



TOKIO MARINE FINANCIAL SOLUTIONS LTD.

(incorporated with limited liability in the Cayman Islands)

¥400,000,000,000 Programme for the Issuance of Debt Instruments

This Base Prospectus has been approved by the United Kingdom Financial Services Authority (the “FSA”), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the “Prospectus Directive”) and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of debt instruments (“Instruments”) issued under the programme (the “Programme”) described in this Base Prospectus during the period of twelve months after the date hereof. An application has been made to admit such Instruments during the period of twelve months after the date hereof to listing on the Official List of the FSA and an application has been made to admit such Instruments to trading on the Regulated Market of the London Stock Exchange plc (the “London Stock Exchange”), which is an EEA Regulated Market (as defined below). The Programme also permits Instruments to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with Tokio Marine Financial Solutions Ltd (the “Issuer”). The Instruments have the benefit of a Support Agreement (as defined on page 5 of this Base Prospectus) entered into with Tokio Marine & Nichido Fire Insurance Co., Ltd. (“Tokio Marine & Nichido”). See “The Support Agreement” as set out in this Base Prospectus.

Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

No instruments may be issued under this Programme which are to be admitted to trading on a market which is a regulated market for the purposes of Directive 2004/39/EC (Markets and Financial Instruments Directive) (each an “EEA Regulated Market”) or offered to the public in any EEA Member State which have a minimum denomination of less than EUR 100,000 (or its equivalent in another currency).

Investing in the Instruments involves certain risks, in particular, that in the event that the Issuer or any Subsidiary ceased or threatened to cease to carry on all or any substantial part of its business and, in whole or in part as a result of such action, the credit ratings assigned to the Programme were not lowered, this would not in and of itself be an Event of Default (as defined in Condition 7 (Events of Default and Enforcement Events) set out in this Base Prospectus). See “Risk Factors” beginning on page 11 to read about factors that should be carefully considered before investing in the Instruments.

Arranger for the Programme

MORGAN STANLEY

Dealers

BofA MERRILL LYNCH

DAIWA CAPITAL MARKETS EUROPE

GOLDMAN SACHS INTERNATIONAL

MORGAN STANLEY

CITIGROUP

DEUTSCHE BANK

J.P. MORGAN

mitsubishi UFJ

NOMURA

The Base Prospectus should be read and construed with any amendments or supplements thereto and with any other documents incorporated by reference and, in relation to any Series (as defined herein) of Instruments, should be read and construed together with the relevant Final Terms (as defined herein).

The Issuer and Tokio Marine & Nichido accept responsibility for the information contained in the Base Prospectus.

To the best of the knowledge and belief of the Issuer and Tokio Marine & Nichido (which have taken all reasonable care to ensure that such is the case), the information contained in the Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and Tokio Marine & Nichido which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and Tokio Marine & Nichido.

Tranches of Instruments issued under the Programme will be rated or unrated. Where a Tranche of Instruments is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Instruments already issued. Where a Tranche of Instruments is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Instruments will be (1) issued by a credit rating agency established in the EEA and registered (or which has applied for registration and not been refused) under Regulation (EU) No. 1060/2009, as amended (the “**CRA Regulation**”), or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms.

Credit ratings have been assigned to the Issuer by Standard & Poor’s Financial Services LLC, Moody’s Japan K.K., Rating and Investment Information, Inc and Japan Credit Rating Agency, Ltd., to Tokio Marine & Nichido by Standard & Poor’s Ratings Japan K.K., Moody’s Japan K.K., Japan Credit Rating Agency, Ltd. and Rating and Investment Information, Inc, and to the Programme by Moody’s Japan K.K., Rating and Investment Information, Inc and Japan Credit Rating Agency, Ltd. and are stated elsewhere in this Base Prospectus. Japan Credit Rating Agency, Ltd. is not established in the EEA but is certified under the CRA Regulation. None of Standard & Poor’s Financial Services LLC, Standard & Poor’s Ratings Japan K.K., Moody’s Japan K.K. and Rating and Investment Information, Inc is established in the EEA and none of these rating agencies are certified under the CRA Regulation. Neither the rating that Standard & Poor’s Financial Services LLC, Moody’s Japan K.K. or Rating and Investment Information, Inc has given in respect of the Issuer, nor the rating that Moody’s Japan K.K. or Standard & Poor’s Ratings Japan K.K. has given in respect of Tokio Marine & Nichido’s claims payment ability and the rating that Rating and Investment Information, Inc has given in respect of Tokio Marine & Nichido’s long term debt, nor the rating that Moody’s Japan K.K. or Rating and Investment Information, Inc has given in respect of the Programme is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

The Issuer has confirmed to the dealers (the “**Dealers**”) described under “*Subscription and Sale*” below that the Base Prospectus is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed therein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in the Base Prospectus the omission of which would, in the context of the Programme or the issue of the Instruments,

make any statement therein or opinions or intentions expressed therein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Dealers that this Base Prospectus (together with the relevant Final Terms) contains all such information as investors and their professional advisers would reasonably require, and reasonably expect to find, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses of the Issuer, and where applicable, Tokio Marine & Nichido and of the rights attaching to the relevant Instruments.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with the Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in the Base Prospectus. Neither the delivery of the Base Prospectus or any Final Terms nor the offering, sale or delivery of any Instrument shall, in any circumstances, create any implication that the information contained in the Base Prospectus is true subsequent to the date thereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer or Tokio Marine & Nichido since the date thereof or, if later, the date upon which the Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of the Base Prospectus and any Final Terms and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of the Base Prospectus or any Final Terms and other offering material relating to the Instruments, see “*Subscription and Sale*” and “*Provisions Relating to the Investments whilst in Global Form*”.

Neither the Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of the Base Prospectus or any Final Terms should subscribe for or purchase any Instruments. Each recipient of the Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and Tokio Marine & Nichido.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer’s affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Instruments issued under the Programme. Any such short positions could adversely affect future trading prices of Instruments issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference. This Base Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Base Prospectus.

The maximum aggregate principal amount of Instruments permitted to be outstanding at any one time under the Programme will not exceed ¥400,000,000,000 (and for this purpose, any Instruments denominated in another currency shall be translated into Japanese Yen at the date of the agreement to issue such Instruments calculated in accordance with the provisions of the Dealership Agreement.) The maximum aggregate principal amount of Instruments which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under “*Subscription and Sale*”.

Each of the Issuer and Tokio Marine & Nichido has undertaken, in connection with the listing of the Instruments on any EEA Regulated Market, that if there shall occur any adverse change in the business or financial position of the Issuer or, as the case may be, Tokio Marine & Nichido, or a significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the securities and which arises or is noted between the time when the Base Prospectus is approved and the final closing of the offer to the public, or as the case may be, the time when the trading on the regulated market begins, the Issuer will prepare or procure the preparation of an amendment or supplement to the Base Prospectus or, as the case may be, publish a new Base Prospectus, for use in connection with any subsequent issue by the Issuer of Instruments to be listed on the Official List of the FSA and admission to trading on the London Stock Exchange.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, upon the oral or written request therefor, a copy of the Base Prospectus. Written or telephone requests for such documents should be directed to the specified office of any Paying Agent.

In this Base Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area, references to “**JPY**”, “**¥**” or “**Yen**” are to the lawful currency of Japan, references to “**U.S. \$**” and “**U.S. Dollars**” are to the lawful currency of the United States of America and references to “**€**”, “**euro**”, “**Euro**” and “**EUR**” are to the single currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended. References to “**billions**” are to thousands of millions. Figures may be subject to rounding. Unless specified otherwise, references to “**GAAP**” are to Generally Accepted Accounting Principles in the relevant country.

For convenience, certain Yen amounts herein have been translated to U.S. Dollars. However, such translations should not be construed as representations that such Yen amounts have been, could be or could in the future be, converted into U.S. Dollars at such rate(s) or any other rates. The corresponding rates prevailing on 30 December 2010 and 31 March, 2011 were ¥81.455 = U.S.\$1 and ¥83.150 = U.S.\$1 respectively.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE (AS DEFINED HEREIN) OF INSTRUMENTS UNDER THE PROGRAMME, THE DEALER (IF ANY) WHO IS SPECIFIED IN THE RELEVANT FINAL TERMS AS THE STABILISING INSTITUTION MAY OVER ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS OF THE SERIES OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILISING MANAGER (OR ANY AGENT OF THE STABILISING MANAGER) TO DO THIS. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF INSTRUMENTS IS MADE AND, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF INSTRUMENTS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF INSTRUMENTS. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES. ANY STABILISATION ACTION OR OVER-ALLOTMENT

MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISING MANAGER(S) IN ACCORDANCE WITH ALL APPLICABLE LAW AND RULES.

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GENERAL DESCRIPTION OF THE PROGRAMME

The following general description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in the “Forms of Final Terms” or “Terms and Conditions of the Instruments” below shall have the same meanings in this general description.

Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Base Prospectus have the same meaning in this general description of the Programme.

- Issuer:** Tokio Marine Financial Solutions Ltd.
- Support Agreement:** The Issuer has the benefit of a 2nd Amended and Restated Support Agreement dated 26 August, 2005 entered into with Tokio Marine & Nichido Fire Insurance Co., Ltd. (“**Tokio Marine & Nichido**”) (as amended, supplemented or replaced, subject to and in accordance with the provisions of such agreement and the Deed of Covenant dated 27 October 2011, the “**Support Agreement**”). Tokio Marine & Nichido has covenanted in the Support Agreement to, *inter alia*, ensure that the Issuer has a minimum adjusted net worth of not less than U.S.\$10,000,000 at all times and (upon receipt of a request for payment from the Issuer) to provide funds to the Issuer to meet certain payment obligations, including its obligations under the Instruments, subject to certain conditions. Tokio Marine & Nichido and the Issuer have further agreed that Holders (as defined below) of Instruments shall have the right to demand that the Issuer enforces such rights, failing which such Holders may proceed directly against Tokio Marine & Nichido themselves, subject to certain provisions specified in the Support Agreement. The Issuer has agreed in the Deed of Covenant (as defined below) not to amend the Support Agreement without the prior written consent of the Holders of Instruments holding not less than two-thirds of the aggregate principal amount of outstanding Instruments. The Support Agreement may terminate by either (i) the written agreement of the Issuer and Tokio Marine & Nichido or (ii) the delivery by Tokio Marine & Nichido to the Issuer of written notice of termination in certain circumstances. Any such termination would not affect any obligation which Tokio Marine & Nichido had to the Issuer in respect of any Instrument issued under the Programme prior to the termination. The Support Agreement does not constitute a guarantee and Tokio Marine & Nichido is not, therefore, a guarantor of the Instruments. See the “*Support Agreement*”.
- Arranger:** Morgan Stanley & Co. International plc.
- Dealers:** Citigroup Global Markets Limited, Daiwa Capital Markets Europe Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities Ltd., Merrill Lynch International, Mitsubishi UFJ Securities International plc, Morgan Stanley & Co. International plc, Nomura International plc and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Instruments.
- Issue and Paying Agent:** The Bank of New York Mellon acting through its London Branch.
- Initial Programme Amount:** Up to ¥400,000,000,000 (and, for this purpose, any Instruments denominated in another currency shall be translated into Japanese Yen at the date of the agreement to issue such Instruments using the spot rate of exchange for the purchase of such currency against payment of Japanese Yen being quoted by the Issue and Paying Agent on the date on which the relevant agreement in respect of the relevant Tranche (as defined below) was made or such other rate as the Issuer and the relevant Dealer may agree) in aggregate principal amount of Instruments outstanding at any one time. The maximum aggregate principal

amount of Instruments permitted to be outstanding at any one time under the Programme will not exceed ¥400,000,000,000 (and for this purpose, any Instruments denominated in another currency shall be translated into Japanese Yen at the date of the agreement to issue such Instruments calculated in accordance with the provisions of the Dealership Agreement). The maximum aggregate principal amount of Instruments which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under “*Subscription and Sale*”.

Issuance in Series: Instruments will be issued in series (each, a “**Series**”). Each Series may comprise one or more tranches (“**Tranches**” and each, a “**Tranche**”) issued on different issue dates. The Instruments of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Instruments of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Instruments of different denominations.

Form of Instruments: Instruments will be issued in bearer form. In respect of each Tranche of Instruments, the Issuer will deliver a temporary global Instrument (a “**Temporary Global Instrument**”) or (if so specified in the relevant Final Terms in respect of Instruments to which U.S. Treasury Regulation {sect}1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) applies (as so specified in such Final Terms)) a permanent global instrument (a “**Permanent Global Instrument**”). Such global Instrument will be deposited on or before the relevant issue date therefore with a depository or a common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system. Each Temporary Global Instrument will be exchangeable for a Permanent Global Instrument or, if so specified in the relevant Final Terms, for Instruments in definitive form (“**Definitive Instruments**”). Each Permanent Global Instrument will be exchangeable for Definitive Instruments, if so specified in the relevant Final Terms in accordance with its terms. Temporary Global Instruments and Permanent Global Instruments are referred to herein as global instruments (“**Global Instruments**”). Definitive Instruments will, if interest-bearing, either have interest coupons (“**Coupons**”) attached and, if appropriate, a talon (“**Talon**”) for further Coupons and will, if the principal thereof is repayable by instalments, have payment receipts (“**Receipts**”) attached.

Currencies: Instruments may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Status: Instruments will rank *pari passu* among themselves and at least *pari passu* with all other unsecured indebtedness of the Issuer from time to time outstanding subject to regulatory and statutory restrictions.

Issue Price: Instruments may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.

Maturities: Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Instruments have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the Issuer in the United Kingdom, such Instruments (i) must have a minimum

denomination of £100,000 (or its equivalent in other currencies) and be sold only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”).

Redemption: Instruments may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Final Terms.

Early Redemption: Early redemption will be permitted for taxation reasons as mentioned in “*Terms and Conditions of the Instruments – Early Redemption for Taxation Reasons*”, but will otherwise be permitted only to the extent specified in the relevant Final Terms.

Interest: Instruments may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.

Denominations: No instruments may be issued under the Programme which are to be admitted to trading on any EEA Regulated Market or offered to the public in any EEA Member State which have a minimum denomination of less than EUR100,000 (or equivalent in another currency). Subject thereto, Instruments will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Taxation: Payments in respect of Instruments will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will (subject to customary exceptions) pay such additional amounts as will result in the holders of Instruments or Coupons receiving such amounts as they would have received in respect of such Instruments or Coupons had no such withholding or deduction been required.

The Support Agreement provides that Tokio Marine & Nichido will pay additional amounts as will result in persons receiving such amounts as they would have received had no such withholding been required. See “*The Support Agreement*”.

Governing Law: The Instruments and all related contractual documentation will be governed by, and construed in accordance with, English law.

The Support Agreement is governed by, and construed in accordance with, the internal laws of the State of New York.

Listing and Admission to trading: Application has been made for the Instruments issued under the Programme to be listed on the Official List of the FSA and admitted to trading on the Regulated Market of the London Stock Exchange. The Programme also permits Instruments to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

- Terms and Conditions:** Final Terms will be prepared in respect of each Tranche of Instruments a copy of which will, in the case of Instruments to be listed on the Official List of the FSA and admitted to trading on the London Stock Exchange, be delivered to the London Stock Exchange on or before the date of issue (the closing date) of such Instruments. The terms and conditions applicable to each Tranche will be those set out herein under “*Terms and Conditions of the Instruments*” as supplemented, modified or replaced by the relevant Final Terms.
- Deed of Covenant:** In the case of Instruments in global form, individual investor’s rights will be governed by a Deed of Covenant dated 27 October 2011 (the “**Deed of Covenant**”).
- A copy of the Deed of Covenant will be available for inspection at the specified office of the Issue and Paying Agent and the other paying agents.
- Clearing Systems:** Euroclear, Clearstream, Luxembourg and/or any other clearing system as may be specified in the relevant Final Terms.
- Ratings:** As at the date hereof, Moody’s Japan K.K., Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd. assigned a rating of Aa2, AA+ and AAA, respectively, to the Programme. Japan Credit Rating Agency, Ltd. is not established in the EEA but is certified under the CRA Regulation. Neither of Moody’s Japan K.K. and Rating and Investment Information, Inc is established in the EEA and neither of these rating agencies are certified under the CRA Regulation. Neither the rating that Moody’s Japan K.K. or Rating and Investment Information, Inc has given in respect of Instruments to be issued under the Programme is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation. Tranches of Instruments issued under the Programme may be rated or unrated. Where a Tranche of Instruments is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
- Selling Restrictions:** For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, the Cayman Islands and Japan, see under “*Subscription and Sale*”.
- Risk Factors:** There are certain risks related to any issue of Instruments under the Programme which investors should ensure they fully understand. Additionally, the derivatives and financial instruments markets in which the Issuer and Tokio Marine & Nichido operate, and the insurance markets in which Tokio Marine & Nichido operates, may be affected by uncertain or unfavourable economic, market and other conditions. These risks are set out on pages 11 to 18 of this Base Prospectus.
- Substitution:** The Issuer may, without the consent of the Holder of any Instruments, substitute an Affiliate of Tokio Marine & Nichido as Issuer and principal obligor in relation to any Instrument (including any Receipt, Coupon & Talon relating thereto), and any such substitute will be entitled to exercise every right and power of the Issuer in relation to (i) any Instruments, Receipts, Coupons and Talons (whether outstanding at the date of such substitution or to be issued thereafter); (ii) the Issue and Paying Agency Agreement; and (iii) the Deed of Covenant, subject to, and in the manner contemplated by, Condition 13A of the Terms and Conditions of the Instruments.

RISK FACTORS

The Issuer and Tokio Marine & Nichido believe that the factors described below represent the principal risks inherent in investing in Instruments issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. If any of these risks materialise, the price of the Instruments may decline and the investors could lose all or part of their investment. Further, an investor's liability may not be limited to the value of his investment.

Prospective investors should consider carefully the risks set forth below and other information contained in this Base Prospectus prior to making any investment decision with respect to the Instruments. Each of the risks highlighted below, individually or together, could have a material adverse effect on the Issuer and Tokio Marine & Nichido's business, results of operations, financial condition, capital base, prospects and/or reputation. Investors should consider carefully whether an investment in the Instruments is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

Risk Relating to the Issuer

The Issuer's ability to make payments of principal and interest on the Instruments will depend on the performance of its trading activities in cash financial instruments and both over-the-counter and exchange traded financial derivative instruments. The Issuer is exposed to market risk, credit risk and cash liquidity risk resulting from its trading activities in cash financial instruments and both over-the-counter and exchange traded financial derivative instruments.

Market risks include the risk that the Issuer may incur losses arising from fluctuation in future prices of the relevant financial instruments from changes in interest rates, foreign exchange rates and stock prices.

Credit risks include risks that the Issuer may incur losses when its counterparties in derivative transactions fail to perform obligations set forth in the initial agreements due to insolvency or otherwise, other than any losses arising from deterioration of the credit standing of trade reference stated in credit derivative agreements.

