

1. Basis of Presenting Nonconsolidated Financial Statements

The accompanying nonconsolidated financial statements have been prepared from the accounts maintained by Nissay Dowa General Insurance Co., Ltd. (the “Company”), in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the regulation issued under the Insurance Business Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing the accompanying nonconsolidated financial statements, certain reclassifications and rearrangements have been made to the Company’s financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

Amounts of less than one million Japanese yen and one thousand U.S. dollars have been omitted from the individual amounts on the financial statements. As a result, totals in Japanese yen and U.S. dollars shown herein do not necessarily agree with the sum of the individual amounts.

The Company maintains its accounting records in Japanese yen. U.S. dollar amounts included in the nonconsolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥98.23 = U.S.\$1, the prevailing rate as of March 31, 2009.

The inclusion of such U.S. dollar amounts is solely for the convenience of the reader and is not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(1) Nonconsolidation

The nonconsolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost. (Consolidation of the Company’s subsidiaries would not significantly change the total assets, net sales or net income reported in the accompanying nonconsolidated financial statements.)

(2) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and call loans, all of which mature or become due within three months of the date of acquisition.

(3) Securities

Securities are classified and accounted for, depending on management’s intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost, ii) investments in subsidiaries and associated companies are stated at cost determined by the moving-average method, and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method or at amortized cost. For other than temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

(4) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is computed by the declining-balance method, except for buildings acquired on and after April 1, 1998, depreciation of which is computed by the straight-line method.

(5) Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the estimated net selling price at disposition.

(6) Income Taxes

The provision for income taxes is computed based on the pretax income included in the nonconsolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(7) Allowance for Doubtful Accounts

The allowance for doubtful accounts is calculated based on our standard for self-assessment of assets and the policy for write-off and provision.

For loans to debtors who are in bankruptcy or reorganization or whose notes are under suspension at clearinghouses and loans to debtors who are substantially deemed to be experiencing financial difficulties, the allowance is provided for based on the amount remaining after deducting the resale value of any collateral and amounts collectible through guarantees.

For loans to debtors for which there is probability of financial difficulties in the future, the allowance is provided for based on the amount remaining after deducting the resale value of any collateral and amounts collectible from guarantees considering debtors' abilities to repay the entire outstanding debt.

For loans other than those mentioned above, the allowance is provided for by multiplying actual bad debt ratios computed based on the actual bad debt amounts during past periods against outstanding balances.

All assets of the Company are subject to periodic self-assessments conducted by the departments that manage their respective portfolios of assets. In addition, an inspection department, independent of each department conducting self-assessments, reviews the results of the self-assessments.

(8) Reserves for Reported and Estimated Losses and Claims

Outstanding claims for reported losses are required to be set aside by lines of insurance pursuant to the provisions of a regulation issued under the Insurance Business Law. In addition, outstanding claims for the losses incurred but not reported (IBNR) are required to be calculated based on past experience.

The Company estimates the "IBNR" reserve for certain lines of insurance using statistical methods based on our own long-term experience data.

(9) Underwriting Reserves

Underwriting reserves are required to be set aside by lines of insurance pursuant to the provisions of the Insurance Business Law. Underwriting reserves can be classified further into the following items:

i) Ordinary underwriting reserve

This reserve is based on the unearned premium (calculated by the 1/12 method) at the end of the year or the underwriting balance at the end of the year of business written during the year, whichever is greater, by lines of insurance.

ii) Extraordinary underwriting reserve

This is the reserve set aside to prepare for possible losses resulting from catastrophes. The amount is accumulated each year at a fixed percentage of net premiums written by lines of insurance.

iii) Reserve for future refunds

This is the reserve for future refunds as previously promised to policyholders in savings-type insurance policies. In the case of long-term comprehensive insurance, the investment income based on a fixed rate arising from this fund is also added to the reserve for future refunds.

