available from 8 weeks prior to the expected delivery date until 8 weeks after birth.

*² Childcare: Program that allows up to 2 years leave for childrearing (also available to male employees)

*³ Childcare reduced work hours scheme: System that allows employees with children to work up to 3 hours less per day in 1 hour units. This is available for employees with children up to the end of grade 3.

*⁴ This system allows an exceptional change of work location for employees whose work style is not conducive to a change of residence, when the employees must move as a result of their partner being transferred.

* When use of any of the programs spans multiple years, both years are counted.

■ **Overtime Work Ratio (Annual overtime work hours/annual total hours worked) (%)**

	FY2007	FY2008	FY2009
Male	6.3	7.9	6.9
Female	7.7	8.7	7.8
Total	7.1	8.4	7.5

* FY2009 data is a rough estimate.

* Covers full-time employees, contracted employees and other employees with the exception of managers and supervisors.

* Working hours for core positions and specialists are deemed to be covered by the labor policy for work outside the workplace, and the discretionary labor system for management-related work.

■ **Successful Applicants for Career Development Support Programs**

	FY2007	FY2008	FY2009
In-house Open recruitment	210	243	98
job posting* ¹ Applicants	289	305	80
Successful applicants	55	72	31
Dream ticket program* ²	6	13	8

*¹ In-house recruiting system.

*² System available for employees that fulfill certain selection criteria, and that ensures employees are able to transfer to their desired position.

■ **Social Welfare Subsidies Granted by the Sompo Japan Foundation**

Project name	FY2007	FY2008	FY2009
NGO start-up supporting grants	50 organizations 15,000 thousand yen	45 organizations 13,500 thousand yen	30 organizations 9,000 thousand yen
NGO strengthening grants	11 organizations 10,750 thousand yen	11 organizations 9,570 thousand yen	12 organizations 10,750 thousand yen
Grants for automobile purchases	10 organizations 9,310 thousand yen	10 organizations 10,000 thousand yen	12 organizations 10,610 thousand yen
Grants for holding of meetings and for international exchanges	3 organizations 3,000 thousand yen	6 organizations 4,500 thousand yen	4 organizations 4,000 thousand yen

■ **Subsidies Granted by the Sompo Japan Environment Foundation**

Project name	FY2007	FY2008	FY2009
Environmental conservation project subsidies	No applicants	4 organizations 1,200 thousand yen	10 organizations 3,000 thousand yen
Scientific research subsidies	5 cases 1,950 thousand yen	5 cases 2,050 thousand yen	5 cases 1,470 thousand yen

■ **Chikyu (Earth) Club Social Contribution Fund* Administrative Performance**

	FY2007	FY2008	FY2009
Employee participation	5,807	6,068	6,346
Fund expenditure	19,980 thousand yen	22,730 thousand yen	23,900 thousand yen

* We operate a fund to which employee volunteers can chose to donate ¥100 or more per month out of their salaries to help social contribution activities undertaken by "Chikyu (Earth) Club" employee volunteer organization.

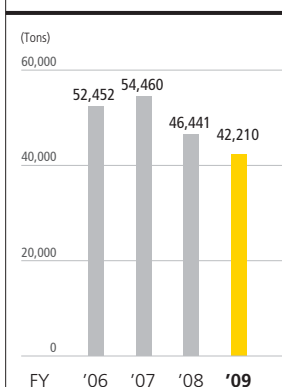
■ **Number of Customer Complaints Received**

Complaint category	FY2007	FY2008	FY2009
Product/solicitation practices	5,674	13,401	18,719
Policy management, maintenance, collection	4,054	12,101	18,606
Payment of claims	8,762	12,828	17,051
Other	1,850	5,153	8,277
Total	20,340	43,483	62,653

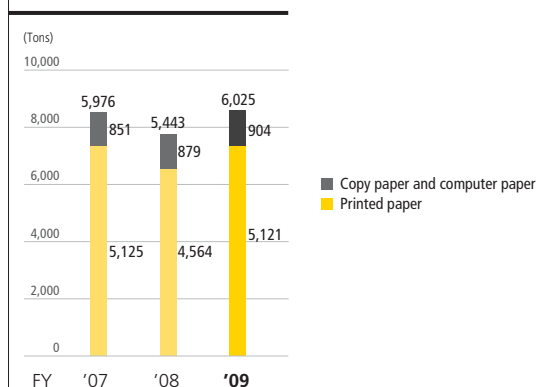
* In October 2007, we expanded the scope* of matters defined and handled as complaints. We are reviewing our use of complaints to improve work processes and enhance products and services, by treating more customer feedback as complaints and widely collecting and analyzing complaint data. Accordingly, the number of complaints received increased greatly over the previous fiscal year.

* Scope of matters handled as complaints (after expansion): Expressions of dissatisfaction received from customers regarding Sompo Japan's overall business activities.

CO₂ Emissions



Paper Use



Waste Types, Totals and Recycling Ratios (FY2009)

	General waste	Industrial waste
Emission quantities* ¹	499t	275t
Total recycling ratio* ²	74.5%	

*1 Values for general waste quantities are extrapolated from data for main buildings to cover all branches.

*2 Values for general waste quantities

* Because the recycling ratio for industrial waste is unclear, this value refers to quantities of general waste only.

Employee Numbers (as of March 31 each year)

	2008	2009	2010
Non-consolidated	8,605	8,608	8,883
Consolidated	9,444	9,501	9,705

* Excluding directors, auditors and executive officers.