Cash liquidity risk is the potential loss the Issuer may incur as a result of the need to raise cash at short notice at a premium to its normal costs of funding.

Condition 7.1(vii) (Events of Default and Enforcement Events) has been amended for Instruments to be issued on or after 2 November 2007 by the addition of the following wording to the end of this Condition, as shown in bold and italics: "... (iv) the Issuer or any of its Subsidiaries (if any) ceases or threatens to cease to carry on all or any substantial part of its business ***and the Issuer has not obtained from each of Moody's Japan K.K., Rating and Investment Information Inc. and Japan Credit Rating Agency, Ltd. confirmation in writing that the carrying out of such an action will not result in a downgrading of the then current credit rating applied by such rating agency to the Programme.***". This differs from Condition 7.1(vii) (Events of Default and Enforcement Events) applicable to Instruments issued pursuant to the Terms and Conditions contained in earlier Base Prospectuses from 6 November 2006 and earlier, which did not contain the additional wording.

Accordingly, in the event that the Issuer or any Subsidiary of the Issuer ceased or threatened to cease to carry on all or any substantial part of its business and the credit rating assigned by a rating agency that has rated this Programme was confirmed by that rating agency to remain unchanged from the applicable credit rating prior to such an action, this would not be an Event of Default (as defined in Condition 7 (Events of Default and Enforcement Events)) as set out in this Base Prospectus and, accordingly, would not entitle Holders of Instruments with Condition 7 as set out in this Base Prospectus to give notice to the Issuer declaring that any such Instrument shall be forthwith due and payable. However, no assurance can be given that, should the Issuer or any Subsidiary of the Issuer cease or threaten to cease to carry on all or any substantial part of its business, the Issuer would be able to meet its obligations under or in respect of all Instruments issued and its obligations and liabilities generally under the Programme as they respectively fall due without reliance on the Support Agreement. Were this to occur, Holders of Instruments would be more

dependent upon Tokio Marine & Nichido's ability to comply with its obligations under the Support Agreement by maintaining the Issuer's net worth at no less than U.S.\$10,000,000 or to meet the Issuer's payment obligations in respect of the Instruments.

Risks Relating to Tokio Marine & Nichido

Tokio Marine & Nichido and its consolidated subsidiaries carry out various derivative transactions in order to provide a wide range of financial instruments that meet customers' hedging needs as well as their diverse and complex investment/procurement needs.

The Issuer's ability to meet its payment obligations is enhanced by the Support Agreement under which Tokio Marine & Nichido has covenanted to ensure that the Issuer has a minimum adjusted net worth of no less than U.S.\$10,000,000 at all times and upon request, to provide additional funds to the Issuer to meet its payment obligations. Holders of Instruments may also have direct rights to enforce the Issuer's rights against Tokio Marine & Nichido under certain circumstances set out in the Support Agreement. Therefore, the right of Holders of Instruments to receive payment under the Instruments could be adversely affected if Tokio Marine & Nichido is declared bankrupt, is liquidated or is re-organised or, if as a result of a decline in its business, it is unable to meet its obligations to the Issuer under the Support Agreement.

The derivative activities carried out by Tokio Marine & Nichido and its consolidated subsidiaries entail market risks and credit risks. Market risk refers to the possibility of losses arising from the value changes caused by price fluctuations in the underlying financial instruments and indexes such as interest rates, foreign exchange rates and stock prices. Credit risks include risks that Tokio Marine & Nichido and its consolidated subsidiaries may incur losses when their counterparties in derivative transactions fail to perform obligations set forth in the initial agreements due to insolvency or otherwise, other than any losses arising from deterioration of the credit standing of trade reference stated in credit derivative agreements.

The insurance and financial strength ratings attributed to Tokio Marine & Nichido or its operating subsidiaries by the major rating agencies may be changed, suspended or withdrawn at any time by the rating agencies. A change to the ratings attributed to Tokio Marine & Nichido or its operating subsidiaries may have an adverse effect on the financial condition, results of operations, and cashflows of Tokio Marine & Nichido and its operating subsidiaries. Weather related events and other catastrophes such as hurricanes and earthquakes, coupled with the potential for further catastrophes to which Tokio Marine & Nichido or its operating subsidiaries may be exposed (including acts of terrorism) raise the possibility that the competitive and financial position of Tokio Marine & Nichido and/or its operating subsidiaries could deteriorate and ratings could be downgraded. The credit ratings assigned to indebtedness of Tokio Marine & Nichido may affect both its ability to obtain new financing and trade credit and the costs of financing and credit. For example, if Tokio Marine & Nichido credit ratings were downgraded, it could increase the cost of capital, make efforts to raise capital or trade credit more difficult and have an adverse impact on business relationships and reputation.

Investment returns are an important part of the overall business of Tokio Marine & Nichido and its operating subsidiaries, and fluctuations in the financial markets, primarily the fixed income and equity markets, could have a material adverse effect on the financial conditions, results of operations and cash flows of Tokio Marine & Nichido and its operating subsidiaries.

The investment returns of Tokio Marine & Nichido and its operating subsidiaries are also susceptible to changes in general economic conditions, including changes that impact the market value of assets held in their investment portfolios.

Tokio Marine & Nichido and its operating subsidiaries maintain loss reserves for their insurance businesses to cover estimated liability for losses and loss adjustment expenses for reported and unreported losses incurred as of the end of each accounting period. Such loss reserves may prove to be inadequate to cover actual losses and benefits experience. Additional losses, including losses arising from changes in the interpretation of legal liability, or the assessment of damages caused by judicial decisions or changes in law, the type or magnitude of which cannot be foreseen, may emerge in the future.

Loss reserves are established using internal “best estimate” reserving practices, which means that liability for losses and benefits represents what are believed will be the probable amount that will be required to ultimately settle all claims incurred as of the fiscal year-end and interim statements. These estimates are based on actuarial and statistical projections, at a given time, of facts and circumstances known at that time and estimates of trends in loss severity and other variable factors, including new concepts of liability or other changes in legal precedents and general economic conditions. Changes in these trends or other variable factors could result in claims in excess of loss reserves.

For some types of losses it has been necessary, and may over time be necessary, to increase estimated ultimate loss and, therefore, the related loss reserves. Consequently, actual losses, benefits and related expenses paid may differ from estimates reflected in the loss reserves in the financial statements of Tokio Marine & Nichido and its operating subsidiaries.

Any insufficiencies in or need to increase loss reserves maintained by Tokio Marine & Nichido and its operating subsidiaries for future claims on insurance obligations underwritten by Tokio Marine & Nichido and its operating subsidiaries could have a material adverse effect on the financial condition, results of operations and cash flows of Tokio Marine & Nichido and its operating subsidiaries (as applicable).

Tokio Marine & Nichido and its operating subsidiaries participate in a highly competitive market. Developments in this market and increased competition may adversely affect the financial position of Tokio Marine & Nichido and its operating subsidiaries. Continued consolidation of the insurance industry could lead to market-wide price reductions resulting in pressure on margins. Such competitive pressure may lead to adjustments to policy terms, withdrawal from or reduction of capacity in certain business lines or reduction of prices resulting in decreased margins.

Tokio Marine & Nichido and its operating subsidiaries are exposed to various currency exchange risks which can affect liquidity, profit and loss, shareholders’ equity, capital position and the overall economic enterprise value. Fluctuations in exchange rates between currencies could impact on the consolidated financial condition, results of operations and cash flow from year to year of Tokio Marine & Nichido.

Insurance laws, regulations and policies currently governing Tokio Marine & Nichido and its operating subsidiaries may change at any time in ways which may adversely affect their business. Furthermore, the timing or form of any future regulatory initiatives cannot be predicted. Tokio Marine & Nichido and its subsidiaries are subject to applicable government regulation in each of the jurisdictions in which business is conducted. The insurance industry is also affected by political, judicial and other legal developments which have at times in the past resulted in new areas or expanded scope of liability.

Satisfaction of increased regulatory requirements could require additional regulatory capital, lead to additional expense or otherwise adversely affect Tokio Marine & Nichido’s financial position and that of its operating subsidiaries.

General insurance companies frequently experience losses from catastrophes. Catastrophes may have a material adverse effect on the financial condition, results of operations and cash flows of Tokio Marine & Nichido and its operating subsidiaries.

Natural catastrophes include, but are not limited to hurricanes, floods, windstorms, earthquakes, tornadoes, fires, severe hail and severe winter weather, and are inherently unpredictable in terms of both their occurrence and severity. Catastrophes can also be man-made, such as terrorist attacks, explosions, fires and oil spills. The incidence and severity of these catastrophes in any given period are inherently unpredictable.

There is a risk that provisions for future obligations to employees under pension plans may not be adequate. This could result from longer life expectancies, changes in interest rates and fluctuations in equity markets. In addition, pension related regulations are subject to review and change in the jurisdictions in which Tokio Marine & Nichido and its subsidiaries operate. Further changes to actuarial assumptions in jurisdictions in which Tokio Marine & Nichido and its subsidiaries have employees, and other factors, could adversely affect Tokio Marine & Nichido and its subsidiaries ability to meet their pension funding obligations.

Risk Relating To The Instruments

There is no active trading market for the Instruments

Instruments issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Instruments which is already issued). If the Instruments are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made for the Instruments issued under the Programme to be listed on the Official List of the FSA and admitted to trading on the London Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Instruments will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Instruments.

The Instruments may be redeemed prior to maturity

Unless in the case of any particular Tranche of Instruments the relevant Final Terms specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Instruments due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Instruments in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Instruments the relevant Final Terms specifies that the Instruments are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Instruments at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Instruments.

Because the Global Instruments are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Instruments issued under the Programme may be represented by one or more Global Instruments. Such Global Instruments will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Instrument, investors will not be entitled to receive definitive Instruments. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Instruments. While the Instruments are represented by one or more Global Instruments, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Instruments are represented by one or more Global Instruments the Issuer will discharge its payment obligations under the Instruments by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Instrument must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Instruments. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Instruments.

Holders of beneficial interests in the Global Instruments will not have a direct right to vote in respect of the relevant Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Instruments will not have a direct right under the Global Instruments to take enforcement action against the Issuer in the event of a default under the relevant Instruments but will have to rely upon their rights under the Deed of Covenant.

Minimum Specified Denomination and higher integral multiples

In relation to any issue of Instruments which have a denomination consisting of the minimum Specified Denomination plus a higher multiple of another smaller amount, it is possible that the Instruments may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Holder of such an Instrument who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a definitive Instrument in respect of such holding (should definitive Instruments be printed) and would need to purchase a principal amount of Instruments such that its holding amounts to the minimum Specified Denomination.

Credit Rating

The Programme has been assigned a rating of Aa2 by Moody's Japan K.K., AA + by Rating and Investment Information, Inc. and AAA by Japan Credit Rating Agency, Ltd. Japan Credit Rating Agency, Ltd. is not established in the EEA but is certified under the CRA Regulation. Neither of Moody's Japan K.K. and Rating and Investment Information, Inc is established in the EEA and neither of these rating agencies are certified under the CRA Regulation. Neither the rating that Moody's Japan K.K. or Rating and Investment Information, Inc has given in respect of Instruments to be issued under the Programme is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation. Tranches of Instruments issued under the Programme may be rated or unrated. Where a Tranche of Instruments is rated, such rating will not necessarily be the same as the ratings described above. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Instruments issued under the Programme.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Partly Paid Instruments

The Issuer may ensure Instruments where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Instruments may not be a suitable investment for all investors

Each potential investor in any Instruments must determine the suitability of that investment in light of, its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Instruments, the merits and risks of investing in the relevant Instruments and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Instruments and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Instruments, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- (iv) understand thoroughly the terms of the relevant Instruments and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Modification and waivers and substitution

The Terms and Conditions of the Instruments contain provisions for calling meetings of Holders of Instruments to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders of Instruments including Holders of Instruments who did not attend and vote at the relevant meeting and Holders of Instruments who voted in a manner contrary to the majority.

Exchange rate risks and exchange controls

The relevant Issuer will pay principal and interest on the Instruments in the currency as may be specified in the Final Terms (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency-equivalent yield on the Instruments, (2) the Investor’s Currency equivalent value of the principal payable on the Instruments and (3) the Investor’s Currency equivalent market value of the Instruments.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in fixed rate Instruments involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Instruments.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Instruments are legal investments for it, (2) Instruments can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Instruments. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Instruments under any applicable risk-based capital or similar rules.

Loss of Investment

If, in the case of any particular Tranche of Instruments, the relevant Final Terms do not specify that the Instruments are wholly principal protected, there is a risk that any investor may lose the value of their entire investment or part of it and that the Instruments may trade significantly below their issue price at any time prior to redemption.

Index Linked Instruments, Dual Currency Instruments and Instruments linked to Swap Rates, interest, formula or other underlying

The Issuer may issue Instruments with principal or interest determined by reference to interest or swap rates or an index or formula, to changes in the prices of securities or commodities, to movements in currency

exchange rates or other factors (each, a “**Relevant Factor**”). In addition, the Issuer may issue Instruments with principal or interest payable in one or more currencies, which may be different from the currency in which the Instruments are denominated.

Potential investors should be aware that:

- (i) the market price of such Instruments may be very volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Instruments in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Risks Relating to Current Market Conditions

The investments, business, profitability and results of operations of the Issuer or, as the case may be, Tokio Marine & Nichido, may be adversely affected as a result of the difficult conditions in the financial markets

Since the second half of 2007, disruption in the global credit markets, coupled with the re-pricing of credit risk and the deterioration of the housing markets in the United States and United Kingdom and elsewhere, created increasingly difficult conditions in the financial markets. Among the sectors of the global credit markets that are experiencing particular difficulty due to the current crisis are the markets associated with sub-prime mortgage backed securities, asset backed securities, collateralized debt obligations, leveraged finance and complex structured securities. These conditions have resulted in historic volatility, less liquidity or no liquidity, widening of credit spreads and a lack of price transparency in certain markets.

These conditions have resulted in unprecedented action by governmental authorities and central banks around the world. It is difficult to predict how long these conditions will exist and how the Issuer’s or, as the case may be, Tokio Marine & Nichido’s, investments and markets will be adversely affected. These conditions may be exacerbated by persisting volatility in the financial sector and the capital markets, or concerns about, or a default by, one or more institutions, which could lead to significant market-wide liquidity problems, losses or defaults by other institutions. Accordingly, these conditions could adversely affect the Issuer’s or, as the case may be, Tokio Marine & Nichido’s, investments, consolidated financial condition or results of operations in future periods. In addition, the Issuer or, as the case may be, Tokio Marine & Nichido, may become subject to litigation and regulatory or governmental scrutiny, or may be subject to changes in applicable regulatory regimes that may be materially adverse to them and their prospects. Furthermore, it is not possible to predict the impact of proposed structural and/or regulatory changes which may result from the current market conditions or whether such changes may be materially adverse to the Issuer or, as the case may be, Tokio Marine & Nichido and their prospects.

If current market conditions and circumstances deteriorate further, or volatility continues for protracted periods of time, this could lead to a decline in credit quality, corrections in asset prices and increases in defaults and non-performing debt, which may have a negative impact on the rating, performance or value of investments of the Issuer or, as the case may be, Tokio Marine & Nichido, and materially adversely affect their business, profitability and results of operations.

The Issuer or, as the case may be, Tokio Marine & Nichido, may incur losses associated with counterparty exposures

The Issuer or, as the case may be, Tokio Marine & Nichido, faces the possibility that a counterparty will be unable to honour its contractual obligations. These counterparties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to the Issuer or Tokio Marine & Nichido; executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Such counterparty risk is more acute in difficult market conditions where the risk of failure of counterparties is higher.

The value of certain investments of the Issuer or, as the case may be, Tokio Marine & Nichido, may fall given the uncertainty involved in determining the fair value of such investments generally, and particularly in difficult market conditions

Under generally accepted accounting principles in Japan, the Issuer recognises at fair value derivative product assets and liabilities as further described in “*Significant Accounting Policies*” in the notes to the audited financial statements of the Issuer for the year ended 31 December 2010.

Under generally accepted accounting principles in Japan, Tokio Marine & Nichido recognises at fair value derivative product assets and liabilities as further described in “*Basis of Presentation and Significant Accounting Policies*” for the year ended 31 March, 2011.

Generally, to establish the fair value of these instruments, the Issuer and, where relevant, Tokio Marine & Nichido rely on quoted market prices in active markets or, where the market for a financial instrument is not sufficiently active, valuation techniques that utilise, wherever possible, observable market inputs. Observable inputs for such valuation models may not be available or may become unavailable due to the changes in market conditions or the disappearance of active markets for certain instruments that have taken place over the past several months.

To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be subjective and dependent on the significance of unobservable inputs to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities, appropriate proxies or other analytical techniques. In such circumstances, the Issuer’s and, where relevant, Tokio Marine & Nichido’s internal valuation models require it to make assumptions, judgments and estimates in order to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgements and estimates the Issuer and, where relevant, Tokio Marine & Nichido is required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, house price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgments and estimates may need to be updated to reflect changing trends and market conditions. The resulting changes in the fair values of financial instruments could have a material adverse effect on the Issuer’s or, as the case may be, Tokio Marine & Nichido’s earnings and financial condition.

Financial institutions may use different accounting categorisations for the same or similar financial assets due to their different intentions regarding those assets. In determining fair value of financial instruments, different financial institutions may use different valuation techniques, assumptions, judgments and estimates, which may result in lower or higher fair values for such financial instruments

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the terms and conditions set out on pages 16 to 37 (inclusive) of the base prospectus dated 2 November 2007 relating to the Programme under the heading “*Terms and Conditions of the Instruments*” (the “**2007 Conditions**”);
2. the terms and conditions set out on pages 17 to 41 (inclusive) of the base prospectus dated 30 October 2008 relating to the Programme under the heading “*Terms and Conditions of the Instruments*” (the “**2008 Conditions**”);
3. the terms and conditions set out on pages 17 to 41 (inclusive) of the base prospectus dated 29 October 2009 relating to the Programme under the heading “*Terms and Conditions of the Instruments*” (the “**2009 Conditions**”); and
4. the terms and conditions set out on pages 19 to 43 (inclusive) of the base prospectus dated 28 October 2010 relating to the Programme under the heading “*Terms and Conditions of the Instruments*” (the “**2010 Conditions**”).

Copies of the documents specified above as information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the specified office of the Issue and Paying Agent and from the Tokyo Branch of the Issuer. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant for the investor or is covered elsewhere in this Base Prospectus.

TERMS AND CONDITIONS OF THE INSTRUMENTS

The following are the Terms and Conditions of the Instruments which as supplemented, modified or replaced in relation to any Instruments by the relevant Final Terms, will be applicable to each Series of Instruments. The terms and conditions applicable to any instrument in global form will differ from those terms and conditions which would apply to the Instrument were it in definitive form to the extent described under “Provisions Relating to the Instruments while in Global Form” below.