iv) Reserve for dividends to policyholders

Interest surplus arising from the reserve for future refunds of the above long-term insurance is reserved under this title.

v) Underwriting reserve for compulsory automobile liability insurance

The method of calculation used for this reserve is different from those of other lines of insurance. As compulsory automobile liability insurance is operated on a no-profit/no-loss basis, all underwriting balances are carried forward as reserves, and investment income earned on this account is also set aside for contribution to the Japan Red Cross Society and other institutions.

vi) Underwriting reserve for earthquake insurance

Earthquake insurance for homeowners is operated on a no-profit/no-loss basis, and reinsurance capacity is supplemented by the Japanese government by way of excess of loss reinsurance. The Company must set aside all underwriting balances plus investment income as a reserve.

(10) Liability for Retirement Benefits

Under most circumstances, employees terminating their employment are entitled to lump-sum payments determined by reference to the basic rate of pay at the time of termination, length of service and other conditions under which the termination occurs. If the termination is involuntary, employees are usually entitled to greater payments than in the case of voluntary termination. The Company provides for liability for retirement benefits based on the net value of the projected benefit obligations and plan assets at the balance sheet date.

(11) Reserve for Fluctuation in Value of Investment

Insurance companies are required to establish the reserve for fluctuation in value of investment in conformity with the Insurance Business Law. This reserve covers losses from fluctuations in the Company's investment assets holdings. The reserve is calculated using percentages set forth in the Insurance Business Law for type of assets.

(12) Leases

In March 2007, the Accounting Standards Boards of Japan (the "ASBJ") issued ASBJ Statement No.13, "Accounting Standard for Leases Transactions", which revised the previous accounting standard for leases transactions issued in June 1993. The revised accounting standard for leases transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet.

In addition, the revised accounting standard permits certain exceptions. It permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's financial statements. Also, it permits leases whose contract amount is ¥3 million or less to be accounted for as operating lease transactions without any information disclosed in the notes.

The Company applied the revised accounting standard effective April 1, 2008. Since each contract amount is ¥3 million or less, all finance lease are accounted for as operating lease transactions and "as if capitalized" information is omitted.

(13) Foreign Currency Translation

All accounts receivable and payable denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. The resulting exchange gains or losses are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

(14) Derivatives and Hedge Accounting

The Company uses foreign currency forward contracts as a means of hedging exposure to foreign currency risk. The Company also enters into agreements for weather derivatives as a part of its trading activities, not for speculative purposes.

Derivatives, except those which qualify for hedge accounting, are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the income statement.

Currency forward contracts employed to hedge foreign exchange exposures for available-for-sale securities which qualify for

hedge accounting are accounted for using fair value hedge accounting. Net unrealized gains or losses are recognized in net derivative financial instruments gains or losses.

In addition, certain foreign currency forward contracts are utilized to hedge foreign currency exposures in certain deposits. Deposits denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

(15) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because there were no potential common shares for the years ended March 31, 2008 and 2009.

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

(16) New Accounting Pronouncements

Business Combinations

On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations". Major accounting changes under this accounting standard are as follows;

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard an in-process research and development (IPR&D) acquired by the business combination are capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Items on the nonconsolidated balance sheets:			
Cash in banks and time deposits	¥ 37,072	¥ 32,803	\$ 333,950
Call loans	42,700	24,300	247,378
Less:			
Time deposits with maturities over three months	(1,030)	(895)	(9,111)
Cash and cash equivalents	¥ 78,742	¥ 56,208	\$ 572,217

4. Securities

Securities as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Government and municipal bonds	¥ 142,008	¥ 111,421	\$ 1,134,297
Domestic corporate bonds	154,195	234,222	2,384,429
Domestic equity securities	377,894	270,479	2,753,535
Foreign securities:	253,705	180,283	1,835,324
Others	16,890	14,405	146,654
Total	¥ 944,694	¥ 810,814	\$ 8,254,241