Employees by Employment Category (as of March 31, 2010)

	Male	Female	Total
Directors, Auditors	15	1	16
Executive officers	18	0	18
General full-time employees	3,837	3,346	7,183
Contracted employees	881	88	969
IA employees* ¹	576	0	576
Sales person* ²	12	38	50
Seconded staff from affiliated companies	66	39	105
Total	5,405	3,512	8,917

*Including directors, auditors and executive officers.

*1 Insurance Advisor, employed full-time by Nipponkoa

*2 Sales person of P&C or life insurance, employed full-time by Nipponkoa

General full-time employee breakdown	Male	Female	Total
Core positions	3,805	3,345	7,150
Manager or above	2,010	7	2,017
Senior Deputy Manager	924	10	934
Deputy Manager	329	871	1,200
Other	542	2,457	2,999
Specialists	13	0	13
Recompense staff* ¹	16	0	16
Expert employees* ²	3	1	4

*1 Investigator of damages for non-life insurance, employed full-time by Nipponkoa

*2 Employees contracted to engage in particular duties as a condition upon entering the company.

Recruitment

	FY2007	FY2008	FY2009
New hire: New graduates (global)	92	146	116
New hire: New graduates (by districts)	158	244	179
New hire: New graduates (total)	250	390	295
Mid-career employment	143	141	45

Promotion

	FY2007	FY2008	FY2009
Contracted employee to employee	4	3	3
Temporary employee to employee	117	100	41

Rehiring

	FY2007	FY2008	FY2009
	49	43	61

Percentage of Disabled Employees (as of May 1 each year) (%)

	2008	2009	2010
	1.83	1.87	2.02

Women in Management Positions (as of March 31 each year)

	2008	2009	2010
Managers and above, total (core/general positions)	5	6	7
Senior Deputy Managers	11	9	10
Jim Captains, Administration leaders*	93	92	94

* In charge of supervising all areas of administrative work.

■ **Average Age, Average Years of Employment, Average Annual Salary (as of March 31, 2010)**

	Male	Female
Average age	44.3	36.3
Average years of employment	14.3	10.4
Average annual salary	7,069,273 yen	

■ **Nipponkoa Workers Union—Participation in Union**

	October 1, 2008	October 1, 2009	October 1, 2010
Eligible employees	8,150	8,717	10,830
Union members	7,009	7,561	9,649
Participation	86.0	86.7	89.1

■ **Participation in Courses on Human Rights**

	FY2007	FY2008	FY2009
	100%	100%	100%

■ **Occupational Accidents Occurred**

	FY2007	FY2008	FY2009
Industrial accidents	25	24	37
Commuting accidents	19	16	11

■ **Usage of Work-life Balance Support Programs**

	FY2007	FY2008	FY2009
Childbirth* ¹	53	52	80
Childcare* ²	51	78	91
(Male included above)	2	1	1
Childcare reduced work hours scheme* ³	5	4	19
Child nursing care* ⁴	40	51	65
Family nursing care* ⁵	1	1	2
Family nursing care reduced work hours scheme* ⁶	1	1	1
Spouse accompaniment scheme	10	9	22
Back to hometown scheme	3	1	3
Relocation/transfer limitation period scheme	0	0	0
Employer subsidies for daycare expenses	15	14	18

*1 Available for employees eight weeks prior to the expected delivery date until eight weeks after birth.

*2 Available for employees taking care of children up to two years of age (also available for male employees).

*3 Available for employees who are taking care of children as in the childcare leave program, but who are not within the eligibility period. Upon application, they can receive reduced work hours.

*4 Available for employees with children up to the start of elementary school.

*5 Available for employees with family members requiring two weeks or more of full-time care.

*6 Available for employees with family members requiring nursing care as in the family nursing care program, but who are not within the eligibility period. Upon application, they can receive reduced work hours.

■ **Overtime Work Ratio (Annual overtime work hours/annual total hours worked) (%)**

	FY2008	FY2009
Male	11.9	11.1
Female	8.2	5.9
Total	10.0	8.4

* Excluding managers and supervisors. For other exempt employees, working hours are estimated.

■ **Successful Applicants for Career Development Support Programs**

	FY2007	FY2008	FY2009
Career trial program* ¹	78	78	60
Successful applicants	16	11	8
Job challenge program* ²	17	17	15

*1 Internal recruitment system.

*2 A system that provides prospective employees who have a specific career plans with different opportunities to excel after entering the company.

■ **Subsidies Granted by Nipponkoa Welfare Foundation**

Project name	FY2007	FY2008	FY2009
Socialization and training subsidies for family caregivers	17 branches 7,800 thousand yen	24 branches 7,340 thousand yen	28 branches 8,260 thousand yen
Training subsidies for care workers	20 people 7,310 thousand yen	20 people 7,450 thousand yen	20 people 7,450 thousand yen
Gerontology research subsidies	4,060 thousand yen	16 cases 7,920 thousand yen	4,070 thousand yen

■ **Activities of the Nipponkoa Omoiyari ("Caring") Club**

	FY2007	FY2008	FY2009
Employee participation	6,457	6,435	6,604
Fund expenditure	11,620 thousand yen	12,737 thousand yen	15,099 thousand yen

■ **Number of Customer Complaints Received**

Complaint category	FY2007	FY2008	FY2009
Product/solicitation practices	11,280	10,366	7,637
Policy management, maintenance, collection	8,575	8,833	8,851
Payment of claims	11,965	10,063	10,061
Other	3,944	2,510	1,995
Total	35,764	31,772	28,544

Overseas Network

◆ Branch Office ■ Subsidiary or Affiliate ○ Branch Office of a subsidiary or an affiliate ▲ Representative Office △ Underwriting Agency ● Alliance Company

Sompo Japan

EUROPE

U.K.