Tokio Marine Financial Solutions Ltd. (the “**Issuer**”) has established a Programme for the issuance of Debt Instruments (the “**Programme**”) of up to ¥400,000,000,000 in aggregate principal amount of the instruments (the “**Instruments**”). The Instruments are issued pursuant to and in accordance with an amended and restated issue and paying agency agreement dated 27 October 2011 (as amended, supplemented or replaced from time to time, the “**Issue and Paying Agency Agreement**”) and made between Tokio Marine Financial Solutions Ltd. (the “**Issuer**”), The Bank of New York Mellon acting through its London Branch in its capacity as issue and paying agent (the “**Issue and Paying Agent**”, which expression shall include any successor to The Bank of New York Mellon acting through its London Branch in its capacity as such, and together with any additional paying agents appointed in accordance with the Issue and Paying Agency Agreement, the “**Paying Agents**”). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Conditions of any Series of Instruments (as defined below), the Issuer may appoint a calculation agent (the “**Calculation Agent**”) for the purposes of such Instruments, in accordance with the provisions of the Issue and Paying Agency Agreement, and such Calculation Agent shall be specified in the relevant Final Terms (as defined below). The Instruments have the benefit of a deed of covenant (as amended, supplemented or replaced from time to time, the “**Deed of Covenant**”) dated 27 October 2011 executed by the Issuer in relation to the Instruments. The Issuer and, in certain circumstances, the Holders (as defined in Condition 2.1) have the benefit of a 2nd Amended and Restated Support Agreement entered into between the Issuer and Tokio Marine & Nichido Fire Insurance Co., Ltd. (“**Tokio Marine & Nichido**”) dated 26 August 2005 (as amended, supplemented or replaced from time to time, subject to and in accordance with such agreement and the provisions of the Deed of Covenant, the “**Support Agreement**”). Copies of the Issue and Paying Agency Agreement, the Deed of Covenant and the Support Agreement are available for inspection during normal business hours at the specified office of each of the Paying Agents. All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement, the Deed of Covenant and the Support Agreement insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each, a “**Series**”), and each Series may comprise one or more tranches (“**Tranches**” and each, a “**Tranche**”) of Instruments. Each Tranche will be the subject of a Final Terms (the “**Final Terms**”), copies of which shall be obtainable and available for inspection during normal business hours at the specified offices of the Paying Agents. In the case of a Tranche of Instruments in relation to which application has not been made for listing on any stock exchange, copies of the Final Terms will only be available for inspection by a Holder of or, as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of, such Instruments.

References in these Terms and Conditions to Instruments are to Instruments of the relevant Series and any references to Coupons (as defined in Condition 1.2) and Receipts (as defined in Condition 1.3) are to Coupons and Receipts relating to Instruments of the relevant Series.

References in these Terms and Conditions to the Final Terms are to the Final Terms prepared in relation to the Instruments of the relevant Tranche or Series.

In respect of any Instruments, references herein to these Terms and Conditions are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the Final Terms. In the event of any inconsistency between these conditions and the relevant Final Terms, the relevant Final Terms prevail.

1. Form and Denomination

Form

1.1 Instruments are issued in bearer form and are serially numbered.

1.2 Interest-bearing Instruments in definitive form have attached thereto at the time of their initial delivery coupons (“**Coupons**”), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, if so specified in the Final Terms, such Instruments have attached thereto at the time of their initial delivery, a talon (“**Talon**”) for further coupons and the expression “**Coupons**” shall, where the context so requires, include Talons.

1.3 Instruments in definitive form, the principal amount of which is repayable by instalments (“**Instalment Instruments**”) have attached thereto at the time of their initial delivery, payment receipts (“**Receipts**”) in respect of the instalments of principal.

Denomination

1.4 Instruments are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. Instruments of one denomination may not be exchanged for Instruments of any other denomination.

Currency of Instruments

1.5 The Instruments are denominated in such currency as may be specified in the Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Partly Paid Instruments

1.6 Instruments may be issued on a partly paid basis (“**Partly Paid Instruments**”) if so specified in the Final Terms. The subscription moneys therefore shall be paid in such number of instalments (“**Partly Paid Instalments**”) in such amounts, on such dates and in such manner as may be specified in the Final Terms. The first such instalment shall be due and payable on the date of issue of the Instruments. For the purposes of these Terms and Conditions, in respect of any Partly Paid Instrument, “**Paid Up Amount**” means the aggregate amount of all Partly Paid Instalments in respect thereof as shall have fallen due and been paid up in full in accordance with the Terms and Conditions.

Not less than 14 days nor more than 30 days prior to the due date for payment of any Partly Paid Instalment (other than the first such instalment) the Issuer shall publish a notice in accordance with Condition 14 stating the due date for payment thereof and stating that failure to pay any such Partly Paid Instalment on or prior to such date will entitle the Issuer to forfeit the Instruments with effect from such date (“**Forfeiture Date**”) as may be specified in such notice (not being less than 14 days after the due date for payment of such Partly Paid Instalment), unless payment of the relevant Partly Paid Instalment together with any interest accrued thereon is paid prior to the Forfeiture Date. The Issuer shall procure that any Partly Paid Instalments paid in respect of any Instruments subsequent to the Forfeiture Date in respect thereof shall be returned promptly to the persons entitled thereto. The Issuer shall not be liable for any interest on any Partly Paid Instalment so returned.

Interest shall accrue on any Partly Paid Instalment which is not paid on or prior to the due date for payment thereof at the Interest Rate (in the case of non-interest bearing Instruments, at the rate applicable to overdue payments) and shall be calculated in the same manner and on the same basis as if it were interest accruing on the Instruments for the period from and including the due date for payment of the relevant Partly Paid Instalment up to but excluding the Forfeiture Date. For the purpose of the accrual of interest, any payment of any Partly Paid Instalment made after the due date for payment shall be treated as having been made on the day preceding the Forfeiture Date (whether or not a Business Day as defined in Condition 5.9).

Unless an Event of Default (or an event which with the giving of notice, the lapse of time or the making or giving of any determination or certification would constitute an Event of Default) shall have occurred and be continuing, on the Forfeiture Date, the Issuer shall forfeit all of the Instruments in respect of which any Partly Paid Instalment shall not have been duly paid, whereupon the Issuer shall be entitled to retain all Partly Paid Instalments previously paid in respect of such Instruments and shall be discharged from any obligation to repay such amount or to pay interest thereon.

2. Title and Transfer

2.1 Title to Instruments, Receipts and Coupons passes by delivery. References herein to the “**Holders**” of Instruments or of Receipts or Coupons are to the bearers of such Instruments or such Receipts or Coupons.

2.2 The Holder of any Instrument or Coupon (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

3. Status

Status of the Instruments

3.1 The Instruments constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future (save for certain mandatory exceptions provided by law).

Status of the Support Agreement

3.2 Tokio Marine & Nichido has covenanted in the Support Agreement to, *inter alia*, (i) ensure that the Issuer has a minimum Adjusted Net Worth (as defined therein) at all times and (ii) provide funds (at the request of the Issuer) to the Issuer to meet certain payment obligations including its obligations to Holders of Instruments. Tokio Marine & Nichido and the Issuer have further agreed that upon the failure of the Issuer to meet certain payment obligations including (but without limitation) its obligations to Holders of Instruments, such Holder(s) shall have the right to demand that the Issuer enforce its rights under the Support Agreement and in the event that the Issuer fails to do so, such Holder(s) may proceed directly against Tokio Marine & Nichido to enforce such rights of the Issuer. The Support Agreement does not, however, constitute a guarantee of the Instruments, and Tokio Marine & Nichido is not a surety.

4. Negative Pledge

So long as any Instrument remains outstanding (as defined in the Issue and Paying Agency Agreement), the Issuer shall not and shall procure that none of its Subsidiaries (if any) shall, create or permit to subsist any Security Interest upon the whole or any part of their present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Instruments equally and rateably therewith or (b) providing such other security for the Instruments as may be approved by an Extraordinary Resolution (as defined in the Issue and Paying Agency Agreement) of Instrumentholders.

In these Conditions:

“**Guarantee**“ means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness other than an indemnity in a credit swap agreement entered into by the Issuer in the normal course of its trading activities on the Issuer's standard or usual terms of business; and
- (iv) any other agreement to be responsible for such Indebtedness;

“**Indebtedness**” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement but excluding a debt securities repurchase agreement (arising in the ordinary course of business)) having the commercial effect of a borrowing;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and “**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

5. Interest

Interest

5.1 Instruments may be interest-bearing or non interest-bearing, as specified in the Final Terms. Words and expressions appearing in this Condition 5 and not otherwise defined herein or in the Final Terms shall have the meanings given to them in Condition 5.9.

Interest-bearing Instruments

5.2 Instruments which are specified in the Final Terms as being interest-bearing shall bear interest from their Interest Commencement Date at the Interest Rate payable in arrear on each Interest Payment Date.

Floating Rate Instruments

5.3 If the Final Terms specifies the Interest Rate applicable to the Instruments as being Floating Rate it shall also specify which page (the “**Relevant Screen Page**”) on the Reuters Screen or any other

information vending service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Instruments for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

- (i) the Calculation Agent will determine the offered rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 per cent. being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market, selected by the Calculation Agent, at approximately the Relevant Time on the Interest Determination Date to prime banks in the London interbank market for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;
- (iii) if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or
- (iv) if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (or, in the case of Instruments denominated in euro, in such financial centre or centres within the euro zone) selected by the Calculation Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Accrual Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time, and the Interest Rate applicable to such Instruments during each Interest Accrual Period will be the sum of the relevant margin (the “**Relevant Margin**”) specified in the Final Terms and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined **provided, however, that**, if the Calculation Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Accrual Period, the Interest Rate applicable to such Instruments during such Interest Accrual Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such Instruments in respect of the last preceding Interest Accrual Period.

ISDA Rate Instruments

5.4 If the Final Terms specifies the Interest Rate applicable to the Instruments as being ISDA Rate, each Instrument shall bear interest as from such date, and at such rate or in such amounts, and such interest will be payable on such dates, as would have applied (regardless of any event of default or termination event or tax event thereunder) if the Issuer had entered into an interest rate swap transaction with the Holder of such Instrument under the terms of an agreement to which the ISDA Definitions applied and under which:

- the Fixed Rate Payer, Fixed Amount Payer, Fixed Price Payer, Floating Rate Payer, Floating Amount Payer or, as the case may be, the Floating Price Payer is the Issuer (as specified in the Final Terms);
- the Effective Date is the Interest Commencement Date;
- the Termination Date is the Maturity Date;
- the Calculation Agent is the Calculation Agent as specified in the Final Terms;

- the Calculation Periods are the Interest Accrual Periods;
- the Period End Dates are the Interest Period End Dates;
- the Payment Dates are the Interest Payment Dates;
- the Reset Dates are the Interest Period End Dates;
- the Calculation Amount is the Calculation Amount as specified in the Final Terms;
- the Day Count Fraction applicable to the calculation of any amount is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions;
- the Applicable Business Day Convention applicable to any date is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions; and– the other terms are as specified in the Final Terms.

Maximum or Minimum Interest Rate

5.5 If any Maximum or Minimum Interest Rate is specified in the Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

Accrual of Interest

5.6 Interest shall accrue on the Outstanding Principal Amount of each Instrument during each Interest Accrual Period from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefore (or, in the case of an Instalment Instrument, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 6.10) or the relevant Instalment Amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Interest Rate then applicable or such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Issue and Paying Agent having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 that the Issue and Paying Agent has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

Interest Amount(s), Calculation Agent and Reference Banks

5.7 If a Calculation Agent is specified in the Final Terms, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the “**Interest Amount(s)**”) in accordance with Condition 5.8, calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or, as the case may be, the Redemption Amount or any Instalment Amount to be notified to the Issue and Paying Agent, the Issuer, the Holders in accordance with Condition 14 and, if the Instruments are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be

amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and Interest Amount in respect of an Instrument having the minimum Specified Denomination.

If the Instruments become due and payable under Condition 7, the Interest Rate and the accrued interest payable in respect of the Instruments shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer and the Holders and neither the Calculation Agent nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer will procure that there shall at all times be such Reference Banks as may be required for the purpose of determining the Interest Rate applicable to the Instruments and a Calculation Agent, if provision is made for one in the Terms and Conditions.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

Calculations and Adjustments

5.8 The Interest Amount(s) in respect of any Instrument shall be calculated by applying the Interest Rate for such Interest Accrual Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a subunit being rounded upwards other than in the case of any Japanese Yen amount, which will be rounded downwards to the next lower whole Japanese Yen amount) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Instrument divided by the Calculation Amount, save that (i) if the Final Terms specifies a specific amount in respect of such period, the amount of interest payable in respect of such Instrument for such period will be equal to such specified amount and (ii) in the case of Instruments where the Interest Rate is fixed, the interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in the Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States Dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

Definitions

5.9 “**Applicable Business Day Convention**” means the “Business Day Convention” which may be specified in the Final Terms as applicable to any date in respect of the Instruments. Where the Final Terms specifies “No Adjustment” in relation to any date, such date shall not be adjusted in accordance with any Business Day Convention. Where the Final Terms fails either to specify an applicable Business Day

Convention or “No Adjustment” for the purposes of an Interest Payment Date or an Interest Period End Date, then in the case of Instruments which bear interest at a fixed rate, “No Adjustment” shall be deemed to have been so specified and in the case of Instruments which bear interest at a floating rate, the Modified Following Business Day Convention shall be deemed to have been so specified. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Instruments.

“**Banking Day**” means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

“**Business Day**” means a day (other than a Saturday or Sunday):

- (i) in relation to Instruments denominated or payable in euro, a TARGET Settlement Day;
- (ii) in relation to Instruments payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency; and
- (iii) in either case, on which commercial banks are open for business and foreign exchange markets settle payments in any place in the relevant Final Terms.

“**Business Day Convention**” means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Final Terms in relation to any date applicable to any Instruments, shall have the following meanings:

- (i) “**Following Business Day Convention**” means that such date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that such date shall be brought forward to the first preceding day that is a Business Day; and
- (iv) “**FRN Convention**” or “**Eurodollar Convention**” means that each such date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms after the calendar month in which the preceding such date occurred **provided that:**
 - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.

a “**Calculation Amount**” has the meaning given in the relevant Final Terms.

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (“**Calculation Period**”), such day count fraction as may be specified in the Final Terms and:

- (i) if “**Actual/Actual (ICMA)**” is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods normally ending in any year; and
 - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods normally ending in any year;
- (ii) if “**Actual/365**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365) or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the months that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “**30E/360**” or “**Eurobond Basis**” is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

“**Euro Zone**” means the zone comprising the Member States of the European Union which adopt or have adopted the euro as their lawful currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union.

“**Interest Accrual Period**” means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period **provided always that** the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final maturity.

“**Interest Commencement Date**” means the date of issue of the Instruments (as specified in the Final Terms) or such other date as may be specified as such in the Final Terms.

“Interest Determination Date” means, in respect of any Interest Accrual Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Final Terms prior to the first day of such Interest Accrual Period, or if none is specified:

- (i) in the case of Instruments denominated in Pounds Sterling, the first day of such Interest Accrual Period; or
- (ii) in the case of instruments denominated or payable in euro the date falling two TARGET Business Days prior to the first day of such Interest Accrual Period; or
- (iii) in any other case, the date falling two London Banking Days prior to the first day of such Interest Accrual Period.

“Interest Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, if an Applicable Business Day Convention is specified in the Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Final Terms as being the Interest Period, each of such dates as may occur in accordance with the FRN convention at such specified period of calendar months following the date of issue of the Instruments (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

“Interest Period” means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date **provided always that** the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final maturity.

“Interest Period End Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, if an Applicable Business Day Convention is specified in the Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or, if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Final Terms as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Final Terms, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Instruments.

“Interest Rate” means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the Instruments specified in, or calculated or determined in accordance with the provisions of, the Final Terms.

“ISDA Definitions” means the 2000 ISDA Definitions, as amended and updated as at the date of issue of the first Tranche of the Instruments of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.) or, if so specified in the relevant Final Terms, the 2006 ISDA Definitions as amended and updated as at the date of issue of the First Tranche of the Instruments of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.

“Outstanding Principal Amount” means, in respect of an Instrument, its principal amount less, in respect of any Instalment Instrument, any principal amount on which interest shall have ceased to accrue in accordance with Condition 5.6 or, in the case of a Partly Paid Instrument, the Paid Up Amount of such Instrument or otherwise as indicated in the Final Terms except that the Paid Up Amount shall be deemed to be nil for Instruments which have been forfeited by the Issuer on or after the Forfeiture Date as provided for in Condition 1.6.

“Reference Banks” means such banks as may be specified in the Final Terms as the Reference Banks or, if none are specified, “Reference Banks” has the meaning given in the ISDA Definitions, *mutatis mutandis*.

“Regular Period” means:

- (i) in the case of Instruments where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date; and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Instruments where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Instruments where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“Relevant Financial Centre” means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of **“Business Day”** in the ISDA Definitions, as modified or supplemented in the Final Terms.

“Relevant Time” means the time as of which any rate is to be determined as specified in the Final Terms or, if none is specified, at which it is customary to determine such rate.

“Reuters Screen” means, when used in connection with a designated page and any designated information, the display page so designated on the Reuter Money 3000 Service (or such other page as may replace that page on that service for the purpose of displaying such information).

“Specified Currency” has the meaning given in the relevant Final Terms.

“Specified Denomination(s)” has the meaning given in the relevant Final Terms.

“sub-unit” means for the purpose of calculating the Interest Amount(s) in the case of any currency other than euro and U.S. dollars, the lowest amount of such currency that is available as legal tender in the currency of such country and, in the case of euro and U.S. dollars, means one cent.

“TARGET2” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

“TARGET Settlement Day” means any day on which TARGET2 is open for the settlement of payments in euro.

“Treaty” means the Treaty establishing the European Community, as amended.

Non-Interest Bearing Instruments

5.10 If any Redemption Amount (as defined in Condition 6.10) or Instalment Amount in respect of any Instrument which is non-interest bearing is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation Yield defined in, or determined in accordance with the provisions of, the Final Terms or at such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Issue and Paying Agent having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 that the Issue and Paying Agent has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated by multiplying the product of the Amortisation Yield and the overdue sum by the Day Count Fraction as if the Day Count

Fraction was as specified for this purpose in the Final Terms or, if not so specified, 30E/360 (as defined in Condition 5.9).

6. Redemption and Purchase

Redemption at Maturity

6.1 Unless previously redeemed, or purchased and cancelled or unless such Instrument is stated in the Final Terms as having no fixed maturity date, each Instrument shall be redeemed at its maturity redemption amount (the “**Maturity Redemption Amount**”) (which shall be its Outstanding Principal Amount or such other redemption amount as may be specified in or determined in accordance with the Final Terms) (or, in the case of Instalment Instruments, in such number of instalments and in such amounts (“**Instalment Amounts**”) as may be specified in, or determined in accordance with the provisions of, the Final Terms) on the date or dates (or, in the case of Instruments which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Final Terms.