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

The carrying amounts and aggregate fair values of securities at March 31, 2008 and 2009 were as follows:

March 31, 2008	Millions of yen			Fair value
	Cost	Unrealized gains	Unrealized losses	
Securities classified as:				
Available-for-sale:				
Domestic bonds	¥ 291,417	¥ 5,164	¥ 500	¥ 296,081
Domestic equity securities	206,020	166,303	1,231	371,092
Foreign securities	244,944	4,411	6,578	242,777
Others	17,837	1,562	1,606	17,794
Total	¥ 760,220	¥ 177,442	¥ 9,916	¥ 927,745

March 31, 2009	Millions of yen			Fair value
	Cost	Unrealized gains	Unrealized losses	
Securities classified as:				
Available-for-sale:				
Domestic bonds	¥ 343,912	¥ 3,631	¥ 1,942	¥ 345,601
Domestic equity securities	205,900	65,830	7,833	263,897
Foreign securities	186,739	1,493	18,294	169,938
Others	13,445	1,452	493	14,404
Total	¥ 749,998	¥ 72,407	¥ 28,564	¥ 793,841

Notes to Nonconsolidated Financial Statements

March 31, 2009	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Domestic bonds	\$ 3,501,094	\$ 36,966	\$ 19,771	\$ 3,518,289
Domestic equity securities	2,096,108	670,163	79,746	2,686,525
Foreign securities	1,901,045	15,203	186,246	1,730,002
Others	136,880	14,784	5,026	146,638
Total	\$ 7,635,128	\$ 737,117	\$ 290,790	\$ 8,081,456

Other available-for-sale securities as of March 31, 2008 and 2009 mainly consisted of investment trusts. The Company has the policy that securities whose fair value fall more than 30% below cost are considered to be impaired.

Impairment losses on available-for-sale securities amounted to ¥706 million and ¥18,737 million (\$190,752 thousand) at March 31, 2008 and 2009.

Available-for-sale securities, held-to-maturity securities and investment securities in subsidiaries and associated companies whose fair value was not readily determinable as of March 31, 2008 and 2009 were as follows:

	Carrying amounts		
	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Available-for-sale:			
Domestic equity securities	¥ 6,408	¥ 6,347	\$ 64,613
Foreign securities	7,856	7,805	79,466
Others	51	1	16
Held-to-maturity:			
Domestic bonds	122	42	436
Investment securities in subsidiaries and associated companies:			
Domestic equity securities	392	235	2,395
Foreign securities	3,071	2,539	25,856
Total	¥ 17,903	¥ 16,972	\$ 172,785

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2009 were ¥395,054 million and ¥195,645 million (\$1,991,707 thousand), respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥28,114 million and ¥9,982 million, respectively, for the year ended March 31, 2008 and ¥16,014 (\$163,031 thousand) and ¥10,254 million (\$104,392 thousand), respectively, for the year ended March 31, 2009.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2009 were as follows:

	Millions of yen			
	Domestic bonds	Foreign securities	Others	Total
Due in one year or less	¥ 18,855	¥ 24,035	¥ 487	¥ 43,378
Due after one year through five years	167,827	120,718	823	289,369
Due after five years through ten years	132,138	23,797	2,489	158,425
Due after ten years	26,823	1,021	—	27,844
Total	¥ 345,644	¥ 169,573	¥ 3,801	¥ 519,018

	Thousands of U.S. dollars			
	Domestic bonds	Foreign securities	Others	Total
Due in one year or less	\$ 191,949	\$ 244,689	\$ 4,965	\$ 441,604
Due after one year through five years	1,708,516	1,228,938	8,386	2,945,841
Due after five years through ten years	1,345,190	242,266	25,344	1,612,801
Due after ten years	273,070	10,393	—	283,464
Total	\$ 3,518,726	\$ 1,726,288	\$ 38,696	\$ 5,283,711

The carrying amounts of securities pledged as collateral amounted to ¥3,951 million and ¥5,300 million (\$53,963 thousand) as of March 31, 2008 and 2009, respectively.