London

◆ UK Branch

■ Sompo Japan Insurance Company of Europe Limited (Headquarters)

Tel. 44-20-7628-9599
Fax. 44-20-7628-9323

■ Sompo Japan Claim Services (Europe) Limited.

Tel. 44-20-7628-9818
Fax. 44-20-7628-5382

■ Sompo Japan Corporate Member Limited

Level 4, 155 Bishopsgate,
London EC2M 3AY, U.K.

GUERNSEY

Saint Peter Port

■ Ark Re Limited

Maison Trinity, Trinity Square,
St. Peter Port, Guernsey,
Channel Islands GY1 4AT

GERMANY

Düsseldorf

○ Sompo Japan Insurance Company of Europe Limited (Germany Branch)

Uerdinger Strasse 5,
40474 Dusseldorf, GERMANY
Tel. 49-211-5160020
Fax. 49-211-5160022

BELGIUM

Brussels

○ Sompo Japan Insurance Company of Europe Limited (Belgium Branch)

Avenue Louise 283,
Bte 10, 1050 Brussels, BELGIUM
Tel. 32-2-644-9769
Fax. 32-2-644-9775

NETHERLANDS

Amsterdam

○ Sompo Japan Insurance Company of Europe Limited (The Netherlands Branch)

World Trade Center A-12
Strawinskylaan 1209,
1077 XX Amsterdam,
THE NETHERLANDS
Tel. 31-20-6730873
Fax. 31-20-6629179

FRANCE

Paris

○ Sompo Japan Insurance Company of Europe Limited (France Branch)

6, Square de L'Opéra Louis Jouvét,
75009 Paris, FRANCE
Tel. 33-142653232
Fax. 33-142653233

ITALY

Milan

○ Sompo Japan Insurance Company of Europe Limited (Italy Branch)

Via Larga 13, 20122, Milano, ITALY
Tel. 39-02-8057786
Fax. 39-02-8900749

SPAIN

Barcelona

○ Sompo Japan Insurance Company of Europe Limited (Spain Branch)

Calle de la Marina, 16-18, Planta 8A,
Torre Mapfre Villa-Olimpica,
08005, Barcelona, SPAIN
Tel. 34-93-401-2704
Fax. 34-93-401-2602

RUSSIA

Moscow

● OJSC IC ROSNO, NKSJ Division

▲ Moscow Representative Office

NKSJ Division, ROSNO building, 30,
Ozerkovskaya Nab., Moscow,
115184, RUSSIA
Tel. 7-495-234-2351
Fax. 7-495-234-2353

THE MIDDLE EAST

U.A.E.

Dubai

▲ Dubai Representative Office

Al Kharbash Tower 902,
Shaikh Zayed Road, Dubai,
P.O. Box 25538,
UNITED ARAB EMIRATES
Tel. 971-4-321-4475
Fax. 971-4-321-4476

TURKEY

Istanbul

▲ Istanbul Representative Office

c/o Strateji Insurance & Reinsurance
Brokerage Inc. Cayiriyolu Sk. No.:11
Sayar Is Merkezi K.:6 34752 Icerenkoy,
Istanbul, TURKEY
Tel. 90-216-469-1111
Fax. 90-216-469-0367

NORTH AMERICA

U.S.A.

New York

■ Sompo Japan Insurance Company of America (Headquarters)

Tel. 1-212-416-1200
Fax. 1-212-416-1469

■ Sompo Japan Claim Services (America), Inc.

Tel. 1-212-416-1200
Fax. 1-212-416-1477

■ Sompo Japan Fire & Marine Insurance Company of America

Tel. 1-212-416-1200
Fax. 1-212-416-1469

Two World Financial Center,
43rd Floor, 225 Liberty Street,
New York, New York 10281-1058,
U.S.A.

Los Angeles

○ Sompo Japan Insurance Company of America (Los Angeles Branch)

Tel. 1-213-243-1800
Fax. 1-213-243-1855

○ Sompo Japan Claim Services (America), Inc. (Los Angeles Branch)

Tel. 1-213-243-1850
Fax. 1-213-243-1856

633 West Fifth Street, Suite 800,
Los Angeles, CA 90071, U.S.A.

Chicago

○ Sampo Japan Insurance Company of America (Chicago Branch)

One Pierce Place, Suite 525,
Itasca, Illinois 60143, U.S.A.
Tel. 1-630-875-0660
Fax. 1-630-875-1006

Nashville

○ Sampo Japan Insurance Company of America (Nashville Branch)

Cool Springs I, Suite 460,
720 Cool Springs Blvd., Franklin,
TN 37067, U.S.A.
Tel. 1-615-771-0747
Fax. 1-615-771-0748

San Francisco

○ Sampo Japan Insurance Company of America (San Francisco Branch)

Lake Amir Office Park
1250 Bayhill Drive,
Suite 203 San Bruno, CA 94066, U.S.A.
Tel. 1-650-737-0400
Fax. 1-650-737-0747

Charlotte

■ SJA Insurance Agency, LLC

13850 Ballantyne Corporate Place,
2nd Floor, Charlotte,
North Carolina 28277, U.S.A.
Tel. 1-704-759-2200
Fax. 1-704-759-2542
1-704-759-2209

Menlo Park

■ Yasuda Enterprise Development America Inc.