Early Redemption for Taxation Reasons

6.2 If, in relation to any Series of Instruments, (i) as a result of any change in the laws, regulations or rulings of the Cayman Islands or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of such Instruments or any other date specified in the Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 8, (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it and (iii) such circumstances are evidenced by the delivery by the Issuer to the Issue and Paying Agent of a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, the Issuer may, at its option and having given no less than thirty nor more than sixty days’ notice (ending, in the case of Instruments which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Instruments in accordance with Condition 14 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Instruments comprising the relevant Series at their early tax redemption amount (the “**Early Redemption Amount (Tax)**”) (which shall be their Outstanding Principal Amount or, in the case of Instruments which are non-interest bearing, their Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with accrued interest (if any) thereon **provided, however, that** no such notice of redemption may be given earlier than 90 days (or, in the case of Instruments which bear interest at a floating rate, a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Instruments plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Instruments then due.

The Issuer may not exercise such option in respect of any Instrument which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Instrument under Condition 6.6.

Optional Early Redemption (Call)

6.3 If this Condition 6.3 is specified in the Final Terms as being applicable, then the Issuer may, having given the appropriate notice and subject to such conditions as may be specified in the Final Terms, redeem all (but not, unless and to the extent that the Final Terms specifies otherwise, some only) of the Instruments of the relevant Series at their call early redemption amount (the “**Early Redemption Amount (Call)**”) (which shall be their Outstanding Principal Amount or, in the case of Instruments which are noninterest bearing, their Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with accrued interest (if any) thereon on the date specified in such notice.

The Issuer may not exercise such option in respect of any Instrument which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Instrument under Condition 6.6.

6.4 The appropriate notice referred to in Condition 6.3 is a notice given by the Issuer to the Holders of the Instruments of the relevant Series in accordance with Condition 14, which notice shall be irrevocable and shall specify:

- the Series of Instruments subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Instrument or Permanent Global Instrument) the serial numbers of the Instruments of the relevant Series which are to be redeemed;
- the due date for such redemption, which shall be not less than thirty days nor more than sixty days after the date on which such notice is given and which shall be such date or the next of such dates (“**Call Option Date(s)**”) or a day falling within such period (“**Call Option Period**”), as may be specified in the Final Terms and which is, in the case of Instruments which bear interest at a floating rate, a date upon which interest is payable; and
- the Early Redemption Amount (Call) at which such Instruments are to be redeemed.

Partial Redemption

6.5 If the Instruments of a Series are to be redeemed in part only on any date in accordance with Condition 6.3 the Instruments to be redeemed shall be drawn by lot in such European city as the Issue and Paying Agent may specify, or identified in such other manner or in such other place as the Issue and Paying Agent may approve and deem appropriate and fair, subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Instruments may be listed.

Optional Early Redemption (Put)

6.6 If this Condition 6.6 is specified in the Final Terms as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument of the relevant Series, redeem such Instrument on the date specified in the relevant Put Notice (as defined below) at its put early redemption amount (the “**Early Redemption Amount (Put)**”) (which shall be its Outstanding Principal Amount or, if such Instrument is non-interest bearing, its Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date on which such redemption is required to be made as specified in the Put Notice (which date shall be such date or the next of the dates (“**Put Date(s)**”) or a day falling within such period (“**Put Period**”) as may be specified in the Final Terms), deposit the relevant Instrument (together, in the case of an interest-bearing Instrument in bearer form, with all unmatured Coupons appertaining thereto other than any Coupon maturing on or before the date of redemption (failing which the provisions of Condition 9A.6 apply)) during normal business hours at the specified office of any Paying Agent together with a duly completed early redemption notice (“**Put Notice**”) in the form which is available from the specified office of any of the Paying Agents. No Instrument so deposited and option exercised may be withdrawn (except as provided in the Issue and Paying Agency Agreement).

The holder of an Instrument may not exercise such option in respect of any Instrument which is the subject of an exercise by the Issuer of its option to redeem such Instrument under either Condition 6.2 or 6.3.

Purchase of Instruments

6.7 The Issuer or any of its Subsidiaries may at any time purchase Instruments in the open market or otherwise and at any price **provided that** all unmatured Receipts and Coupons appertaining thereto are

purchased therewith. If purchases are made by tender, tenders must be available to all Holders of Instruments alike.

Cancellation of Redeemed and Purchased Instruments

6.8 All unmatured Instruments and Coupons and unexchanged Talons redeemed or purchased, otherwise than in the ordinary course of business of dealing in securities or as a nominee in accordance with this Condition 6 will be cancelled forthwith and may not be reissued or resold.

Further Provisions applicable to Redemption Amount and Instalment Amounts

6.9 The provisions of Condition 5.7 and the last paragraph of Condition 5.8 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Calculation Agent.

6.10 References herein to “**Redemption Amount**” shall mean, as appropriate, the Maturity Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms.

6.11 In the case of any Instrument which is non-interest bearing, the “**Amortised Face Amount**” shall be an amount equal to the sum of:

- (i) the Issue Price specified in the Final Terms; and
- (ii) the product of the Amortisation Yield (compounded annually) being applied to the Issue Price from (and including) the Issue Date specified in the Final Terms to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction (as defined in Condition 5.9) specified in the Final Terms for the purposes of this Condition 6.11.

6.12 In the case of any Instrument which is non-interest bearing, if any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortised Face Amount shall be calculated as provided in Condition 6.11 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Instrument becomes due and repayable were replaced by references to the earlier of:

- (i) the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made; and
- (ii) (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Issue and Paying Agent having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

7. Events of Default and Enforcement Events

7.1 The following events or circumstances as modified by, and/or such other events, as may be specified in, the Final Terms (each, an “**Event of Default**”) shall be acceleration events in relation to the Instruments of any Series, namely:

- (i) **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Instruments of the relevant Series or any of them on or within seven days of the due date for payment thereof

or fails to pay any amount of interest in respect of the Instruments of the relevant Series or any of them on or within fourteen days of the due date for payment thereof; or

- (ii) **Breach of Issuer's other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Instruments of the relevant Series or the Issue and Paying Agency Agreement and (except in any case where such default is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such default remains unremedied for 30 days after written notice requiring such default to be remedied has been delivered to the Issuer at the specified office of the Issue and Paying Agent by the Holder of any such Instrument; or
- (iii) **Support Agreement:** (a) Tokio Marine & Nichido defaults in the performance or observance of any of its obligations under or in respect of the Support Agreement or (b) the Issuer agrees to vary, amend, modify or supplement any of the provisions of the Support Agreement (except to correct a manifest error pursuant to Condition 13) without the prior written consent of Holders of Instruments holding not less than two-thirds of the aggregate principal amount of outstanding (as defined in the Issue and Paying Agency Agreement) Instruments.
- (iv) **Cross-default of Issuer**
 - (i) any Indebtedness of the Issuer or any of its Subsidiaries (if any) is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary (if any) or **provided that** no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or
 - (iii) the Issuer or any of its Subsidiaries (if any) fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds U.S.\$10,000,000 (or its equivalent in any other currency or currencies); or

- (v) **Unsatisfied judgment:** one or more final judgment(s) or order(s) for the payment of an aggregate amount in excess of U.S.\$10,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer, or any of its Subsidiaries (if any) which continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (vi) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries (if any); or
- (vii) **Insolvency etc:** (i) the Issuer or any of its Subsidiaries (if any) becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Subsidiaries (if any) or the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries (if any) is appointed (or application for any such appointment is made), (iii) the Issuer or any of its Subsidiaries (if any) takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it, or (iv) the Issuer or any of its Subsidiaries (if any) ceases or threatens to cease to carry on all or any substantial part of its business and the Issuer has not obtained from each of Moody's Japan K.K., Rating and Investment Information Inc. and Japan Credit Rating Agency, Ltd. confirmation in writing that the carrying out of such an action will not result in a downgrading of the then current credit rating applied by such rating agency to the Programme; or

- (viii) **Winding up etc:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Subsidiaries (if any); or
- (ix) **Analogous event:** any event occurs which under the laws of the Cayman Islands or Japan has an analogous effect to any of the events referred to in paragraphs (v) to (viii) above; or
- (x) **Failure to take action etc:** any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable (a) the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Instruments and the Deed of Covenant or (b) Tokio Marine & Nichido lawfully to exercise its rights and perform and comply with its obligations under the Support Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Instruments, the Deed of Covenant and the Support Agreement admissible in evidence in the courts of the Cayman Islands and Japan is not taken, fulfilled or done; or
- (xi) **Unlawfulness:** it is or will become unlawful for (i) the Issuer to perform or comply with any of its obligations under or in respect of the Instruments or the Deed of Covenant or (ii) Tokio Marine & Nichido to perform or comply with any of its obligations under or in respect of the Support Agreement; or
- (xii) **Government intervention:** (i) all or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer or any of its Subsidiaries (if any) is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues.

7.2 If any Event of Default shall occur in relation to any Series of Instruments, any Holder of an Instrument of the relevant Series may, by written notice to the Issuer, at the specified office of the Issue and Paying Agent, declare that such Instrument and (if the Instrument is interest-bearing) all interest then accrued on such Instrument shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the “**Early Termination Amount**”) (which shall be its Outstanding Principal Amount or, if such Instrument is non-interest bearing, its Amortised Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Instruments to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Instruments of the relevant Series shall have been cured. If the Issuer is unable to pay the Early Termination Amount (or such other amount as aforesaid), Tokio Marine & Nichido may be requested under the Support Agreement to provide sufficient funds to satisfy such Early Termination Amount (or such other amount as aforesaid), and in the event that Tokio Marine & Nichido fails to perform such obligation then the Holder may proceed directly against Tokio Marine & Nichido. The Support Agreement may terminate at any time by either (i) the written agreement of the Issuer and Tokio Marine & Nichido, or (ii) in certain circumstances, the delivery by Tokio Marine & Nichido to the Issuer of written notice of termination. Any such termination would not affect any obligation which Tokio Marine & Nichido had to the Issuer in respect of any Instrument issued under the Programme.

8. Taxation

8.1 All amounts payable (whether in respect of principal, interest or otherwise) in respect of the Instruments will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holder after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such

withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Instrument or Coupon:

- (i) presented for payment in the Cayman Islands; or
- (ii) to, or to a third party on behalf of, a person who is liable to such taxes, duties, assessments or governmental charges in respect of such Instrument or Coupon by reason of his having some connection with the Cayman Islands other than (a) the mere holding of such Instrument or Coupon or (b) the receipt of principal, interest or other amount in respect of such Instrument or Coupon; or
- (iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on or before the expiry of such period of thirty days; or
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2004/48/EC or any law implementing or complying with, or introduced in order to conform to, this Directive; or
- (v) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Instrument or Coupon to another Paying Agent in a Member State of the EU.

8.2 For the purposes of these Terms and Conditions, the “**Relevant Date**” means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Issue and Paying Agent, on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders, notice to that effect shall have been duly given to the Holders of the Instruments of the relevant Series in accordance with Condition 14.

8.3 If the Issuer becomes subject generally at any time to any taxing jurisdiction other than or in addition to the Cayman Islands, references in Condition 6.2 and Condition 8.1 to the Cayman Islands shall be read and construed as references to the Cayman Islands and/or to such other jurisdiction(s).

8.4 Any reference in these Terms and Conditions to “**principal**” and/or “**interest**” in respect of the Instruments shall be deemed also to refer to any additional amounts which may be payable under this Condition 8. Unless the context otherwise requires, any reference in these Terms and Conditions to “principal” shall include any premium payable in respect of an Instrument, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and “interest” shall include all amounts payable pursuant to Condition 5 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

9. Payments

9A Payments

9A.1 Payment of amounts (other than interest) due in respect of Instruments will be made against presentation and (save in the case of partial payment or payment of an Instalment Amount (other than the final Instalment Amount)) surrender of the relevant Instruments at the specified office of any of the Paying Agents.

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Instrument which is a Definitive Instrument with Receipts will be made against presentation of the Instrument together with (where applicable) the relevant Receipt and surrender of such Receipt.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Instrument to which they relate will not represent any obligation of the Issuer.

Accordingly, the presentation of an Instrument without the relative Receipt or the presentation of a Receipt without the Instrument to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

9A.2 Payment of amounts in respect of interest on Instruments will be made:

- (i) in the case of Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Instruments at the specified office of any of the Paying Agents outside (unless Condition 9A.3 applies) the United States; and
- (ii) in the case of Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Instruments, in either case at the specified office of any of the Paying Agents outside (unless Condition 9A.3 applies) the United States.

9A.3 Payments of amounts due in respect of interest on the Instruments and exchanges of Talons for Coupon sheets in accordance with Condition 9A.6 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Instruments when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

9A.4 If the due date for payment of any amount due in respect of any Instrument is not a Relevant Financial Centre Day and a Local Banking Day (each as defined in Condition 9B.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, (or as otherwise specified in the Final Terms) and from such day and thereafter will be entitled to receive payment by cheque on any Local Banking Day, and will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, if appropriate, Condition 5.10.

9A.5 Each Instrument initially delivered with Coupons, Talons or Receipts attached thereto should be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Receipts, Coupons and Talons relating thereto, failing which:

- (i) if the Final Terms specifies that this paragraph (i) of Condition 9A.5 is applicable (and, in the absence of specification, this paragraph (i) shall apply to Instruments which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;
- (ii) if the Final Terms specifies that this paragraph (ii) of Condition 9A.5 is applicable (and, in the absence of specification, this paragraph (ii) shall apply to Instruments which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Instruments (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them;

- (iii) in the case of Instruments initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them; and
- (iv) in the case of Instruments initially delivered with Receipts attached thereto, all Receipts relating to such Instruments in respect of a payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 9A.5 notwithstanding, if any Instruments should be issued with a maturity date and an Interest Rate or Rates such that, on the presentation for payment of any such Instrument without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the Redemption Amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to an Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

9A.6 In relation to Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 9A.3 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

9B Payments – General Provisions

9B.1 Save as otherwise specified in these Terms and Conditions, this Condition 9B is applicable in relation to all Instruments.

9B.2 Payments of amounts due (whether principal, interest or otherwise) in respect of Instruments will be made in the currency in which such amount is due (a) by cheque (in the case of payment in Japanese Yen to a non-resident of Japan) drawn on an authorised foreign exchange bank or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee (in the case of payment in Japanese Yen to a non-resident of Japan, a non-resident account with an authorised foreign exchange bank specified by the payee). Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations.

9B.3 For the purposes of these Terms and Conditions:

- (i) “**Relevant Financial Centre Day**” means, in the case of any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other Relevant Financial Centre specified in the Final Terms and in the case of payment in euro, a TARGET Settlement Day; and
- (ii) “**Local Banking Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Instrument or, as the case may be, Coupon.

9B.4 No commissions or expenses shall be charged to the holders of Instruments or Coupons in respect of such payments.

10. Prescription

10.1 Claims against the Issuer for payment of principal and interest in respect of Instruments will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date (as defined in Condition 8.2) for payment thereof.

10.2 In relation to Definitive Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 9A.5 or the due date for the payment of which would fall after the due date for the redemption of the relevant Instrument or which would be void pursuant to this Condition 10 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Instrument.

11. The Paying Agents and the Calculation Agent

11.1 The initial Paying Agents and their respective initial specified offices are specified below. The Calculation Agent in respect of any Instruments shall be specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Issue and Paying Agent) or the Calculation Agent and to appoint additional or other Paying Agents or another Calculation Agent **provided that** it will at all times maintain (i) an Issue and Paying Agent, (ii) so long as the Instruments are listed on the Official List and/or admitted to trading on the London Stock Exchange's Regulated Market and/or are admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, a Paying Agent (which may be the Issue and Paying Agent) each with a specified office in London and/or in such other place as may be required by the rules of such other listing authority, stock exchange and/or quotation system, (iii) in the circumstances described in Condition 9A.3, a Paying Agent with a specified office in New York City, (iv) a Calculation Agent where required by the Terms and Conditions applicable to any Instruments (in the case of (i), (ii) and (iii) with a specified office located in such place (if any) as may be required by the Terms and Conditions), and (vi) a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with or introduced to conform to, such Directive. The Paying Agents and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 14.

11.2 The Paying Agents and the Calculation Agent act solely as agents of the Issuer and, save as provided in the Issue and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Instrument, Receipt or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issue and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

12. Replacement of Instruments

If any Instrument, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issue and Paying Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the Final Terms ("**Replacement Agent**"), subject to all applicable laws and the requirements of any listing agency, stock exchange and/or quotation system on which the Instruments are admitted to listing, trading and/or quotation, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Instruments, Receipts and Coupons must be surrendered before replacements will be delivered therefore.

13. Meetings of Holders and Modification

The Issue and Paying Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Instruments of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution

(as defined in the Issue and Paying Agency Agreement) of these Terms and Conditions, the Deed of Covenant and the Support Agreement insofar as the same may apply to such Instruments. An Extraordinary Resolution passed at any meeting of the Holders of Instruments of any Series will be binding on all Holders of the Instruments of such Series, whether or not they are present at the meeting, and on all Holders of Coupons relating to Instruments of such Series.

The Issuer may, with the consent of the Issue and Paying Agent, but without the consent of the Holders of the Instruments of any Series or Coupons, amend these Terms and Conditions, the Deed of Covenant and the Support Agreement insofar as they may apply to such Instruments to correct a manifest error. Subject as aforesaid, no other modification may be made to (i) these Terms and Conditions or the Deed of Covenant except with the sanction of an Extraordinary Resolution or (ii) to the Support Agreement, except with the written consent of Holders holding not less than two-thirds of the aggregate principal amount of outstanding (as defined in the Issue and Paying Agency Agreement) Instruments.