5. Loans

Loans as of March 31, 2008 and 2009 included the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Defaulted loans	¥ —	¥ —	\$ —
Delinquent loans	277	286	2,914
Past due loans (over three months)	—	—	—
Loans under mitigating conditions	—	—	—
Total	¥ 277	¥ 286	\$ 2,914

Defaulted loans represent loans for which the Company assumes that there are no prospects for recovery or repayment of principal or payment of interest and, therefore, the Company does not accrue interest income.

Delinquent loans represent loans for which the Company assumes that there are very few prospects for recovery or repayment of principal or interest and, therefore, the Company does not accrue interest income. For delinquent loans, management does not mitigate conditions of loans on behalf of the recovery of the counterparties as mentioned in the definition of loans under mitigating conditions below.

Past due loans (over three months) represent loans in which the repayment of principal or payment of interest incurred are past due over three months from the due date set forth in the loan agreements, not falling into either the categories of defaulted loans or delinquent loans.

Loans under mitigating conditions represent loans to counterparties in which the Company has accepted a reduction in interest rates and/or revised repayment schedule of principal or interest, or waived certain amounts owed in order to provide financial support to facilitate the recovery of the counterparties, not falling into the categories of defaulted loans, delinquent loans or past due loans (over three months).

6. Property and Equipment

Property and equipment as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Land	¥ 24,855	¥ 24,713	\$ 251,587
Buildings	75,614	75,048	764,004
Others	15,605	13,481	137,240
Construction in progress	0	2,688	27,364
Total	¥ 116,076	¥ 115,930	\$ 1,180,196
Less accumulated depreciation	¥ 59,494	¥ 59,152	\$ 602,181
Property and equipment, net of accumulated depreciation	¥ 56,581	¥ 56,778	\$ 578,014

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Under certain conditions, such as the exchange of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section.

Property and equipment were stated at cost less deferred gains of ¥5,282 million and ¥5,229 million (\$53,238 thousand) for the years ended March 31, 2008 and 2009, respectively.

7. Impairment of Long-Lived Assets

The Company reviewed its long-lived assets for impairment as of March 31, 2008 and 2009. As a result, for the year ended March 31, 2008, the Company recognized an impairment loss of ¥ 122 million for certain rent and idle land. For the year ended March 31, 2009, the Company recognized an impairment loss of ¥ 12 million (\$122 thousand) for certain idle land and buildings.

The carrying amounts of the assets were written down to the recoverable amounts. The recoverable amount of each asset was measured at its net selling price determined by using an appraised value based on real estate appraisal standards.

8. Reserves for Reported and Estimated Losses and Claims

Reserves for reported and estimated losses and claims as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Reserves for reported and estimated losses and claims (except for (b) below)	¥ 126,739	¥ 130,295	\$ 1,326,432
Less: Reserves for reported and estimated losses and claims of reinsurance	12,948	14,410	146,698
a) Net of reserves for reported and estimated losses and claims	113,790	115,885	1,179,734
b) Reserves for reported and estimated losses and claims of earthquake insurance and compulsory automobile liability insurance	10,140	9,922	101,017
Total (a) + (b)	¥ 123,930	¥ 125,808	\$ 1,280,752

Provision for reserves for reported and estimated losses and claims for the year ended March 31, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
Provision for reserves for reported and estimated losses and claims (except for (b) below)	¥ 3,556	\$ 36,203
Less: Provision for reserves for reported and estimated losses and claims of reinsurance	1,461	14,877
(a) Net of provision for reserves for reported and estimated losses and claims	2,094	21,325
(b) Provision for reserves for reported and estimated losses and claims of earthquake insurance and compulsory automobile liability insurance	(217)	(2,210)
Total (a) + (b)	¥ 1,877	\$ 19,115