525 Middlefield Road,
Suite 100 Menlo Park,
California 94025, U.S.A.

CANADA

Toronto

◆ Canada Branch

25 York Street, Suite 602, Toronto,
Ontario, M5J 2V5, CANADA
Tel. 1-416-368-4011
Fax. 1-416-368-7400

△ Ace INA Insurance

The Exchange Tower,
130 King Street West, 12th Floor,
Toronto, Ontario, M5X 1A6, CANADA

CENTRAL AND SOUTH AMERICA

BERMUDA

Hamilton

■ Eterna Insurance Company Limited

Clarendon House 2 Church Street,
Hamilton HM11, BERMUDA

CAYMAN ISLANDS

Grand Cayman

■ FGCA Limited

BRAZIL

Sao Paulo

■ Yasuda Seguros, S.A. (Headquarters)

* branches in 9 other cities
Tel. 55-11-3886-1411
Fax. 55-11-3887-3660

■ Sampo Japan do Brasil Ltda.

Tel. 55-11-3886-1412
Fax. 55-11-3887-3661

Rua Cubatão, 320 Paraíso
São Paulo-SP CEP04013-001-BRAZIL

■ Vistomar Sevicos de Vistoria Ltda

Rua Cubatão, 320-12º and.
Paraíso São Paulo-SP
CEP04013-001-BRAZIL
Tel. 55-11-3884-4156

■ Maritima Seguros S.A. (Headquarters)

* branches in 42 other cities
Rua Coronel Xavier de Toledo No.114,
9th Floor, São Paulo-SP
CEP01048-902-BRAZIL
Tel. 55-11-3156-6645
Fax. 55-11-3156-1910

■ Maritima Saude Seguros S.A.

Rua Coronel. Xavier de Toledo,
No.114, 10th Floor,
São Paulo-SP CEP01048-902-BRAZIL
Tel. 55-11-3156-1000
Fax. 55-11-3156-1702

MEXICO

Mexico City

■ Sampo Japan Insurance De Mexico, S.A. de C.V.

Av. Insurgentes Sur No. 1196 Piso 12,
Col. Tlacoquemecatl Del Valle
C.P. 03200 Mexico, D.F. MEXICO
Tel. 52-55-5559-3717
Fax. 52-55-5559-3807
52-55-5575-3768

ASIA

CHINA

Dalian

■ Sampo Japan Insurance (China) Co., Ltd. (Headquarters)

10th Floor Dalian Senmao Building,
147 Zhong Shan Road,
Xi Gang District, Dalian,
Liaoning Province,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-411-8360-3093
Fax. 86-411-8360-3092

■ Sampo Japan System Solutions (Dalian) Co.,Ltd.

Room 302A, Building 17,
Software Park, NO.267 Wuyi Rd.
Shahekou District, Dalian,
Liaoning Province,
THE PEOPLE'S REPUBLIC OF CHINA

Shanghai

○ Sampo Japan Insurance (China) Co., Ltd. (Shanghai Branch)

5th Floor, The Center,
989 Chang Le Road, Shanghai,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-21-5407-5828
Fax. 86-21-5407-6055

Guangzhou

○ Sampo Japan Insurance (China) Co., Ltd. (Guangdong Branch)

Room 4016, Tower B,
China Shine Plaza, 9 Lin He West Road,
Tian He District, Guangzhou,
Guangdong Province,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-20-3810-8140
Fax. 86-20-3810-8141

Suzhou

○ Sompō Japan Insurance (China) Co., Ltd. (Jiangsu Branch)

Room 1602, 16th Floor, Genway Plaza,
188 Wang Dun Road,
Suzhou Industrial Park,
Suzhou, Jiangsu Province,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-512-6296-9918
Fax. 86-512-6296-9917

Beijing

▲ Beijing Representative Office

Room 1009, Beijing Fortune Building,
5 Dong San Huan North Road,
Chao Yang District, Beijing,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-10-6590-8970
86-10-6590-8971
86-10-6590-8972
Fax. 86-10-6590-9880

Shenzhen

▲ Shenzhen Representative Office

Room 507, China Resources Building,
5001, Shen Nan East Road,
Luo Hu District, Shenzhen,
Guandong Province,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-755-8266-8721
Fax. 86-755-8266-8934

Chongqing

▲ Chongqing Representative Office

Room 1708 A, Metropolitan Tower,
68 Zou Rong Road, Chongqing,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-23-6374-0709
Fax. 86-23-6374-0694

Hong Kong

■△ Sompō Japan Insurance (Hong Kong) Company Limited

Tel. 852-2831-9980
Fax. 852-2573-2072

◆ Hong Kong Branch

Tel. 852-2831-9980
Fax. 852-2573-2072

Room 1901, Lincoln House,
Taikoo Place, 979 King's Road,
Island East, Hong Kong S.A.R.,
THE PEOPLE'S REPUBLIC OF CHINA

■△ Sompō Japan Reinsurance Company Limited

22/F, Bank of East Asia Harbour
View Center 56 Gloucester Road,
Wanchai, Hong Kong S.A.R.,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 852-2827-1268
Fax. 852-2827-1632

TAIWAN

Taipei

■ Sompō Japan Insurance (Taiwan) Brokers Co., Ltd.

Tel. 886-2-2541-3768
Fax. 886-2-2562-2134

▲ Taipei Representative Office

Tel. 886-2-2562-2236
Fax. 886-2-2536-7107

Room C, 10th Floor, Shen Hsiang Tang
Sung Chiang Building, No. 146,
Sung Chiang Road, Taipei, TAIWAN

KOREA

Seoul

■ Sompō Japan Consulting (Korea) Inc.

7th Floor, Seoul Finance Center,
84 Taepyung-ro 1-ka, Chung-ku,
Seoul, KOREA
Tel. 82-2-757-0927
Fax. 82-2-757-0929

SINGAPORE

Singapore

■ Sompō Japan Asia Holdings Pte. Ltd.