13A. Substitution of the Issuer

- (a) The Issuer may at its option, without the consent of the Holder of any Instrument or Coupon, substitute for itself as Issuer and principal obligor in relation to any Instrument (including any Receipt, Coupon or Talon relating thereto) (whether outstanding at the date of such substitution or to be issued thereafter) any company, which is an Affiliate (as defined below) of Tokio Marine & Nichido, such substitute (the “**Substitute**”) having given not less than thirty days nor more than sixty days notice to the Holders of the Instruments in accordance with Condition 14, **provided that:**
- (i) no payment in respect of the Instruments, the Receipts or the Coupons is at the relevant time overdue and no Event of Default or event or circumstance which may (with the passing of time, the giving of notice, the making of any determination, or any combination thereof) constitute an Event of Default, has occurred and is continuing;
 - (ii) the Substitute shall, by means of a deed poll executed by the Substitute and the Issuer (substantially in the form scheduled to the Issue and Paying Agency Agreement as Schedule 7 (the “**Deed Poll**”)), (A) succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Instruments, Receipts, Coupons, Talons, the Issue and Paying Agency Agreement and the Deed of Covenant with the same effect as if the Substitute had been named as the Issuer herein and therein, and (B) agree to indemnify each Holder of an Instrument or Coupon against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute’s residence for tax purposes and, if different, of its incorporation with respect to any Instrument or Coupon or the Deed of Covenant and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;
 - (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of necessary consents) to ensure that (A) the Deed Poll, the Instruments and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute, and (B) that the Support Agreement, with any necessary and appropriate consequential amendments, shall represent valid, legally binding and enforceable obligations of Tokio Marine & Nichido in relation to the obligations it has to the Substitute, are taken, fulfilled or done;
 - (iv) the Substitute shall have become party to the Issue and Paying Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;
 - (v) legal opinions shall have been addressed and delivered to the Issuer, the substitute and the Issue and Paying Agent from lawyers of recognised standing in (A) each jurisdiction referred to in (ii) above and in England as to the fulfilment of the requirements of

Condition 13A(a)(ii) to (iv) and the other matters specified in the Deed Poll and that the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant and the Deed Poll are legal, valid and binding obligations of the Substitute and (B) the jurisdiction of the country of Tokio Marine & Nichido's residence for tax purposes and, if different, of its incorporation and in New York as to the fulfilment of the requirements of Condition 13A(a)(iii) in respect of Tokio Marine & Nichido;

- (vi) each stock exchange on which the Instruments are listed or admitted to trading shall have confirmed that, following the proposed substitution of the Substitute, the Instruments will continue to be listed on such stock exchange;
 - (vii) Moody's Japan K.K., Rating and Investment Information Inc. and Japan Credit Rating Agency, Ltd. have confirmed in writing to the Issuer that the substitution of the Substitute will not result in a downgrading of the then current credit rating of such rating agencies applicable to the Programme; and
 - (viii) if applicable, the Substitute has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Instruments or the Deed of Covenant.
- (b) Upon the execution of the Deed Poll and the delivery of the legal opinions and the ratings confirmations, the Substitute shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Instruments (including any Receipts, Coupons and Talons relating thereto), the Deed of Covenant and the Issue and Paying Agency Agreement with the same effect as if the Substitute had been named as the Issuer herein and therein, and the Issuer shall be released from its obligations under these Conditions, the Instruments (including any Receipts, Coupons and Talons relating thereto) and the Issue and Paying Agency Agreement.
- (c) After a substitution pursuant to Condition 13A(a), the Substitute may, without the consent of the Holder of any Instrument, effect a further substitution (including the substitution in its place of the original issuer of the Instruments or any earlier substitute therefor). All the provisions specified in Condition 13A(a) and (b) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substitute.
- (d) The notice given under Condition 13A(a), in accordance with Condition 14, of the substitution shall state that copies, or pending execution thereof final drafts, of the Deed Poll and other relevant documents and of the legal opinions are available for inspection by Holders of the Instruments or Coupons at the specified offices of the Issue and Paying Agent. The originals of the Deed Poll and other documents will be delivered to the Issue and Paying Agent to hold until there are no claims outstanding in respect of the Instruments, Receipts, Coupons or Talons, the Deed of Covenant, the Issue and Paying Agency Agreement or the Deed Poll. The Substitute and the Issuer shall in the Deed Poll acknowledge the right of every Holder of any Instrument to the production of such documents. Copies of such documents will be available free of charge at the specified office of each of the Paying Agents.

Upon the substitution becoming effective, references in these Conditions to "the Cayman Islands" shall be deemed to be replaced by reference to the country of incorporation and, if different, the country of tax residence of the Substitute. In the case of any further substitutions, deemed references in these Conditions to the relevant jurisdictions of the current Substitute shall, where the context so requires, be deemed to be replaced by references to the relevant jurisdictions of any such further Substitute. As used herein, "**Affiliate**" means any entity controlled, directly or indirectly, by the Issuer, any entity that controls the Issuer, directly or indirectly, or any entity under common control with the Issuer. For this purpose, "**control**" of the Issuer or any entity means ownership of a majority of the voting power of the Issuer or such entity.

14. Notices

Notices to Holders of Instruments will, save where another means of effective communication has been specified herein or in the Final Terms, be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that notices are duly published in compliance with the requirements of each listing authority, stock exchange and/or quotation system on which the Instruments are admitted to listing, trading and/or quotation. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Instruments in accordance with this Condition.

In addition to the notice provisions specified in the preceding sentences, as long as the global Instrument is held in its entirety on behalf of Euroclear or Clearstream, Luxembourg there may be substituted for publication in newspaper(s) the delivery of the notice to Euroclear or Clearstream, Luxembourg as the case may be. Such notice to Euroclear or Clearstream, Luxembourg may be given in any of the following manners and will be deemed effective as indicated:

- (a) if in writing and delivered in person or by courier, on the date it is delivered;
- (b) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by transmission report generated by the sender's facsimile machine);
- (c) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or
- (d) if sent by electronic messaging system on the date that electronic message is received (it being agreed that the burden of proving receipt will be on the sender and will not be met by receiving receipt electronically);

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Business Day. For this purpose, Business Day means a day on which commercial banks are open for business in the city of the recipient.

15. Further Issues

The Issuer may from time to time, without the consent of the Holders of any Instruments or Coupons, create and issue further instruments, bonds or debentures having the same terms and conditions as such Instruments in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Instruments of any particular Series.

16. Currency Indemnity

The currency in which the Instruments are denominated or, if different, payable, as specified in the Final Terms (the "**Contractual Currency**"), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of an Instrument or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of an

Instrument or Coupon in respect of such Instrument or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of an Instrument or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of an Instrument or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

17. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Instrument, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

18. Law and Jurisdiction

The Instruments, the Issue and Paying Agency Agreement and the Deed of Covenant

18.1 *Governing Law:* The Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant and all non-contractual obligations arising from or connected with them are governed by English law.

18.2 *English Courts:* The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”), arising from or connected with the Instruments, the Issue and Paying Agency Agreement and the Deed of Covenant (including a dispute regarding the existence, validity or termination of the Instruments, the Issue and Paying Agency Agreement and the Deed of Covenant) or the consequences of their respective nullity.

18.3 *Appropriate Forum:* The parties agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

18.4 *Rights of the Holder of any Instrument to take proceedings outside England:* Condition 18.2 is for the benefit of the Holders of the Instruments only. As a result, nothing in this Condition 18 prevents any Holder of an Instrument from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Holders of the Instruments may take concurrent Proceedings in any number of jurisdictions.

18.5 *Service of Process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Clifford Chance Secretaries Limited at 10 Upper Bank Street, London E14 5JJ or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall appoint a further person in England to accept service of process on its behalf and notify the name and address of such person to the Issue and Paying Agent and, failing such appointment within 15 days, any Holder of an Instrument shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or the specified office of the Issue and Paying Agent. Nothing in this paragraph shall affect the right of any Holder of an Instrument to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

18.6 *Consent to Enforcement:* The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

18.7 *Waiver of Immunity*: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

18.8 No person shall have any right to enforce any term or condition in respect of any Instruments under the Contracts (Rights of Third Parties) Act 1999.

The Support Agreement

18.9 The Support Agreement is governed by, and shall be construed in accordance with the internal laws of the State of New York.

PROVISIONS RELATING TO THE INSTRUMENTS WHILST IN GLOBAL FORM

(A) Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other clearing system as the holder of a Global Instrument must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other clearing system (as the case may be) for such person's share of each payment made by the Issuer to the bearer of such Global Instrument and in relation to all other rights arising under the Global Instruments, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument and such obligations of the Issuer will be discharged by payment to the bearer of such Global Instrument in respect of each amount so paid. References in these provisions relating to the Instruments in global form to "**holder**" or "**accountholder**" are to those persons shown in the records of the relevant clearing system as a holder of an Instrument.

(B) Form and Exchange

- (1) **TEFRA D or TEFRA C:** The Final Terms shall specify whether U.S. Treasury Regulation {sect} 1.1635(c)(2)(i)(D) (the "**TEFRA D Rules**") or U.S. Treasury Regulation {sect} 1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") shall apply. Each Tranche of Instruments is represented upon issue by a Temporary Global Instrument, unless the Final Terms specifies otherwise and the TEFRA C Rules apply.

Where the Final Terms applicable to a Tranche of Instruments specifies that the TEFRA C Rules apply, such Tranche is (unless otherwise specified in the Final Terms) represented upon issue by a Permanent Global Instrument.

Interests in a Temporary Global Instrument may be exchanged for:

- (i) interests in a Permanent Global Instrument; or
- (ii) if so specified in the Final Terms, definitive Instruments ("**Definitive Instruments**").

Exchanges of interests in a Temporary Global Instrument for Definitive Instruments or, as the case may be, a Permanent Global Instrument will be made only on or after the Exchange Date (as specified in the Final Terms) and (unless the Final Terms specifies that the TEFRA C Rules are applicable to the Instruments) provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received.

- (2) **Limitation on entitlement under a Temporary Global Instrument after Exchange Date:** Holders of interests in any Temporary Global Instrument shall not (unless, upon due presentation of such Temporary Global Instrument for exchange (in whole but not in part only) for a Permanent Global Instrument or for delivery of Definitive Instruments, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Instruments represented by such Temporary Global Instrument which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.
- (3) **Certification of non-U.S. beneficial ownership:** Unless the Final Terms specifies that the TEFRA C Rules are applicable to the Instruments and subject to paragraph (2) above, if any date on which a payment of interest is due on the Instruments of a Tranche occurs whilst any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as

is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear or Clearstream, Luxembourg or any other relevant clearing system which may be specified in the Final Terms. Payments of amounts due in respect of a Permanent Global Instrument or (subject to paragraph (2) above) a Temporary Global Instrument (if the Final Terms specifies that the TEFRA C Rules are applicable to the Instruments) will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

- (4) ***Exchange for Definitive Instruments:*** Interests in a Permanent Global Instrument will be exchanged (subject to the period allowed for delivery as set out in (i) below), in whole but not in part only and at the request of the Holder of such Global Instrument, for Definitive Instruments (a) if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 7 occurs or (c) at any time on the request of the bearer, if so specified in the Final Terms. Whenever a Permanent Global Instrument is to be exchanged for Definitive Instruments, the Issuer shall procure the prompt delivery of such Definitive Instruments, duly authenticated and where and to the extent applicable, with Receipts, Coupons and Talons attached (each as defined in Condition 1.2 and Condition 1.3), in an aggregate principal amount equal to the principal amount of such Permanent Global Instrument to the Holder of the Permanent Global Instrument against its surrender at the specified office of the Issue and Paying Agent within 30 days of the Holder requesting such exchange. Furthermore, if:
- (i) Definitive Instruments have not been delivered in accordance with the foregoing by 5.00 p.m. (London time) on the thirtieth day after the Holder has requested exchange, or
 - (ii) the Permanent Global Instrument (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Global Instrument has occurred and, in either case, payment in full of the amount of the Redemption Amount (as defined in Condition 6.10) together with all accrued interest thereon has not been made to the Holder in accordance with the Conditions on the due date for payment,

then such Permanent Global Instrument (including the obligation to deliver Definitive Instruments) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the Holder of the Permanent Global Instrument will have no further rights thereunder (but without prejudice to the rights which such Holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as being entitled to interests in the Instruments will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Instrument became void, they had been the Holders of Definitive Instruments in an aggregate principal amount equal to the principal amount of Instruments they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg or other relevant clearing system (as the case may be).

(C) Amendment to Conditions

The Global Instruments contain provisions that apply to the Instruments that they represent, some of which modify the effect of the Terms and Conditions of the Instruments set out in this Base Prospectus. The following is a summary of certain of those provisions:

- (1) ***Meetings:*** The Holder of a Permanent Global Instrument (unless such Permanent Global Instrument represents only one Instrument) shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, the Holder of a Permanent Global Instrument be treated as having the number of votes obtained by dividing the aggregate amount of outstanding Instruments represented or held by that Holder by the unit of currency in which the Instruments are denominated.

- (2) **Cancellation:** Cancellation of any Instrument represented by a Permanent Global Instrument that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Instrument.
- (3) **Purchase:** Instruments represented by a Permanent Global Instrument may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.
- (4) **Issuer's Options:** Any option of the Issuer provided for in the Conditions of the Instruments while such Instruments are represented by a Permanent Global Instrument shall be exercised by the Issuer giving notice to the Holders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Instruments drawn in the case of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of accountholders with a clearing system in respect of the Instruments will be governed by the standard procedures of Euroclear, Cedel Bank or any other clearing system (as the case may be).
- (5) **Holders' Options:** Any option of the Holders provided for in the Conditions of any Instruments while such Instruments are represented by a Permanent Global Instrument may be exercised by the Holder of such Permanent Global Instrument giving notice to the Issue and Paying Agent within the time limits relating to the deposit of Instruments with a Paying Agent substantially in the form of the notice available from any Paying Agent except that the notice shall not be required to contain the serial numbers of the Instruments in respect of which the option has been exercised, and stating the principal amount of Instruments in respect of which the option is exercised and at the same time presenting for notation the Permanent Global Instrument to the Issue and Paying Agent, or to a Paying Agent acting on behalf of the Issue and Paying Agent.
- (6) **Notices:** So long as any Instruments are represented by a Permanent Global Instrument and such Permanent Global Instrument is held on behalf of a clearing system, notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to the clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the Holder of the Permanent Global Instrument. Any such notice will be deemed to have been given to holders of the Instruments on the date of delivery of the relevant notice to the clearing system or the date of delivery of the relevant notice to the Holder of the Permanent Global Instrument.
- (7) **Payments:** So long as Instruments are represented by a Temporary or Permanent Global Instrument, Condition 9A.4 shall be replaced as follows:

“9A.4 If the due date for payment of any amount due in respect of any Instrument is not a Relevant Financial Centre Day (as defined in Condition 9B.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such day, (or as otherwise specified in the Final Terms) and from such day and thereafter will be entitled to receive payment by cheque on any Local Banking Day (as defined in Condition 9B.3), and will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day and a Relevant Financial Centre Day and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, if appropriate, Condition 5.10.”

(D) Partly Paid Instruments

While any Partly Paid Instalments due from the holder of Partly Paid Instruments are overdue, no interest in a Permanent Global Instruments representing such Instruments may be exchanged for an interest in a Permanent Global Instrument or for Definitive Instruments. If any Holder fails to pay any instalment due

on any Partly Paid Instruments within the time specified, the Issuer may forfeit such Instruments and shall have no further obligation to such Holder in respect of them.

FORM OF FINAL TERMS

FINAL TERMS

Series No.: []

Tranche No.: []

TOKIO MARINE FINANCIAL SOLUTIONS LTD.

¥400,000,000,000 PROGRAMME FOR THE ISSUANCE OF DEBT INSTRUMENTS

Issue of

*[Aggregate Principal Amount of Tranche]
[Title of Instruments]*

The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Instruments in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Instruments. Accordingly any person making or intending to make an offer in that Relevant Member State of the Instruments may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Base Prospectus dated 27 October 2011 (and the supplemental Base Prospectus dated [●] which [(together)] constitute(s) a base prospectus (the “**Base Prospectus**”) for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”). This document constitutes the Final Terms relating to the issue of Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented].

The Instruments have the benefit of a Support Agreement (as defined in the Conditions). The Support Agreement does not constitute a guarantee of the Instruments.

Full information on the Issuer and the Instruments described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus [and the Supplemental Base Prospectus] [is] [are] available for viewing at, and copies may be obtained from, the specified offices of the Paying Agents.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the base prospectus dated [*original date*]. These Final Terms contain the final terms of the Instruments and must be read in conjunction with the Base Prospectus dated [*current year*] [and the supplemental Base Prospectus dated [●] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”), save in respect of the Conditions which are extracted from the base prospectus dated [*original date*] and are attached hereto.] This document constitutes the Final Terms relating to the issue of instruments described herein for the purposes of Article 5.4 of the Prospectus Directive.

Full information on the Issuer and the Instruments described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus [and the Supplemental Base Prospectus] [is] [are] available for viewing at [[address] [and] [website]] and copies may be obtained from [address].

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitutes “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | |
|----|---|---|
| 1. | Issuer: | Tokio Marine Financial Solutions Ltd. |
| 2. | [(i)] Series Number: | [] |
| | [(ii)] Tranche Number: | [] |
| | (if fungible with an existing Series, details of that Series, including the date on which the Instruments become fungible.) | |
| 3. | Specified Currency or Currencies | [] |
| 4. | Aggregate Principal Amount | [] |
| | [(i)] Series: | [] |
| | [(ii)] Tranche: | [] |
| 5. | [(i)] Issue Price: | [] per cent, of the Aggregate Principal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)] |
| | [(ii)] Net Proceeds: | [●] (Required only for listed issues) |
| | [(iii)] [Commission Payable: | [[●] per cent, flat] |
| | [(iv)] [Selling Concession: | [[●] per cent.] |
| | [(v)] [Expenses: | [If Definitive Instruments specify that the Issuer must bear the cost for producing Definitive Instruments.] |
| 6. | (i) Specified Denominations: | [●] |

[Note – where multiple denominations above EUR100,000 (or equivalent) are being used and Instruments are not being issued in registered form, the following sample wording should be followed: [EUR 100,000] and integral multiples of [EUR 1,000] in excess thereof up to and including [EUR 199,000]. No Instruments in definitive form will be issued with a denomination above [EUR 99,000].]

So long as the Instruments are represented by a Temporary Global Instrument or a Permanent Global Instrument and the relevant clearing systems so permit, the Instruments will be tradeable only in the minimum authorised denomination of [EUR 100,000] and higher integral multiples of [EUR 1,000],

notwithstanding that no definitive Instruments will be issued with a denomination above [EUR 199,000].

- [(ii)] Calculation Amount: [●]
- [If there is only one Specified Denomination, insert the Specified Denomination]*
- [If there are several Specified Denominations, insert the highest common factor of these Specified Denominations (note: there must be a common factor of two or more Specified Denominations).]*
7. (i) Issue Date: []
- [(ii)] Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: *[Specify date or (for Floating Rate Instruments) Interest Payment Date falling in or nearest to the relevant month and year]*
- [If the issue proceeds are received by the Issuer in the United Kingdom and the Maturity Date is less than one year from the Issue Date, the Instruments must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” (or another applicable exemption from section 19 of the FSMA must be available)]*
9. Interest Basis: [●] per cent. Fixed Rate
[[Specify reference rate] +/- ● per cent. Floating Rate]
[Zero Coupon]
[Index-Linked Interest]
[Other (specify)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par] [Index-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (specify)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Instruments into another interest or redemption/ payment basis]*
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. Status of the Instruments: [Senior/[Dated/Perpetual]/Subordinated/*if nothing is specified, Instruments will be unsubordinated*]
14. Listing: [London/other (specify)/None]
15. Method of Distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 16. Fixed Rate Instrument Provisions [Applicable/Not Applicable]

(if not applicable delete the remaining sub-paragraphs of this paragraph)

 - (i) Interest Rate(s): [] per cent, per annum [payable [annually/semiannually/quarterly/monthly/other (specify)] in arrear]
 - (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with [Specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day“]/No Adjustment]
 - (iii) Applicable Business Day Convention [Specify, unless no adjustment is required in which case specify “No Adjustment”. Note that these conventions are only to apply for the purposes of accrual of interest. Thus, a fixed rate Instrument should normally specify “No Adjustment”, but for purposes of payment, a modification may be required to match a swap (see paragraph 30 - Payments below). Care should be taken to match the maturity date (as well as other key dates) of the Instruments with any underlying swap transaction. Since maturity dates do not automatically move with business day conventions under ISDA, it may be necessary to specify “No Adjustment” in relation to the maturity date of the Instruments to disapply the Applicable Business Day Convention.]
 - for Interest Payment Dates: []
 - for Maturity Date
 - any other date
 - (iv) Interest Determination Date(s): [Specify number of Banking Days and in which city(ies), if different from Condition 5.9.]
 - (v) Fixed Coupon Amount[(s)]: [] per Instrument of [] Specified Denomination
 - (vi) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]

Note: use for Fixed Rate Instruments denominated in any currencies other than U.S. dollars/[If neither of these options applies, give details]]
 - (vii) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on] []
 - (viii) Other terms relating to the method of calculating interest for Fixed Rate Instruments: [Not Applicable/give details] (Consider if day count fraction, particularly for euro denominated issues, should be on an Actual/Actual basis. Also consider what should happen to unmatured Coupons in the event of early redemption of the Instruments.)
- 17. Floating Rate Instrument Provisions [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph.)