9. Underwriting Reserves

Underwriting reserves as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Underwriting reserves for specific insurance contracts	¥ 270,210	¥ 278,536	\$ 2,835,554
Less: Underwriting reserves for specific insurance contracts of reinsurance	17,429	21,500	218,883
(a) Net of underwriting reserves for specific insurance contracts	252,780	257,035	2,616,670
Reserve for future refunds	306,920	287,646	2,928,291
Less: Reserve for future refunds of reinsurance	3	0	9
(b) Net of reserve for future refunds	306,916	287,645	2,928,282
(c) Other underwriting reserves	215,866	214,115	2,179,733
Total (a)+(b)+(c)	¥ 775,563	¥ 758,795	\$ 7,724,686

Provision for (reversal of) underwriting reserves for specific insurance contracts for the year ended March 31, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
Provision for underwriting reserves for specific insurance contracts	¥ 8,326	\$ 84,764
Less: Provision for underwriting reserves for specific insurance contracts of reinsurance	4,070	41,443
(a) Net of provision for underwriting reserves for specific insurance contracts	4,255	43,320
Reversal of reserve for future refunds	(19,274)	(196,221)
Less: Reversal of reserve for future refunds of reinsurance	(3)	(31)
(b) Net of reversal of reserve for future refunds	(19,271)	(196,190)
(c) Other underwriting reserves	(1,751)	(17,826)
Total (a)+(b)+(c)	¥ (16,767)	\$ (170,696)

10. Retirement Pension Plan

The Company has an unfunded lump-sum benefit plan and a funded pension plan that has been made available for almost all employees. The benefit plan covers approximately 50% of the amount of the severance payment, and the remaining 50% is covered by the pension plan.

Under the terms of the lump-sum benefit plan, eligible employees who reach mandatory retirement age or earlier voluntary termination are under most circumstances entitled to a lump-sum severance payment based on compensation at the time of severance and years of service.

Liability for retirement benefits for employees as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Projected benefit obligation	¥ (51,672)	¥ (52,147)	\$ (530,872)
Fair value of plan assets	48,835	45,883	467,099
Net projected benefit obligation	(2,836)	(6,264)	(63,773)
Unrecognized actuarial loss	112	5,926	60,337
Liability for retirement benefits	¥ (2,724)	¥ (337)	\$ (3,436)

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The components of net periodic retirement benefit costs for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Service cost	¥ 1,999	¥ 1,965	\$ 20,010
Interest cost	1,028	1,026	10,451
Expected return on plan assets	(470)	(476)	(4,855)
Recognized actuarial loss	(636)	(148)	(1,508)
Net periodic retirement benefit costs	¥ 1,920	¥ 2,367	\$ 24,097

Assumptions used for the years ended March 31, 2008 and 2009 are set forth as follows:

	2008	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets		
Defined benefit pension plan assets	1.5%	1.5%
Trust for retirement benefits	0.0%	0.0%
Recognition period of actuarial loss	13 years	11 years

11. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

The Companies Act also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Insurance Business Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals that of the common stock. Under the former Insurance Business Law, the aggregate amount of additional paid-in capital and legal reserve that exceeds the common stock may be made available for dividends by resolution of the shareholders. Under the revised Insurance Business Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.

(c) *Treasury stock and treasury stock acquisition rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. Income Taxes

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 36.15% for the years ended March 31, 2008 and 2009.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets:			
Underwriting reserves	¥ 44,909	¥ 46,310	\$ 471,445
Impairment loss on investment securities	4,973	11,194	113,963
Tax loss carryforwards	—	3,867	39,367
Liability for retirement benefits	3,699	2,905	29,575
Excess depreciation	3,007	3,557	36,218
Reserves for fluctuation in value of investment	2,548	219	2,237
Reserves for reported and estimated losses and claims	3,996	2,445	24,894
Allowance for doubtful accounts	325	282	2,874
Others	5,087	4,501	45,831
Less valuation allowance	(1,296)	(2,295)	(23,369)
Total	¥ 67,252	¥ 72,988	\$ 743,036
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (58,218)	¥ (15,203)	\$ (154,770)
Others	(644)	(631)	(6,433)
Total	¥ (58,863)	¥ (15,835)	\$ (161,204)
Net deferred tax assets	¥ 8,389	¥ 57,153	\$ 581,832