Tel. 65-6223-7092
Fax. 65-6322-4689

■ Sompō Japan Insurance (Singapore) Pte. Ltd.

Tel. 65-6223-5293
Fax. 65-6225-7947

50 Raffles Place,
#03-03 Singapore Land Tower,
Singapore 048623,
REPUBLIC OF SINGAPORE

■ Tenet Insurance Company Limited

11 Collyer Quay #09-00
The Arcade Singapore 049317,
REPUBLIC OF SINGAPORE
Tel. 65-6221-2211
Fax. 65-6221-3302

MALAYSIA

Kuala Lumpur

■ Berjaya Sompō Insurance Berhad (Headquarters)

* branches in 22 other cities

Berjaya Sompō Insurance Berhad,
Global Business Department 18th
Floor, Menara BGI, Plaza Berjaya,
12 Jalan Imbi, 55100, Kuala Lumpur,
MALAYSIA
Tel. 60-3-2117-2118
Fax. 60-3-2144-7297

Labuan

◆ Labuan Branch

c/o Etiqa Offshore Insurance (L) Ltd,
Level 11B, Block 4 Office Tower,
Financial Park Labuan,
Jalan Merdeka 87000,
Labuan F.T. MALAYSIA

INDONESIA

Jakarta

■ P. T. Sompō Japan Insurance Indonesia

18th Floor, Midplaza 1 Jl. Jend.
Sudirman Kav. 10-11 Jakarta 10220,
REPUBLIC OF INDONESIA
Tel. 62-21-570-6230
Fax. 62-21-5737040
62-21-5703992

PHILIPPINES

Manila

■ PGA Sompō Japan Insurance Inc.

5th Floor, Corinthian Plaza,
121 Paseo de Roxas Legaspi Village,
Makati, Metro Manila, PHILIPPINES
Tel. 63-2-811-3417
Fax. 63-2-811-3278

THAILAND

Bangkok

■ Sompō Japan Insurance (Thailand) Co., Ltd.

Tel. 66-2636-2333
Fax. 66-2636-2340

■ Sompō Japan Service (Thailand) Co., Ltd.

Tel. 66-2636-2330
Fax. 66-2636-2329

12th Floor, Abdulrahim Place,
990 Rama 4 Road, Silom, Bangkok,
Bangkok, 10500, THAILAND

VIETNAM

Hanoi

■ United Insurance Company of Vietnam

Tel. 84-4-38262686
Fax. 84-4-39341752

▲ Hanoi Representative Office

Tel. 84-4-3934-0980
Fax. 84-4-3934-0981

11th Floor, Hanoi Tung Shing Square,
Unit 1102, 2 Ngo Quyen Street,
Hoan Kiem District, Hanoi, VIETNAM

Ho Chi Minh City

■ United Insurance Company of Vietnam

Tel. 84-8-38219036
Fax. 84-8-38219248

▲ Ho Chi Minh Representative Office

Tel. 84-8-3821-9034
Fax. 84-8-3821-9037

8th Floor, Sunwah Tower,
115 Nguyen Hue Street, District 1,
Ho Chi Minh City, VIETNAM

MYANMAR

Yangon

▲ Yangon Representative Office

Room No. 1205, 12th Floor,
Sakura Tower, No. 339,
Bogyoke Aung San Street,
Kyauktada Township, Yangon,
MYANMAR
Tel. 95-1-255355
Fax. 95-1-255403

INDIA

Mumbai

■ Universal Sompo General Insurance Co., Ltd. (Headquarters)

* branches in 31 cities, other than
Mumbai, Chennai, Kolkata and Delhi
310-311, Trade Centre, Opp. MTNL
Building, Bandra Kurla Complex,
Bandra (E), Mumbai 400 098, INDIA
Tel. 91-22-4028-7777
Fax. 91-22-4028-7781

▲ Mumbai Representative Office

210, Trade Centre,
Opp. MTNL Building,
Bandra Kurla Complex, Bandra (E),
Mumbai 400 098, INDIA
Tel. 91-22-2650-5044
Fax. 91-22-6675-8774

Chennai

○ Universal Sompo General Insurance Co., Ltd. (Chennai Office)

Capitale Towers, 5th Floor,
554 & 555, Anna Salai, Teynampet,
Chennai - 600018, INDIA
Tel. 91-44-4297-5000
Fax. 91-44-4297-5050

Kolkata

○ Universal Sompo General Insurance Co., Ltd. (Kolkata Office)

7th Floor, Express Towers,
42A, Shakespeare Sarani,
Kolkata - 700017, INDIA
Tel. 91-33-3020-2785
Fax. 91-33-3020-2791

Delhi

○ Universal Sompo General Insurance Co., Ltd. (Delhi Office)

Ground Floor, Enkay Tower, B&B1,
Vanijya Nikunj, Udyog Vihar Phase V,
Gurgaon, Haryana 122016, INDIA
Tel. 91-124-472-8800
Fax. 91-124-472-8899

OCEANIA

AUSTRALIA

Sydney

◆ Australia Branch

Tel. 61-2-9390-6280
Fax. 61-2-9390-6445

△ Allianz Australia Insurance Limited

Allianz Centre,
Forecourt Building Level 12,
2 Market Street, Sydney, N.S.W. 2000,
AUSTRALIA

Nipponkoa

EUROPE

U.K.