- (i) Interest Payment Dates or (if the Applicable Business Day Convention is the FRN Convention) Interest Period: *[Specify dates (or if the Applicable Business Day Convention is the FRN Convention) number of months]*
- (ii) Interest Period End Dates or (if the Applicable Business Day Convention is the FRN Convention) Interest Accrual Period: *[Specify If nothing is specified Interest Period End Dates will correspond with Interest Payment Dates]*
- (iii) Applicable Business Day Convention: *[Specify, unless no adjustment is required in which case specify "No Adjustment". Note that these conventions are only to apply for the purposes of accrual of interest. Care should be taken to match the maturity date (as well as other key dates) of the Instruments with any underlying swap transaction. Since maturity dates do not automatically move with business day conventions under ISDA, it may be necessary to specify "No Adjustment" in relation to the maturity date of the Instruments to disapply the Applicable Business Day Convention.]*
- for Interest Payment Dates: []
- for Interest Period End Dates: []
- for Maturity Date: []
- any other date: []
- (iv) Relevant Financial Centre(s): *[Specify any Relevant Financial Centres which may be required for the purposes of the definition of Business Days (adjustment of Interest Payment Dates and Interest Period End Dates for accrual. If nothing is specified, the ISDA Definitions for the relevant currency will apply (see Condition 5.9 - definition of Relevant Financial Centre).]*
- (v) Default Interest Rate: *[Specify if different from the Interest Rate]*
- (vi) Reference Banks: *[Specify]*
- (vii) Manner in which the Interest Rate(s) is/are to be determined: *[Screen Rate Determination/ISDA Determination/ other (give details)]*
- (viii) Party responsible for calculating the Interest Rate(s) and Interest Amount(s) (if not the Issue and Paying Agent): *[[Name] shall be the Calculation Agent (no need to specify if the Issue and Paying Agent is to perform this function)]*
- (ix) Screen Rate Determination:
- Reference Rate: *[For example, LIBOR or EURIBOR]*
- Relevant Screen Page: *[Reuters Screen/Other]*
- Interest Determination Date(s): *[Specify number of Banking Days and in which city(ies), if different from Condition 5.9]*

- Relevant Time: *[For example, 11.00 a.m. London time/Brussels time]*
 - Relevant Financial Centre: *[For example, London/euro-zone (where euro-zone means the region comprised of the countries whose lawful currency is the euro)]*
- (x) ISDA Determination:
- ISDA Rate: Issuer is a [Fixed Rate/Fixed Amount/Fixed Price/Floating Rate/Floating Amount/Floating Price] Payer
 - Floating Rate Option: []
 - Designated Maturity: []
- (xi) Relevant Margin(s): [+/-] [] Per cent, per annum
- (xii) Minimum Interest Rate: [] per cent, per annum
- (xiii) Maximum Interest Rate: [] per cent, per annum
- (xiv) Day Count Fraction: []
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Instruments, if different from those set out in the Conditions: *[Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
18. **Zero Coupon Instrument Provisions** *[Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [] per cent, per annum
 - (ii) Rate of interest on overdue amount *[Specify, if not the [Amortisation/Accrual] Yield]*
 - (iii) Day Count Fraction *[Specify for the purposes of Condition 5.10 and Condition 6.11]*
 - (iv) Reference Price: []
 - (v) Any other formula/basis of determining amount payable: []
19. **Index-Linked Interest Instrument/other variable-linked interest Instrument Provisions** *[Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: *[Give or annex details]*
 - (ii) Calculation Agent responsible for calculating the Rate(s) of Interest and/or Interest Amount(s). (If not the Issue and Paying Agent): []
 - (iii) Provisions for determining Coupon where calculating by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: *(Need to include a description of market disruption or settlement disruption events and adjustment provisions).*

- (iv) Interest Period(s): []
- (v) Interest Payment Date: []
- (vi) Interest Determination Date: [*Specify number of Banking days and in which city(ies), if different from Condition 5.9)*]
- (vii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/ other (*give details*)]
- (viii) Additional Business Centre(s): []
- (ix) Minimum Rate of Interest: [] per cent, per annum
- (x) Maximum Rate of Interest: [] per cent, per annum
- (xi) Day Count Fraction: []
20. **Dual Currency Instrument Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent, if any responsible for calculating the principal and/or interest due (if not the Issue and Paying Agent): []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [*Need to include a description of market disruption or calculation by reference to Rate of settlement disruption events and adjustment provisions*]
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

21. **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Call Option Date(s)/Call Option Period: []
- (ii) Early Redemption Amount (Call) of each Instrument and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [] per Calculation Amount
- (b) Maximum Redemption Amount: [] per Calculation Amount
- (iv) Notice period (if other than as set out in the Conditions): []

22. **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Put Date(s)/Put Period: []
- (ii) Early Redemption Amount (Put) of each Instrument and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (iii) Notice period (if other than as set out in the Conditions): []
23. **Maturity Redemption Amount of each Instrument** [] per Calculation Amount
- In cases where the Maturity Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Party responsible for calculating the Maturity Redemption Amount (if not the Issue and Paying Agent): []
- (iii) Provisions for determining Maturity Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Determination Date(s): []
- (v) Provisions for determining Maturity Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Payment Date: []
- (vii) Minimum Maturity Redemption Amount: [] per Calculation Amount
- (viii) Maximum Maturity Redemption Amount: [] per Calculation Amount
24. **Early Redemption Amount**
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or in event of default of the early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): []

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

25. Form of Instruments: **Bearer Instruments:**
- [Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for Definitive Instruments on [] days' notice/at any time in the limited circumstances specified in the Permanent Global Instrument.]
- [Temporary Global Instrument exchangeable for Definitive Instruments on [] days' notice]
- [Permanent Global Instrument exchangeable for Definitive Instruments on [] days' notice/at any time in the limited circumstances specified in the Permanent Global Instrument].
- [Definitive Instruments to be in ICMA or successor's format]
- [In relation to any Instruments issued with a denomination of EUR 100,000 (or equivalent) and integral multiples of EUR 1,000 (or equivalent), the Permanent Global Instrument representing such Instruments shall only be exchangeable for Definitive Instruments in the limited circumstances of (i) closure of clearing systems; (ii) event of default and enforcement events.*
- Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Instruments which is to be represented on issue by a Temporary Global Instrument exchangeable for Definitive Instruments.]*
26. Relevant Financial Centre Day: [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(H), 17(iv) and 19(vii) relate]
27. Talons for future Coupons or Receipts to be attached to Definitive Instruments (and dates on which such Talons mature) [Yes/No. If yes, give details]
28. Details relating to Partly Paid Instruments: amount of each payment comprising the Issue Price and date on and method by which each payment is to be made and consequences (if any) of failure to pay including any right of the Issuer to forfeit the Instruments (including Forfeiture Dates in respect of late payment of Partly Paid Instalments) and interest due on late payment: [Not Applicable/give details]

29. Details relating to Instalment Instruments: Instalment Amount, date on which each payment is to be made: [Not Applicable/give details]
30. Payments:
- (i) Unmatured Coupons missing upon Early Redemption: [Specify whether paragraph (i) of Condition 9A.5 or paragraph (ii) of Condition 9A.5 applies. If nothing is specified paragraph (i) will apply to fixed rate or fixed coupon amount Instruments and paragraph (ii) will apply to floating rate or variable coupon amount Instruments]
- (ii) Specify any modification to the adjustment provisions for payment dates: [Specify whether, e.g. the Modified Following Business Day Convention should apply for purposes of payment]
31. Replacement of Instruments: [Specify Replacement Agent, if other than (or in addition to) the Issue and Paying Agent]
32. Notices: [Specify any other means of effective communications other than as specified in Condition 14]
33. Redemption, renominialisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
34. Consolidation provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
35. Other terms or special conditions: [Not Applicable/give details]

DISTRIBUTION

36. (i) If syndicated, names of Managers: [Not Applicable/give details]
- (ii) Relevant Dealer/Lead Manager []
- (iii) Stabilising Institution (if any): []
37. If non-syndicated, name of Dealer: [Not Applicable/give details]
38. TEFRA: [Not Applicable/The [C/D] Rules are applicable/in the absence of specification TEFRA D rules will apply]
39. Additional selling restrictions: [Not Applicable/give details]
- United States of America: [Reg S Compliance Category: TEFRA C/TEFRA D/TEFRA not applicable]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the [specify relevant regulated market] of the Instruments described herein pursuant to the ¥400,000,000,000 Programme for the Issuance of Debt Instruments of Tokio Marine Financial Solutions Ltd.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

The Issuer declares that, having taken all reasonable care to ensure that such is the case the information contained in these Final Terms is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

[[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer

By:
Duly authorised

PART B – OTHER INFORMATION

1. ADDITIONAL INFORMATION

[Include any product specific risk factors which are not covered under “Risk Factors “ in the Prospectus. If any such additional risk factors need to be included, consideration should be given as to whether they constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive, the publication of which would in turn trigger the investor’s right to withdraw their acceptances within a 48 hour time period.]

2. LISTING

(i) Admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Instruments to be admitted to [non-] trading on [the London Stock Exchange] / [other regulated market] with effect from [●]/] [Not Applicable.]

(ii) Estimate of total expenses related to admission to trading:

[]

3. RATINGS

Ratings:

The Instruments to be issued have been rated:

[Moody’s Japan K.K.*: []]

[Rating and Investment Information, Inc.*: []]

[Japan Credit Rating Agency Ltd.*: []]

[Other*: []]

[[Insert credit rating agency] is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009, although as at the date of these Final Terms notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[Insert credit rating agency] is established in the European Union and registered under Regulation (EU) No 1060/2009.] / [[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009.] [[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the “CRA Regulation”) but is endorsed by [insert credit rating agency] which is established in the European Union [and registered under the CRA Regulation/and has applied for registration under the CRA Regulation, although as at the date of these Final Terms notification of the corresponding registration decision has not yet been provided by the relevant

competent authority]. *[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the “CRA Regulation”) but is certified in accordance with Article 5 of the CRA Regulation (or is applying to be certified but has not yet been certified)].*

** The exact legal name of the rating agency entity providing the rating should be specified—for example “Moody’s Japan K.K.”, rather than just Moody’s.*

(Need to include a brief explanation of the meaning of the ratings if this has been previously published by the rating provider.)

(The above disclosure should reflect the rating allocated to Instruments of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer; detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.”]

[(when adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

5. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]

(i) [Reasons for the offer []

(See “Use of Proceeds” wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

(ii) [Estimated net proceeds: []

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(iii) [Estimated total expenses: [] *[If the notes are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is [only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.]*

[Fixed Rate Instruments only – YIELD Indication of yield: []

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORIC INTEREST RATES (Floating Rate Instruments only)

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. [Index-Linked Instruments only – PERFORMANCE OF INDEX/FORMULA AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.

[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive).]

[The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained] [does not intend to provide post-issuance information].

8. [Dual Currency Instruments only – PERFORMANCE OF RATE[S] OF EXCHANGE

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger, the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive).]

9. OPERATIONAL INFORMATION

ISIN Code: []

Common Code: []

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*, Luxembourg and the relevant identification number(s): [Not applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and address of additional Paying Agent(s) (if any): []

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Instruments will be applied by the Issuer to meet part of its general financing requirements.

2ND AMENDED AND RESTATED SUPPORT AGREEMENT

THIS 2nd AMENDED AND RESTATED SUPPORT AGREEMENT (this “**Agreement**”) is made and entered into as of 26 August, 2005, by and between Tokio Marine & Nichido Fire Insurance Co., Ltd., a Japanese corporation (“**Tokio Marine & Nichido**”), and Tokio Marine Financial Solutions Ltd., an exempted company organised under the laws of the Cayman Islands (the “**Subsidiary**”).

RECITALS

WHEREAS, the Subsidiary (formerly known as First Chicago Tokio Marine Financial Products Ltd.), Tokio Marine & Nichido (formerly known as The Tokio Marine and Fire Insurance Co., Ltd.), The First National Bank of Chicago, a national bank, now known as JPMorgan Chase Bank, NA, a national bank (“**FNBC**”) and First Chicago Asia Holdings Ltd. (“**FCAHL**”) entered into that certain Joint Venture Agreement, dated as of 24 December 1997 (the “**Joint Venture Agreement**”) pursuant to which the parties established the Subsidiary for the purpose of conducting a financial derivatives business primarily in Asia;

WHEREAS, the Subsidiary enters into financial derivatives and other transactions that constitute Covered Obligations (as hereinafter defined) with, and become obligated thereunder, to Financial Transaction Parties (as hereinafter defined);

WHEREAS, Tokio Marine & Nichido and the Subsidiary entered into that certain Support Agreement dated as of 26 December 1997 (the “**Original Support Agreement**”) in connection with Tokio Marine & Nichido’s desire to enhance and maintain the financial condition of the Subsidiary, in order to facilitate the conduct of the Subsidiary’s business with Financial Transaction Parties;

WHEREAS, on 22 November, 2002, Tokio Marine & Nichido acquired all of the shares of the Subsidiary owned by FCAHL and the parties terminated the Joint Venture Agreement and on February 3, 2003, the Subsidiary changed its name to Tokio Marine Financial Solutions Ltd., in relation to which the Original Support Agreement was amended and restated as Amended and Restated Support Agreement dated March 18, 2004 (the “**First Amended and Restated Support Agreement**”);

WHEREAS, as of 1 October 2004, The Tokio Marine and Fire Insurance Co., Ltd. changed its name to Tokio Marine & Nichido Fire Insurance Co., Ltd. upon its merger with The Nichido Fire & Marine Insurance Co., Ltd.;

WHEREAS, it is anticipated that Financial Transaction Parties that enter into Covered Obligation transactions with the Subsidiary will rely on this Agreement in entering into such transactions; and

WHEREAS, Tokio Marine & Nichido and the Subsidiary desire to amend and restate the First Amended and Restated Support Agreement in accordance herewith;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

For the purposes of this Agreement the following terms shall have the indicated meanings, applicable to both the singular and the plural:

“**Adjusted Net Worth**” as of any date means the sum of (i) (A) the stockholder’s equity of the Subsidiary as of such date determined in accordance with GAAP, **plus** (B) all reserves of the Subsidiary established on its books of account as of such date in accordance with GAAP, **less** (C) all goodwill, organisational expenses, noncompete agreements, licenses, patents and other like intangibles of the Subsidiary as of such date, plus (ii) all advances of money (together with accrued and unpaid interest) to the Subsidiary by Tokio Marine & Nichido, the repayment of which is evidenced by, and subject to the terms of, a Note, whether such advances are made by Tokio Marine & Nichido pursuant to Section 3.1 of this Agreement or by Tokio Marine & Nichido otherwise than pursuant to this Agreement.

“**Business Day**” means a day of the year on which banks are open for business in, and not required or authorised to close in, Tokyo, Japan.

“**Commencement Date**” means 5 January 1998.

“**Covered Obligation**” means a debt, liability or obligation of the Subsidiary to a Financial Transaction Party that arises out of a transaction that is effected prior to earliest of (i) the date of the expiration of the term of this Agreement or (ii) the date that notice of termination of this Agreement is given pursuant to Section 4.2(a)(ii) or (iii) the date on which Tokio Marine & Nichido shall consent to the termination of this Agreement pursuant to Section 4.2(a)(i).

“**Financial Transaction Party**” means (without duplication) (i) any Person that is a counterparty in a financial derivatives transaction with the Subsidiary, (ii) any Person that lends money or property to the Subsidiary or otherwise extends credit to the Subsidiary to enable the Subsidiary to purchase securities or other property or to meet obligations to a Financial Transaction Party, (iii) any Person that is a holder of any debt security issued by the Subsidiary or the trustee under an indenture pursuant to which the Subsidiary has issued debt securities, and (iv) any Person that is the beneficiary of a guaranty given by the Subsidiary of the financial obligations of another Person, in each case to the extent, but only to the extent that such transaction, loan, extension of credit, debt security or financial obligation is a Covered Obligation.

“**GAAP**” means respectively United States or Japanese generally accepted accounting principles applied on a consistent basis (except to the extent Tokio Marine & Nichido agrees in writing to any inconsistent application of generally accepted accounting principles).

“**Note**” means a Subordinated Promissory Note issued by the Subsidiary to Tokio Marine & Nichido substantially in the form of **Exhibit A** hereto, whether such Note is issued pursuant to this Agreement or otherwise.

“**Person**” includes any natural person, partnership, limited liability company, corporation, trust, association, joint venture and other entity and any government, governmental agency or instrumentality or political subdivision.

2. Representations and Warranties.

Each party hereby represents and warrants that this Agreement has been duly authorised, executed and delivered by such party and that this Agreement constitutes a valid and legally binding obligation of such party enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganisation and other laws of general applicability relating to or affecting creditors rights and to general equity principles.

3. Maintenance of Adjusted Net Worth; Liquidity Facility.

3.1 Adjusted Net Worth Maintenance.

Tokio Marine & Nichido shall cause the Subsidiary to have an Adjusted Net Worth of at least \$10,000,000 (or its equivalent in another currency) at all times.

3.2 Liquidity Facility.

If the Subsidiary requires funds to meet its payment obligations to any Financial Transaction Party, upon request of the Subsidiary, Tokio Marine & Nichido shall provide the Subsidiary on a timely basis the funds that the Subsidiary needs in order to meet these obligations.

4. Term and Termination.

4.1 Term.

The term of this Agreement shall commence on the Commencement Date and shall expire on the date of the dissolution or termination of the Subsidiary, subject to early termination pursuant to Section 4.2.