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying statements of income for the year ended March 31, 2008 was as follows:

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

In 2009, the reconciliation is not disclosed because the difference is lower than 5% of the normal effective statutory tax rate.

At March 31, 2009, the Company has tax loss carryforwards aggregating approximately ¥3,867million (\$39,367thousand) which are available to be offset against taxable income of the Company in future years. These tax loss carryforwards, if not utilized, will expire as follows :

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 3,867	\$ 39,367

Notes to Nonconsolidated Financial Statements

13. Derivatives

The Company utilizes derivative financial instruments such as foreign currency forward contracts and weather derivatives. The Company does not enter into derivatives for speculative purposes.

The Company enters into derivative instruments to reduce its exposures to fluctuations in foreign exchange rates mainly. It also enters into derivative instruments to control and protect the value on investment income.

Derivatives are subject to foreign currency risk and weather risk. Since most of the Company's derivative transactions are related to qualified hedges of owned assets and foreign currency risk inherent in the hedging derivative instruments is basically offset by opposite movements in the value of hedged assets. Weather derivative transactions for trading purposes have occurred in limited amounts. As the counterparties to all derivatives are limited to exchanges or major financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies. A back-office has made the execution and control of derivative transactions daily for internal check. Each derivative transaction is periodically reported to management, where evaluation and analysis of derivatives are made. In addition to the above control, the risk management department reports derivatives activity to the Board of Directors and centrally controls the related risks.

Fair value of derivative financial instruments

The fair value of the Company's derivative financial instruments at March 31, 2008 and 2009 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2008			2009			2009		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts—									
Selling:									
US\$	¥ 44,013	¥ 41,424	¥ 2,589	¥ 53,100	¥ 55,383	¥ (2,282)	\$ 540,575	\$ 563,814	\$ (23,239)
Euro	40,859	41,546	(686)	30,708	33,277	(2,569)	312,620	338,773	(26,153)
Pound	20,985	18,697	2,288	7,342	7,615	(273)	74,748	77,532	(2,783)
Canadian\$	8,075	7,522	553	4,271	4,456	(185)	43,479	45,367	(1,888)
Australian\$	—	—	—	7,628	7,953	(325)	77,657	80,968	(3,310)
Denmark Krone	—	—	—	1,512	1,715	(202)	15,398	17,463	(2,065)
Total			¥ 4,744			¥ (5,838)			\$ (59,440)

All foreign currency forward contracts are applied hedge accounting.

	Millions of yen						Thousands of U.S. dollars		
	2008			2009			2009		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Others—Weather derivatives									
written	¥0	¥0	¥0	—	—	—	—	—	—
options premiums	0			—			—		
purchased	0	0	—	—	—	—	—	—	—
options premiums	0			—			—		
Total			¥ 0			—			—

Note: Fair values are based on the indicated option premium prices from financial institutions.

14. Related Party Transactions

The balances due to or from subsidiaries and associated companies as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Accounts receivable	¥ 1,593	¥ 1,634	\$ 16,638
Accounts payable	2,076	2,197	22,374

Transactions of the Company with subsidiaries and associated companies for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Revenues	¥ 1,095	¥ 965	\$ 9,830
Expenses	28,694	29,319	298,478

15. Subsequent Events

Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2009 was approved by shareholders at the shareholders meeting held on June 25, 2009.

	Millions of yen	Thousands of U.S. dollars
Appropriations		
Year-end cash dividends (¥8.00 per share)	¥ 3,036	\$ 30,911