London

- **NIPPONKOA Insurance Company (Europe) Limited (Headquarters)**
- **NIPPONKOA Management Services (Europe) Limited**
- **Nippon Insurance Company of Europe Limited (Headquarters)**
- ▲ **London Representative Office**

1st Floor, John Stow House,
18 Bevis Marks,
London EC3A 7JB, U.K.
Tel. 44-20-7648-9930
Fax. 44-20-7929-6223

Guernsey

- **Nippon Insurance Company of Europe Limited (Guernsey Branch)**
P.O. Box 34 Albert House
South Esplanade
St. Peter Port Guernsey
Channel Island GY1 4AU
Tel. 44-20-7648-9930
Fax. 44-20-7929-6223

GERMANY

Düsseldorf

- **NIPPONKOA Insurance Company (Europe) Limited (Germany Branch)**
Cantadorstr. 3,
40211 Düsseldorf, GERMANY
Tel. 49-211-178670
Fax. 49-211-162266

BELGIUM

Brussels

- **NIPPONKOA Insurance Company (Europe) Limited (Belgium Branch)**
Place de l'Alma 3, Bte-4,
1200 Brussels, Belgium
Tel. 32-2-779-2446
Fax. 32-2-771-7169

NETHERLANDS

Amsterdam

- **NIPPONKOA Insurance Company (Europe) Limited (The Netherlands Branch)**
Teleportboulevard 110, Postbus 59329,
1040 KH Amsterdam, THE NETHERLANDS
Tel. 31-20-503 1651
Fax. 31-20-503 1933

FRANCE

Paris

- **NIPPONKOA Insurance Company (Europe) Limited (France Branch)**
10, Rue de Milan, 75009 Paris, FRANCE
Tel. 33-1-44 53 00 11
Fax. 33-1-44 53 00 22

ITALY

Genova

- **NIPPONKOA Insurance Company (Europe) Limited (Italy Branch)**
Via XX Settembre 5/9,
16121 Genova, ITALY
Tel. 39-010-57622-28
Fax. 39-010-591227

RUSSIA

Moscow

- **OJSC IC ROSNO, NKSJ Division**
- ▲ **Moscow Representative Office**
Millennium House,
Office G (4F) Trubnaya
St.12 Moscow 107045, RUSSIA
Tel. 7-495-787-2796
Fax. 7-495-787-2792

NORTH AMERICA

U.S.A.

New York

- ◆ **U.S.A. Branch**
- **NIPPONKOA Management Corporation**
- △ **The Travelers Marine Corporation**
14 Wall Street, Suite 812,
New York, 10005, U.S.A.
Tel. 1-212-405-1650
Fax. 1-212-405-1660

Chicago

- **NIPPONKOA Management Corporation Chicago Office**
180 North LaSalle Street, Suite 2503,
Chicago, IL 60601, U.S.A.
Tel. 1-312-553-9344
Fax. 1-312-553-9347

Los Angeles

- **NIPPONKOA Management Corporation Los Angeles Office**
601 South Figueroa Street, Suite 2100,
Los Angeles, CA 90017, U.S.A.
Tel. 1-213-833-2100
Fax. 1-213-833-2120

Guam

- ◆ **Guam Branch**
- △ **Nanbo Guam Limited**
Post Office Box 2980 Haganta,
Guam 96932, U.S.A.
Tel. 1-671-477-9754
Fax. 1-671-477-2315

CANADA

Toronto

- ◆ **Canada Branch**
- △ **St. Paul Fire and Marine Insurance Company**
Suite 200 P.O. Box 5
20 Queen St. West Toronto,
Ontario M5H 3R3, CANADA
Tel. 1-416-643-4735
Fax. 1-416-601-4432

ASIA, OCEANIA

SINGAPORE

Singapore

- ◆ **Singapore Branch**
- **NIPPONKOA Management Service (Singapore) Private Limited**
36 Robinson Road #11-01 City House,
Singapore 068877,
REPUBLIC OF SINGAPORE
Tel. 65-6222-6001
Fax. 65-6222-2557

MALAYSIA

Kuala Lumpur

- **Lonpac Insurance Bhd, NIPPONKOA Division**
7th Floor, Bangunan Public Bank,
No. 6, Jalan Sultan Sulaiman, 50000
Kuala Lumpur, MALAYSIA
Tel. 60-3-2723-7772
Fax. 60-3-2715-0697

CAMBODIA**Phnom Penh**

- **Campu Bank Lonpac Insurance Plc.**
No. 112 D, Monivong Boulevard,
Phnom Penh, CAMBODIA
Tel. 855-23-986-313
Fax. 855-23-986-308

INDONESIA**Jakarta**

- **PT. Asuransi Permata Nipponkoa Indonesia**
Parmata Bank Tower I, 8th Floor,
JI Jend. Sudiman Kav. 27
Jakarta 12920, INDONESIA
Tel. 62-21-5237500
Fax. 62-21-5237506

PHILIPPINES**Manila**

- ▲ **Manila Representative Office**
C/O Pioneer Insurance &
Surety Corporation, 7th Floor,
Pioneer House, 108 Paseo de Roxas,
Makati City, PHILIPPINES
Tel. 63-2-841-0267
Fax. 63-2-841-0269

THAILAND**Bangkok**

- **The Navakij Insurance Public Company Limited, NIPPONKOA Division**
- **NIPPONKOA Insurance Broker (Thailand) Company Limited**
26th Floor, Sathorn Nakorn Bldg.
Sathorn Thani Complex 100
North Sathorn Road, Bangkok,
THAILAND 10500
Tel. 66-2-636-7097
Fax. 66-2-636-7098

VIETNAM**Hanoi**

- ▲ **Hanoi Representative Office**
C/O Baoviet Insurance,
2nd Fl., 35 Hai Ba Trung, Hanoi City,
VIETNAM
Tel. 84-8-3825-0364
Fax. 84-8-3827-2335