4.2 **Termination.**

- (a) This Agreement shall be terminated prior to the expiration of the term hereof upon the first to occur of the following:
 - (i) The written agreement of the Subsidiary and Tokio Marine & Nichido to terminate this Agreement; and
 - (ii) The delivery by Tokio Marine & Nichido to the Subsidiary of written notice for the termination of this Agreement.
- (b) Upon the expiration of the term, or the termination, of this Agreement, (i) the Subsidiary shall give prompt written notice of such termination to each Financial Transaction Party that has entered into a transaction with the Subsidiary prior to such expiration or termination, except where the Subsidiary's obligations under such transaction have been satisfied in full on or prior to the date of such expiration or termination, and (ii) subject to Section 4.2(c), Tokio Marine & Nichido shall have no further obligation under Section 3 or any other provision of this Agreement.
- (c) Notwithstanding Section 4.1, 4.2(a) or 4.2(b), such expiration or termination shall not be effective as to the obligations of Tokio, Marine & Nichido contained in Section 3 with respect to the obligations of the Subsidiary to Financial Transaction Parties that remain outstanding on the date of such expiration or termination until such obligations are no longer outstanding or have been satisfied in full.
- (d) Neither this Agreement nor any provision contained herein shall have any effect, directly or indirectly, upon or in respect of any obligation, indebtedness or liability of the Subsidiary to a Financial Transaction Party that has not been incurred or issued on or prior to the date of the expiration of the term of this Agreement or the date that notice of termination of this Agreement is given pursuant to Section 4.2(a)(ii) or on the date on which Tokio Marine & Nichido shall consent to termination of this Agreement pursuant to Section 4.2(a)(i), as the case may be.

5. **Notices.**

All notices, requests and other communications required or permitted hereunder shall be given in writing in the English language and shall, unless otherwise stated herein, be given by hand delivery or by telecopy or telex and addressed as follows:

To Tokio Marine & Nichido:

Tokio Marine & Nichido Fire Insurance Co., Ltd.
Financial Planning Department
14th Floor, Otemachi 1st Square,
1-5-1 Otemachi, Chiyoda-ku, Tokyo, 100-0004, Japan
Telecopy: 81-3-5223- 3531
Telephone: 81-3-5223-3502

To the Subsidiary:

Tokio Marine Financial Solutions Ltd.
13th Floor, Jimbocho Mitsui Building
105 Kanda Jimbocho 1-chome, Chiyoda-ku, Tokyo, 101-0051, Japan
Telecopy: 81-3-3518-8571
Telephone: 81-3-3518-8500

or at such other address as either party shall specify to the other party in writing in accordance with this Section 5. Each such notice shall be effective (i) if given by telex or telecopy, upon receipt, if confirmed by return telecopy, telex or telephonic confirmation or otherwise from member of the Tokio Marine & Nichido Financial Planning Department (in the case of Tokio Marine & Nichido) or from any officer of the Subsidiary

(in the case of the Subsidiary), or (ii) if given by mail or any other means, when delivered to the address of such party specified as aforesaid; **provided, however that** no notice to a party shall be deemed received on a day that is not a Business Day in the jurisdiction in which notices are to be addressed to such party. ny such notice shall not be effective until the next Business Day in such jurisdiction.

6. Specific Waivers.

Tokio Marine & Nichido hereby acknowledges and agrees that it shall perform its obligations hereunder without deduction, defense, setoff or counterclaim and further waives any right of subrogation with respect to any advance made by it hereunder **provided, however that** Tokio Marine & Nichido may demand and accept payments of principal of and interest on any outstanding Note issued by the Subsidiary to it hereunder, and may enforce its rights under any such Note, so long as at the time of the receipt of payment or the enforcement of its rights (x) the Subsidiary's Adjusted Net Worth is at least at the level required by Section 3.1, and (y) Tokio Marine & Nichido is not then required by Section 3.2 to provide funds to the Subsidiary. okio Marine & Nichido acknowledges and agrees that the failure or delay by the Subsidiary or any equity holder of the Subsidiary to perform its obligations under any agreement or instrument to which it is a party or by which it is bound shall not affect Tokio Marine & Nichido's obligations under this Agreement. okio Marine & Nichido waives any failure or delay on the part of the Subsidiary or, to the extent provided in Section 11.2, of any Financial Transaction Party, in asserting or enforcing any of its rights or making any claims or demands under this Agreement.

7. Governing Law.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York.

8. Submission to Jurisdiction.

Tokio Marine & Nichido and the Subsidiary each hereby irrevocably submits to the jurisdiction of any State or Federal court sitting in the Borough of Manhattan, The City of New York, for any action or proceeding arising out of this Agreement. okio Marine & Nichido and the Subsidiary each hereby waives, to the fullest extent permitted by law, any claim that any action or proceeding brought in any such court was brought in an inconvenient forum. okio Marine & Nichido hereby irrevocably appoints Tokio Marine Asset Management (USA) Ltd., located at 230 Park Avenue, Suite 910, New York, New York 10169, as its agent to receive, on behalf of Tokio Marine & Nichido, service of copies of the summons and complaint and any other process that may be served in any such action or proceeding. he Subsidiary hereby irrevocably appoints Tokio Marine Asset Management (USA) Ltd., located at 230 Park Avenue, Suite 910, New York, New York 10169, as its agent to receive, on behalf of the Subsidiary, service of copies of the summons and complaint and any other process that may be served in any such action or proceeding.

9. Amendments.

This Agreement amends and restates the First Amended and Restated Support Agreement in its entirety. his Agreement may be modified, amended or supplemented only by the written agreement of Tokio Marine & Nichido and the Subsidiary; **provided, however, that** no such modification, amendment or supplement shall be made if it would materially adversely affect the rights, whether absolute or contingent, of any Financial Transaction Party which have accrued or which may accrue under any financial transaction, other than rights with respect to any financial transaction entered into after the date of such modification, amendment or supplement.

10. No Assignment.

Neither Tokio Marine & Nichido nor the Subsidiary shall have the right to assign, transfer or delegate any of the rights or obligations under this Agreement, and any such assignment, transfer or delegation shall be null and void.

11. Third Party Beneficiaries.

11.1 The parties hereto acknowledge and agree that Financial Transaction Parties that enter into transactions with the Subsidiary and are thereby holders or payees of Covered Obligations are relying on the terms of this Agreement in determining the creditworthiness of the Subsidiary in entering into such transactions. Accordingly, a Financial Transaction Party that is a holder or payee of a Covered Obligation and complies with Section 11.2 is intended to be, and it hereby is, a third party beneficiary of this Agreement. This Agreement is not intended to benefit any other third party.

11.2 Upon the failure by the Subsidiary to meet its obligations to any Financial Transaction Party that is a holder or payee of a Covered Obligation, such Financial Transaction Party shall have the right to demand that the Subsidiary enforce the Subsidiary’s rights under Section 3.1 and 3.2 of this Agreement with respect to such Covered Obligations, and, if the Subsidiary fails or refuses to take timely action to enforce its rights under Section 3.1 or 3.2, such Financial Transaction Party may proceed directly against Tokio Marine & Nichido to enforce the Subsidiary’s rights under Sections 3.1 and 3.2 of this Agreement with respect to such Covered Obligations.

12. Withholding Taxes.

All payments to the Subsidiary under this Agreement shall be free of all withholding, stamp and other taxes and other governmental charges of any nature whatsoever. If any withholding is required, Tokio Marine & Nichido shall pay the same to the appropriate governmental body and shall pay such additional amount to the Subsidiary which, after deduction of any withholding, stamp or other taxes or other governmental charge of any nature whatsoever imposed with respect to the payment of such additional amount, shall result in the Subsidiary receiving an amount equal to the amount that otherwise would have been payable had there been no such withholding.

13. Severability.

Any provision of this Agreement or any Exhibit hereto which is illegal, invalid, prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity, prohibition or unenforceability without invalidating or impairing the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this 2nd Amended and Restated Support Agreement to be executed by their respective duly authorised officers as of the date first written above.

TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.

By:
Name:
Title:

TOKIO MARINE FINANCIAL SOLUTIONS LTD.

By:
Name:
Title:

TOKIO MARINE FINANCIAL SOLUTIONS LTD.

History

Tokio Marine Financial Solutions Ltd. (formerly First Chicago Tokio Marine Financial Products Ltd.) was incorporated and registered on 4 December 1997 as an exempt company in the Cayman Islands pursuant to the Companies Law (2010 Revision) of the Cayman Islands. The Issuer is registered with the Registrar of Companies in the Cayman Islands (number CR-78153) and has been incorporated for an unlimited duration. As of 25 September 2007, the Issuer amended its Memorandum of Association and redenominated its authorized share capital into Japanese Yen. As at the date hereof, its authorized share capital consists of 1,000,000 ordinary shares of JPY 1,178 par value of which 1,000,000 ordinary shares are issued and outstanding.

The Issuer was initially established as a joint venture between Tokio Marine & Nichido Fire Insurance Co., Ltd. (“**Tokio Marine & Nichido**”) (formerly The Tokio Marine and Fire Insurance Co., Ltd, “**Tokio Marine**”) and Bank One, NA (“**Bank One**”, formerly The First National Bank of Chicago, now merged with JPMorgan Chase Bank, NA.). Upon the maturity of the term of joint venture, Tokio Marine & Nichido purchased Bank One’s interest in the Issuer in November 2002 and the Issuer is now a wholly owned subsidiary of Tokio Marine & Nichido.

Since its inception, the Issuer has provided various high value-added financial services and products, revolving around over-the-counter derivatives products, to manage the various risks incurred through its clients’ business operations and to efficiently raise and invest funds. As a wholly owned subsidiary of Tokio Marine & Nichido, the Issuer’s financial derivative capabilities are enhanced by Tokio Marine & Nichido’s insurance expertise to bring about highly integrated and customized solutions for the benefit of its clients. The Issuer was registered as a foreign securities firm on 28 January 1999 pursuant to the Laws on Foreign Securities Firms and is currently registered as a Type 1 Financial Instruments Business Operator under the Financial Instruments and Exchange Law and the law for abolishing and amending the related laws to implement the law for amending the Securities and Exchange Law and other financial laws (collectively the “**New Laws**”). The Issuer’s Tokyo Branch mainly conducts Type 1 financial instruments business in accordance with the New Laws and other relevant laws and regulations.

The Issuer’s registered office is P.O. Box 309, George Town, Grand Cayman, KY1-1104 Cayman Islands, and its Tokyo Branch is Tokyo Club Building, 2-6 Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-0013, Japan.

The Issuer has, at the date hereof, been assigned a credit rating of “AA-” from Standard & Poor’s Financial Services LLC in respect of its local long term debt, “Aa2” from Moody’s Japan K.K. as a counterparty, “AA+” from Rating and Investment Information, Inc and “AAA” from Japan Credit Rating Agency, Ltd. in respect of its long term debt. Japan Credit Rating Agency, Ltd. is not established in the EEA but is certified under the CRA Regulation. None of Standard & Poor’s Financial Services LLC, Moody’s Japan K.K. and Rating and Investment Information, Inc is established in the EEA and none of these rating agencies are certified under the CRA Regulation. Neither the rating that Standard & Poor’s Financial Services LLC has given in respect of the Issuer’s local long term debt, the rating that Moody’s Japan K.K. has given as a counterparty nor the rating that Rating and Investment Information, Inc has given is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

Recent Developments

Asset / Liability Transfers

The Issuer’s board of directors has approved the transfer of outstanding note payables (the “**Liabilities**”) and the equivalent amount of assets from the Issuer to Tokio Marine & Nichido. As of the date of this Base Prospectus, the Issuer has agreed to transfer JPY 3,850 million of assets and JPY 3,850 million of Liabilities from the Issuer to Tokio Marine & Nichido. Further transfers of any Series of Instruments may be made, on a Series by Series basis, on the condition that the consent of the Holders of such Instruments is obtained in respect of such Series of Instrument(s).

Arbitration

On 22 June 2011, an extraordinary gain of JPY 1,206 million arose from an arbitration agreement, which the Issuer's board of directors has accepted in relation to a dispute with a counterparty over whether a credit derivative transaction (arising in the normal course of the Issuer's business) had been properly terminated.

The business address of Mr. Hidemori Tomioka is as follows:

Tokio Marine & Nichido Fire Insurance Co., Ltd.

Tokio Marine & Nichido Fire Building

2-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8050

Japan

No potential conflicts of interest exist between duties to the Issuer of the persons on the Managing Boards, as listed above, and their private interests or other duties.

TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.

History

Tokio Marine & Nichido Fire Insurance Co., Ltd. (“**Tokio Marine & Nichido**”), as the successor of The Tokio Marine and Fire Insurance Company, Limited (“**Tokio Marine**”) which was originally incorporated in Japan in 1879, is one of Japan’s oldest and largest non-life insurance companies. It was incorporated for an unlimited duration as a property and casualty insurer and writes marine, fire and casualty, automobile and allied lines of insurance principally covering risks located in Japan, and hull and cargo risks for Japanese businesses.

As at 31 March 2011, Tokio Marine & Nichido’s consolidated total assets and net assets amounted to JPY 9,816 billion and JPY 1,661 billion, respectively. These figures have been prepared in accordance with the generally accepted accounting principles in Japan. The net premiums written by Tokio Marine & Nichido and its consolidated subsidiaries totalled JPY 2,076 billion for the year from 1 April 2010 to 31 March 2011. Tokio Marine & Nichido has a worldwide network in approximately 40 countries/areas to meet its customers’ various demands. As at the date hereof, its issued and outstanding shares consist of 1,549,692,481 ordinary shares. Its principal place of business and registered head office are at 2-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8050, Japan.

For the purpose of providing its customers with the best products and services by creating an insurance group with life and non-life insurance businesses, Tokio Marine formed Millea Holdings, Inc. (“**Millea Holdings**”) in April 2002 with The Nichido Fire and Marine Insurance Company, Limited. (“**Nichido Fire**”). On 1 October 2004 Tokio Marine and Nichido Fire merged under the name of Tokio Marine & Nichido Fire Insurance Co., Ltd. and commenced operations as a new property and casualty insurance company. In addition, to further develop the alliance between Tokio Marine & Nichido and The Nisshin Fire & Marine Insurance Co., Ltd. (“**Nisshin Fire**”), with which Tokio Marine & Nichido had maintained a close relationship, Millea Holdings and Nisshin Fire agreed to integrate management of the two companies by way of a stock-for-stock exchange, effective on 30 September 2006, resulting in Nisshin Fire becoming a wholly-owned subsidiary of Millea Holdings. Millea Holdings changed its name to Tokio Marine Holdings, Inc. (“**TMHD**”, and TMHD and its subsidiaries together as the “**Tokio Marine Group**”) as of 1 July 2008. With regard to the domestic insurance business, Tokio Marine & Nichido has been implementing the “Business Renovation Project” involving such activities as streamlining products and back-office work processes and promoting the introduction of “TNet”, a new agency system. With regard to the overseas insurance business, the Tokio Marine Group completed two large strategic acquisitions in 2008 – acquisition of Kiln Group and Philadelphia Consolidated Holding Group.

The activities of Tokio Marine & Nichido are supervised by the Japanese Financial Services Agency. It is regulated by the Insurance Business Law, as well as by cabinet orders and ministerial ordinances passed under such Law.

Tokio Marine & Nichido has, at the date hereof, been assigned a credit rating of “AA-” from Standard & Poor’s Ratings Japan K.K. and “Aa2” from Moody’s Japan K.K. in respect of its claims payment ability and AAA and AA+ from Japan Credit Rating Agency, Ltd. and Rating and Investment Information, Inc in respect of its long term debt. Japan Credit Rating Agency, Ltd. is not established in the EEA but is certified under the CRA Regulation. None of Moody’s Japan K.K., Standard & Poor’s Ratings Japan K.K. and Rating and Investment Information, Inc is established in the EEA and none of these rating agencies are certified under the CRA Regulation. Neither the rating that Moody’s Japan K.K. or Standard & Poor’s Ratings Japan K.K. has given in respect of Tokio Marine & Nichido’s claims payment ability nor the rating that Rating and Investment Information, Inc has given in respect of its long term debt is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

DIRECTORS AND OFFICERS OF TOKIO MARINE & NICHIDO

Directors and Officers of Tokio Marine & Nichido

The affairs of Tokio Marine & Nichido are managed by its Board of Directors. The following is a list of Tokio Marine & Nichido's Directors (including its senior officers):

Kunio Ishihara	Chairman of the Board
Shuzo Sumi	President
Kunihiko Fukao	Executive Vice President
Takaaki Tamai	Senior Managing Director
Tsuyoshi Nagano	Senior Managing Director
Tadahiko Miyazaki	Senior Managing Director
Kazuo Kozuki	Senior Managing Director
Masahide Konno	Managing Director
Koji Iwai	Managing Director
Naoki Uno	Managing Director
Masashi Oba	Managing Director
Kazumasa Fukada	Managing Director
Kenji Iwasaki	Managing Director
Kazuo Mochida	Managing Director
Kiyoaki Sano	Managing Director
Tadashi Kunihiro	Director
Nobuo Kuroyanagi	Director
Daisaku Honda	Standing Corporate Auditor
Hiroshi Mitsunaga	Standing Corporate Auditor
Nobuyuki Maejima	Standing Corporate Auditor
Hideyuki Sakai	Corporate Auditor
Masahiro Sakata	Corporate Auditor
Kaori Sasaki	Corporate Auditor

The business address of the above Directors, save for Messrs. Tadashi Kunihiro, Nobuo Kuroyanagi, Hideyuki Sakai, Masahiro Sakata and Kaori Sasaki, is as follows:

Tokio Marine & Nichido Fire Insurance Co., Ltd.
2-1 Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8050
Japan

The business address of Tadashi Kunihiro is as follows:

2nd Floor, Sanshi Kaikan
9-4 Yurakucho 1-chome, Chiyoda-ku
Tokyo 100-0006
Japan

The business address of Nobuo Kuroyanagi is as follows:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
7-1 Marunouchi 2-chome, Chiyoda-ku
Tokyo 100-8388
Japan

The business address of Hideyuki Sakai is as follows:

Bingham McCutchen Murase, Sakai Mimura Aizawa
4-3-13 Toranomon, 4th floor
Minato-ku,
Tokyo 105-0001
Japan

The business address of Masahiro Sakata is as follows:

Anderson Mori & Tomotsune
Izumi Garden Tower
6-1 Roppongi 1-chome, Minato-ku,
Tokyo 106-6036
Japan

The business address of Kaori Sasaki is as follows:

1-2 Minami-Aoyama 5-chome, Minato-ku,
Tokyo 107-0062
Japan

There are no potential conflicts of interest between any duties of the above Directors to Tokio Marine & Nichido and their private interests or other duties.

MANAGEMENT OF TOKIO MARINE & NICHIDO

Managing Board of Tokio Marine & Nichido

Kunio Ishihara	Chairman of the Board
Shuzo Sumi	President
Kunihiko Fukao	Executive Vice President
Takaaki Tamai	Senior Managing Director
Tsuyoshi Nagano	Senior Managing Director
Tadahiko Miyazaki	Senior Managing Director
Kazuo Kozuki	Senior Managing Director
Masahide Konno	Managing Director
Koji Iwai	Managing Director
Naoki Uno	Managing Director
Masashi Oba	Managing Director
Kazumasa Fukada	Managing Director
Kenji Iwasaki	Managing Director
Kazuo Mochida	Managing Director
Kiyoaki Sano	Managing Director
Tadashi Kunihiro	Director
Nobuo Kuroyanagi	Director
Daisaku Honda	Standing Corporate Auditor
Hiroshi Mitsunaga	Standing Corporate Auditor
Nobuyuki Maejima	Standing Corporate Auditor
Hideyuki Sakai	Corporate Auditor
Masahiro Sakata	Corporate Auditor
Kaori Sasaki	Corporate Auditor

Kunio Ishihara

Kunio Ishihara is the chairman of the Board.