Ho Chi Minh

- ▲ **Ho Chi Minh Representative Office**
Me Linh Point Tower 6th Floor,
Unit 602, 2 Ngo Duc Ke, District 1,
Ho Chi Minh City, VIETNAM
Tel. 84-8-3825-0364
Fax. 84-8-3827-2335

INDIA**New Delhi**

- ▲ **New Delhi Representative Office**
106, Durga Chambers, 1335,
D.B. Gupta Road, Karol Bagh,
Delhi-110005, INDIA
Tel. 61-2-8258-6251
Fax. 61-2-8252-6309

AUSTRALIA**Sydney**

- ◆ **Australia Branch**
- △ **Allianz Australia Insurance Limited**
Level 12, 2 Market Street,
Sydney NSW 2000, AUSTRALIA
Tel. 61-2-8258-6251
Fax. 61-2-8252-6309

CHINA**Shenzhen**

- **NIPPONKOA Insurance Company (China) Limited**
No. 903-904, Kerry Plaza Tower 2,
No. 1 Zhongxin si Road Futian District,
Shenzhen 518048,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-755-8256-0055
Fax. 86-755-8256-0199
- ▲ **Shenzhen Representative Office**
Room 511, Fujian Industrial Bank
Building, No. 4013 Mintian Road,
Futian District, Shenzhen,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-755-2518-0500
Fax. 86-755-8236-1274

Beijing

- ▲ **Beijing Representative Office**
Room 1001A, Fortune Building 10/F,
Dongsanhuan Beilu,
Chaoyang District, Beijing 10004,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-10-6590-9500
Fax. 86-10-6590-9502

Dalian

- ▲ **Dalian Representative Office**
805 Dalian Asia Pacific Finance Centre 55
Ren Min Road, Dalian 116001,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-411-3989-1889
Fax. 86-411-3989-1879

Qingdao

- ▲ **Qingdao Representative Office**
Room 609, Crowne Plaza Qingdao,
76 Xiang Gang Zhong Lu,
Qingdao 266071,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-532-8573-5910
Fax. 86-532-8575-5302

Shanghai

- ▲ **Shanghai Representative Office**
Room 2502,
Shanghai International Trade Center,
2201 Yanan Road (w.),
Shanghai 200335,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-21-6275-4574
Fax. 86-21-6275-4075

Suzhou

- ▲ **Suzhou Representative Office**
Unit 05 15F, International Building,
No. 2 Suhua Road,
Suzhou Industrial Park,
Jiangsu 215021,
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 86-512-6824-0545
Fax. 86-512-6824-3348

Hong Kong

- **NIPPONKOA Insurance Company (Asia) Limited**
19th Floor, Tai Tung Building,
8 Fleming Road, Wanchai, Hong Kong
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 852-2524-0036
Fax. 852-2868-4413

TAIWAN**Taipei**

- ▲ **Taipei Representative Office**
Room 1403, No. 205, Sec. 1,
Tun-Hwa S Road, Taipei,
TAIWAN R.O.C.
Tel. 886-02-2776-6484
Fax. 886-02-2772-5456

Board of Directors, Officers and Auditors

(as of July 1, 2010)

**Representative Director,
Chairman and Chief Executive Officer**
Makoto Hyodo

**Representative Director,
President and Chief Executive Officer**
Masatoshi Sato

Director (outside)
Akira Gemma
Tsunehisa Katsumata
Seiichi Asaka
Sumitaka Fujita
Yoshiharu Kawabata
George C. Olcott

Director, Managing Executive Officer
Yasuhide Fujii
Yuichi Yamaguchi
Hiroyuki Yamaguchi

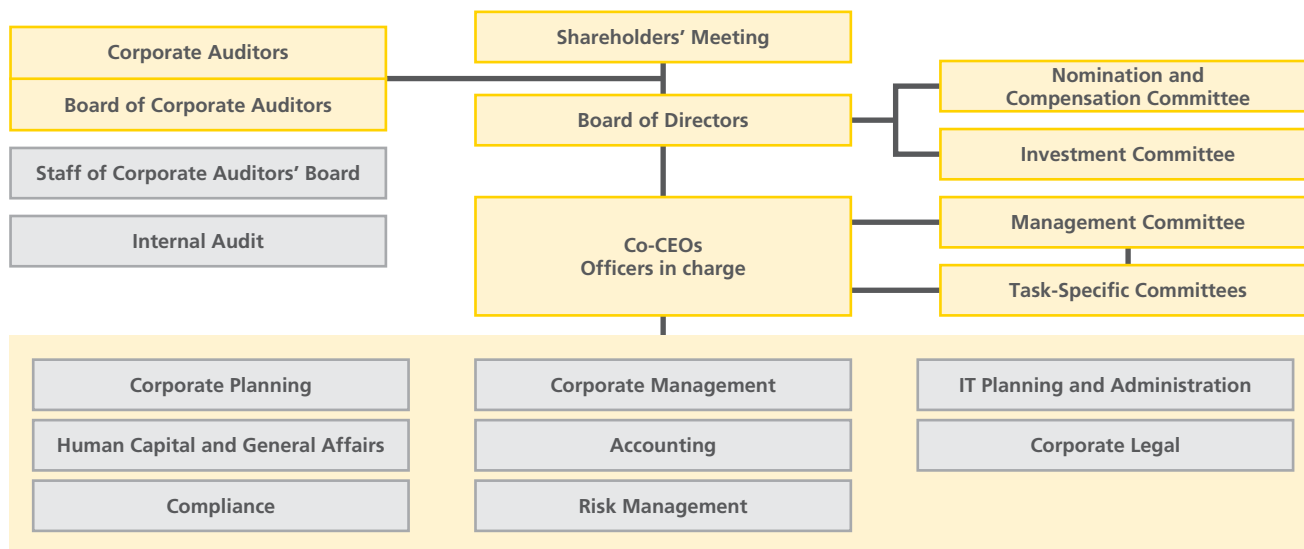
Director, Executive Officer
Kengo Sakurada

**Executive Officer, General Manager,
Corporate Planning Department**
Toshiyuki Takata

Auditor (outside)
Koichi Masuda
Makiko Yasuda
Motoyoshi Nishikawa

Auditor
Atau Kadokawa
Jiro Handa

Organization Chart



Rating Information for NKSJ Group Companies

Listed below are ratings for NKSJ Group companies as of July 1, 2010*.

Rating agency	Sompo Japan	Nipponkoa	Sompo Japan Himawari Life	Nipponkoa Life	Saison Automobile & Fire
Standard & Poor's	AA-	AA-	AA-	—	—
Moody's	Aa3	—	Aa3	—	—
R&I	AA	AA	—	AA	—
JCR	AA+	—	—	—	A+
A.M. Best	A+	A	—	—	—

* Only ratings commissioned by the Group are shown.

Corporate Data

(as of April 1, 2010, except where noted)

Company name: NKSJ Holdings, Inc.

Established: April 1, 2010

Capital: 100 billion yen

Head office: 26-1, Nishi-Shinjuku 1-chome,
Shinjuku-ku, Tokyo, Japan 160-8338

Telephone: 03-3349-3000 (operator)

Employees: 242

Business activities:

Management and administration of the companies that are made subsidiaries pursuant to the applicable provisions of the Insurance Business Law, including, but not limited to, casualty insurance companies and life insurance companies, and any other businesses that are incidental to the business.

Stock exchange listings:

Tokyo Stock Exchange (1st Section) and
Osaka Securities Exchange (1st Section)

URL: <http://www.nksj-hd.com/>

Independent auditors: Ernst & Young ShinNihon LLC

Total number of shares authorized: 5,000,000,000

Total number of shares issued: 1,661,263,278

Shareholder Register Agent

Daiko Clearing Services Corporation

General Shareholders' Meeting

Held within three months of April 1

Investor Relations

Shinichi Hara
Corporate Planning Department
E-mail: shinichi.hara@nksj-hd.co.jp

Major Shareholders

Shareholder	Shares held (thousands)	Portion of shares issued (%)
State Street Bank and Trust Company (Standing Proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	78,029	4.70
Japan Trustee Services Bank, Ltd. (Trust account)	66,358	3.99
Longleaf Partners Fund (Standing Proxy: Tokyo Branch, The Hong Kong and Shanghai Banking Corporation Limited)	57,330	3.45
The Master Trust Bank of Japan, Ltd. (Trust account)	54,876	3.30
The Dai-ichi Life Insurance Company, Limited	40,908	2.46
NKSJ Holdings Employee Shareholders Association	36,753	2.21
Mizuho Corporate Bank, Ltd.	34,052	2.05
Nippon Express Co., Ltd.	32,004	1.93
Meiji Yasuda Life Insurance Company	22,503	1.35
Mellon Bank, N.A. Treaty Client Omnibus (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	20,789	1.25

Note: The number of shares held by The Dai-ichi Life Insurance Company, Limited includes 17,971 thousand shares contributed by that company as trust assets for a retirement benefit trust. (In the shareholder register, the shares are listed in the name of Mizuho Trust & Banking Co., Ltd., Dai-ichi Life Insurance, Limited Retirement Benefit Trust.)

Major Group Companies (As of July 1, 2010)

P&C insurance and related business

- Sompo Japan Insurance Inc.
- Nipponkoa Insurance Company, Limited
- Sonpo 24 Insurance Company Limited
- Saison Automobile and Fire Insurance Company, Limited
- Sompo Japan Insurance Company of America
- Sompo Japan Insurance Company of Europe Limited
- Nipponkoa Insurance Company (Europe) Limited
- Nipponkoa Management Services (Europe) Limited
- Nippon Insurance Company of Europe Limited

- Sompo Japan Asia Holdings Pte. Ltd.
- Sompo Japan Insurance (Singapore) Pte. Ltd.
- Tenet Insurance Company Limited
- Sompo Japan Insurance (China) Co., Ltd.
- Nipponkoa Insurance Company (China) Limited
- Sompo Japan Insurance (Hong Kong) Company Limited
- Nipponkoa Insurance Company (Asia) Limited
- Yasuda Seguros, S.A.
- ★ Hitachi Capital Insurance Corporation
- ★ Berjaya Sompo Insurance Berhad
- ★ Universal Sompo General Insurance Co., Ltd.
- ★ Maritima Seguros S.A.

- ★ Maritima Saude Seguros S.A.

Life insurance

- Sompo Japan Himawari Life Insurance Co., Ltd.
- Nipponkoa Life Insurance Company, Limited
- Sompo Japan DIY Life Insurance Co., Ltd.

Other businesses

- Sompo Japan DC Securities Co., Ltd.
- Zenkoku Houmon Kenko Shido Kyoukai K.K.
- Sompo Japan Asset Management Co., Ltd.
- ★ Yasuda Enterprise Development Co., Ltd.

● Consolidated companies ★ Equity method affiliates



NKSJ Holdings, Inc.
26-1, Nishi-Shinjuku 1chome, Shinjyuku-ku, Tokyo 160-8338, Japan
<http://www.nksj-hd.com/>



NK:E7-19-0132