Additional functions/commissionerships

Chairman of Tokio Marine Holdings, Inc.

Shuzo Sumi

As the President, Shuzo Sumi is responsible for the complete control of the company.

Additional functions/commissionerships

President of Tokio Marine Holdings, Inc.

Kunihiko Fukao

As the Executive Vice President, Kunihiko Fukao is responsible for the management of Internal Audit Dept., Quality Promotion Dept. and Compliance Dept..

Takaaki Tamai

As the Senior Managing Director, Takaaki Tamai is responsible for the total control of corporate risk and the management of Personnel Planning Dept. and Risk Management Dept..

Tsuyoshi Nagano

As the Senior Managing Director, Tsuyoshi Nagano is responsible for the overseas businesses and the management of Corporate Marketing Development Dept. (Global Division) and U.S. Branch.

Tadahiko Miyazaki

As the Senior Managing Director, Tadahiko Miyazaki is responsible secondarily for the personal company businesses and the management of Ibaraki Branch., Tochigi Branch., Gunma Branch., Saitama Branch., Saitama-Chuo Branch., Niigata Branch., Yamanashi Branch. and Nagano Branch..

Kazuo Kozuki

As the Senior Managing Director, Kazuo Kozuki is responsible for the personal company businesses and the management of Corporate Administration Dept., Corporate Marketing & Planning Dept. and Marketing Development Dept.

Masahide Konno

As the Managing Director, Masahide Konno is responsible for the underwriting and the management of Personal Lines Administration Dept. and Commercial Lines Administration Dept..

Koji Iwai

As the Managing Director, Koji Iwai is responsible for the management of Corporate Planning Dept., Legal Dept. and PR Dept..

Naoki Uno

As the Managing Director, Naoki Uno is responsible for the management of Business Process Innovation Dept., IT Planning Dept. and Service Promotion Dept..

Masashi Oba

As the Managing Director, Masashi Oba is responsible for the investment and the management of Accounting Dept., Investment Dept. 1, Investment Dept. 2 and Investment Dept. 3.

Additional functions/commissionerships

Managing Director of Tokio Marine Holdings, Inc.

Kazumasa Fukada

As the Managing Director, Kazumasa Fukada is responsible for dealer company businesses and the management of Tokyo Automobile Industry Production Dept. 1, Tokyo Automobile Industry Production Dept. 2, Tokyo Automobile Industry Production Dept. 3, Tokyo Automobile Industry Production Dept. 4, Tokyo Automobile Claims Service Dept. and Auto Business Promotion Dept..

Kenji Iwasaki

As the Managing Director, Kenji Iwasaki is responsible for the management of Marketing Promotion Dept. (Governmental), Government Sector Dept. 1, Government Sector Dept. 2, Health Care & Welfare Sector Dept., Group Account Marketing Dept., Financial Institutions Dept., Banking Channels Business Promotion Dept. and 401k Plan Marketing Promotion Dept..

Kazuo Mochida

As the Managing Director, Kazuo Mochida is responsible for the management of Claims Service Dept., North Kanto and Shinetsu Service Dept., Saitama Claims Service Dept., East Kanto Claims Service Dept., Capital Claims Service Dept., Kanagawa Claims Service Dept., Kyoji Hokuritu Claims Service Dept., Kansai Claims Service Dept 1., Kansai Claims Service Dept 2., Osaka Automobiles Claims Service Dept., Kobe Claims Service Dept., Claims Service Administration Dept., and Commercial Lines Claims Service Dept..

Kiyooki Sano

As the Managing Director, Kiyooki Sano is responsible for the commercial company businesses and the management of Aerospace Dept., General Production Dept 1., General Production Dept 2., Travel & Tourism Production Dept., Telecommunication & Broadcasting Dept., Marine Industry Production Dept., Production Dept 5., Sapporo Branch, Marine Underwriting Dept., and Commercial Lines Marketing Dept. (except Global Division).

Tadashi Kunihiro

Tadashi Kunihiro is the Outside Director.

Nobuo Kuroyanagi

Nobuo Kuroyanagi is the Outside Director.

The business address of the above Directors except Tadashi Kunihiro and Nobuo Kuroyanagi is as follows:

Tokio Marine & Nichido Fire Insurance Co., Ltd.
2-1 Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8050
Japan

The business address of Mr. Tadashi Kunihiro is as follows:

2nd Floor, Sanshi Kaikan
9-4 Yurakucho 1-chome, Chiyoda-ku,
Tokyo 100-0006
Japan

The business address of Nobuo Kuroyanagi is as follows:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
7-1 Marunouchi 2-chome, Chiyoda-ku
Tokyo 100-8388
Japan

There are no potential conflicts of interest between any duties of the above Directors to Tokio Marine & Nichido and their private interests or other duties.

Principal Subsidiaries

The following subsidiaries are Tokio Marine & Nichido's principal subsidiaries. Tokio Marine has other subsidiaries; however, management does not consider these to be material in terms of the size of their respective assets, liabilities, revenues and expenses.

Philadelphia Consolidated Holding Corp.

Tokio Marine & Nichido, as at the date hereof holds 100% of the voting rights of Philadelphia Consolidated Holding Corp. The company is based in Pennsylvania, U.S.A., and is principally engaged in non-life insurance business.

Philadelphia Indemnity Insurance Company

Tokio Marine & Nichido, as at the date hereof holds 100% of the voting rights of Philadelphia Indemnity Insurance Company. The company is based in Pennsylvania, U.S.A., and is principally engaged in non-life insurance business.

Tokio Millennium Re (UK) Limited

Tokio Marine & Nichido, as at the date hereof holds 100% of the voting rights of Tokio Millennium Re (UK) Limited. The company is based in London and is principally engaged in non-life insurance business

Kiln Group Ltd.

Tokio Marine & Nichido, as at the date hereof holds 100% of the voting rights of Kiln Group Ltd. The company is based in London and is principally engaged in non-life insurance business.

Kiln Underwriting Limited

Tokio Marine & Nichido, as at the date hereof holds 100% of the voting rights of Kiln Underwriting Limited. The company is based in London and is principally engaged in non-life insurance business.

Tokio Marine Underwriting Limited

Tokio Marine & Nichido, as at the date hereof holds 100% of the voting rights of Tokio Marine Underwriting Limited. The company is based in London and is principally engaged in non-life insurance business.

Asia General Holdings Limited

Tokio Marine & Nichido, as at the date hereof holds 92.4% of the voting rights of Asia General Holdings Limited. The company is based in Singapore and is principally engaged in non-life insurance business.

Tokio Marine Insurance Singapore Ltd.

Tokio Marine & Nichido, as at the date hereof holds 100% of the voting rights of Tokio Marine Insurance Singapore Ltd.. The company is based in Singapore and is principally engaged in non-life insurance business.

Tokio Marine Life Insurance Singapore Ltd.

Tokio Marine & Nichido, as at the date hereof holds 85.4% of the voting rights of Tokio Marine Life Insurance Singapore Ltd. The company is based in Singapore and is principally engaged in life insurance business.

Tokio Marine Life Insurance Malaysia Bhd.

Tokio Marine & Nichido, as at the date hereof holds 100% of the voting rights of Tokio Marine Life Insurance Malaysia Bhd.. The company is based in Malaysia and is principally engaged in life insurance business.

Tokio Millennium Re Ltd.

Tokio Marine & Nichido, as at the date hereof holds 100% of the voting rights of Tokio Millennium Re Ltd.. The company is based in Bermuda and is principally engaged in non-life insurance business.

Tokio Marine Financial Solutions Ltd.

Tokio Marine & Nichido, as at the date hereof holds 100% of the voting rights of Tokio Marine Financial Solutions Ltd. The company is based in Cayman Islands and is principally engaged in derivatives business.

Litigation

Subject to the disclosure under the sub-heading “*Arbitration*” in the section entitled “*Tokio Marine Financial Solutions Ltd.*”, in the previous twelve months there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Tokio Marine & Nichido is aware) , which may have, or have had in the recent past, significant effects on Tokio Marine & Nichido’s or any of its subsidiaries’ respective financial position or profitability. Tokio Marine & Nichido and its subsidiaries are, from time to time, the subject of routine legal proceedings relating to insurance claims. However, the management of Tokio Marine & Nichido is not aware of any proceedings which if decided against it or any of Tokio Marine & Nichido’s subsidiaries, may have significant effects on Tokio Marine & Nichido or such subsidiaries’ financial position or profitability.

TAXATION

Cayman Islands Taxation

The following is a general description of certain Cayman Islands tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments. Prospective purchasers of the Instruments should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Cayman Islands of acquiring, holding and disposing of Instruments and receiving payments of interest, principal and/ or other amounts under the Instruments. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Under existing Cayman Islands laws:

- (i) payments in respect of the Instruments or Coupons will not be subject to taxation in the Cayman Islands (the “Islands”) and no withholding will be required on such payment to any holder of an Instrument or Coupon. Gains derived from the sale of Instruments or Coupons will not be subject to income or corporation tax in the Islands. The Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and
- (ii) the holder of any Instrument or Coupon (or the legal or personal representative of such holder) whose Instrument or Coupon is brought into the Islands may, in certain circumstances, be liable to pay stamp duty imposed under the laws of the Islands in respect of such Instruments or Coupon.

The Issuer has been incorporated under the laws of the Islands as an exempted company and, as such, has obtained an undertaking from the Governor-in-Council of the Islands in accordance with Section 6 of the Tax Concessions Law (1999 Revision):

- (a) that no Law which is hereunder enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and
- (b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable;
 - (i) on or in respect of the shares debentures or other obligations of the Issuer; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall apply for a period of twenty years from the 16 day of December 1997.

European Union Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain dependent or associated territories in relation to payments of interest or similar income made by a person in a Member State to, or collected by

such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

SUBSCRIPTION AND SALE

Instruments may be sold from time to time by the Issuer to any one or more of Citigroup Global Markets Limited, Daiwa Capital Markets Europe Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities Ltd., Merrill Lynch International, Mitsubishi UFJ Securities International plc, Morgan Stanley & Co. International plc and Nomura International plc (the “**Dealers**”). The arrangements under which Instruments may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in a dealership agreement dated 27 August 1998 as supplemented by a supplemental dealership agreement dated 3 December 1999, a second supplemental dealership agreement dated 28 August 2001, an amended and restated dealership agreement dated 1 September 2003, a second amended and restated dealership agreement dated 9 November 2005, a third amended and restated dealership agreement dated 6 November 2006, a fourth amended and restated dealership agreement dated 2 November 2007, a fifth amended and restated dealership agreement dated 30 October 2008, a sixth amended and restated dealership agreement dated 29 October 2009, a seventh amended and restated dealership agreement dated 28 October 2010 and an eighth amended and restated dealership agreement dated 27 October 2011 (as amended, supplemented or replaced from time to time, the “**Dealership Agreement**”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

United States of America: *Regulation S Category 2; TEFRA D, unless TEFRA C is specified as applicable in the relevant Final Terms.*

Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Instruments, (i) as part of their distribution at any time or (ii) otherwise until forty days after the later of the date of issue of the identifiable Tranche of Instruments of which such Instruments are a part and the completion of the distribution of such identifiable Tranche, as certified to the Issue and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Instruments to or through more than one Dealer, by each of such Dealers as to Instruments of such Tranche purchased by or through it, in which case the Issue and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Instruments during the restricted period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to or for the account or benefit of U.S. persons.

In addition, until forty days after the commencement of the offering of Instruments comprising any Tranche, any offer or sale of Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented, warranted and

agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Instruments to the public in that Relevant Member State:

- (a) **Approved Prospectus**: if the Final Terms in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus which is not a drawdown prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer.;
- (b) **Qualified investors**: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) **Fewer than 100 offerees**: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) **Other exempt offers**: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Instruments referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Instruments to the public**” in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

In relation to each Tranche of Instruments, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) **No deposit-taking**: in relation to any Instruments having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Instruments other than to persons (a) whose ordinary activities involve them in acquiring, holding, managing or disposing

of investments (as principal or agent) for the purposes of their businesses; or (b) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

Japan

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the “FIEL”). Each of the Dealers have represented and agreed that they have not offered or sold and will not offer or sell any Instruments, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

The Cayman Islands

No invitation to subscribe for Instruments may be made to members of the public in the Cayman Islands (and no invitation will be made to members of the public in the Cayman Islands to subscribe for the Instruments unless the Instruments are listed on the Cayman Islands Stock Exchange).

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Instruments or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “General” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Instruments) or (in any other case) in a supplement to this document.

GENERAL INFORMATION

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (the “**Transparency Directive**”) entered into force on 20 January 2005. It requires Member States to take measures necessary to comply with the Transparency Directive by 20 January 2007. If, as a result of the Transparency Directive or any legislation implementing the Transparency Directive, the Issuer could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, the Issuer may seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the London Stock Exchange or by such other competent authority, stock exchange and/or quotation system inside or outside the European Union as it may decide.

The admission of the Programme to trading on the London Stock Exchange is expected to take effect on 1 November 2011. The price of the Instruments on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Instruments intended to be admitted to trading on the London Stock Exchange will be so admitted to trading upon submission to the London Stock Exchange of the relevant Final Terms and any other information required by the London Stock Exchange, subject to the issue of the relevant Instruments. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction. Instruments may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the FSA and/or the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation on any other listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) agree.

However, Instruments may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as the Issuer and the relevant Dealer(s) may agree.

1. The establishment of the Programme was authorised by unanimous written consent of the Board of Directors of the Issuer passed/given on 23 June 1998. This was supplemented by a Board Resolution of the Issuer and the consent of Tokio Marine & Nichido given on 12 October 2006, authorising the Issuer to have outstanding at any time Instruments in the aggregate principal amount of ¥400,000,000,000 (or its equivalent in any other currency). The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Instruments.
2. The Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Instruments for clearance together with any further appropriate information.
3. Instruments (other than Temporary Global Instruments) and any Coupon appertaining thereto will bear a legend substantially to the following effect: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.” The sections referred to in such legend provide that a United States person who holds a Bearer Instrument or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Instrument or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

4. Subject to the disclosure under the sub-heading “*Arbitration*” in the section entitled “Tokio Marine Financial Solutions Ltd.”, neither the Issuer, Tokio Marine & Nichido nor any member of its group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Tokio Marine & Nichido, respectively, is aware) during the 12 months before the date of this Base Prospectus which may have or have had in the recent past, significant effects on the financial position or profitability of the Issuer or Tokio Marine & Nichido and any of their respective subsidiaries taken as a whole.
5. Since 31 December 2010, the last day of the financial period in respect of which the most recent audited financial statements of the Issuer have been prepared, no interim financial statements of the Issuer have been prepared and there has been no significant change in the financial or trading position nor any material adverse change in the prospects of the Issuer.
6. Since 31 March 2011, the last day of the financial period in respect of which the most recent audited consolidated financial statements of Tokio Marine & Nichido have been prepared, no interim financial statements of Tokio Marine & Nichido have been prepared and there has been no significant change in the financial or trading position nor any material adverse change in the prospects of Tokio Marine & Nichido and its subsidiaries taken as a whole.
7. PricewaterhouseCoopers Aarata, a member of PricewaterhouseCoopers and the Japanese Institute of Certified Public Accountants, has been appointed as independent public auditors to the Issuer and has audited the annual financial statements of the Issuer for the years ended 31 December 2010 and 31 December 2009.
8. Since 21 July 2006, PricewaterhouseCoopers Aarata, a member of PricewaterhouseCoopers and the Japanese Institute of Certified Public Accountants, has been appointed as independent public auditors of Tokio Marine & Nichido and has audited the annual financial statements of Tokio Marine & Nichido for the years ended 31 March 2011 and 31 March 2010.
9. For so long as the Programme remains in effect or any Instruments shall be outstanding, copies will be available and may be inspected during normal business hours at the specified office of the Issue and Paying Agent and from the Tokyo Branch of the Issuer, namely:
 - (a) the constitutional documents of the Issuer and Tokio Marine & Nichido;
 - (b) the current listing particulars in relation to the Programme, together with any amendments and all documents incorporated by reference herein;
 - (c) the Issue and Paying Agency Agreement;
 - (d) the Deed of Covenant;
 - (e) the Dealership Agreement;
 - (f) the Support Agreement;
 - (g) the most recently publicly available audited non-consolidated (and consolidated, if and when the Issuer has any subsidiary) financial statements of the Issuer beginning with such financial statements for the years ended 31 December 2010 and 31 December 2009;
 - (h) the most recently publicly available audited consolidated annual financial statements of Tokio Marine & Nichido beginning with such financial statements for the years ended 31 March 2011 and 31 March 2010; and
 - (i) any Final Terms relating to Instruments which are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system. (In the case of any Instruments which are not admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by a Holder of such Instruments).

FINANCIAL STATEMENTS AND AUDITORS REPORTS

Auditors' report and Financial Statements of Tokio Marine Financial Solutions Ltd.
for the years ended December 31, 2010 and 2009 F-2

Auditors' report and Financial Statements of Tokio Marine & Nichido Fire Insurance
Co., Ltd. for the years ended March 31, 2011 and 2010..... F-43

The English version of the Audited Consolidated Financial Statements of the Issuer and Tokio Marine & Nichido Fire Insurance Co., Ltd. prepared in accordance with Japanese GAAP is an accurate and direct translation from Japanese and is reproduced hereafter from pages F-5 to F-42 and F-46 to F-115 respectively.

Tokio Marine Financial Solutions Ltd.

Independent Auditors' Report and Financial Statements for the

Years ended December 31, 2010 and 2009

Report of Independent Auditors

To the Board of Directors of Tokio Marine Financial Solutions Ltd.

We have audited the accompanying balance sheets of Tokio Marine Financial Solutions Ltd. (the "Company") as of 31 December 2010, and the related statements of operations, statements of changes in net assets, statements of cash flows and supplementary schedules for the year then ended, all expressed in Japanese 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 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended 31 December 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 9 to the financial statements.

PricewaterhouseCoopers Aarata

March 8, 2011

Report of Independent Auditors

To the Board of Directors of Tokio Marine Financial Solutions Ltd.

We have audited the accompanying balance sheet of Tokio Marine Financial Solutions Ltd. ("the Company") as of 31 December 2009, and the related statements of operations, changes in net assets, cash flows and supplementary schedules for the year then ended, all expressed in Japanese 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 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended 31 December 2009 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 9 to the financial statements.

PricewaterhouseCoopers Aarata

October 6, 2010

BALANCE SHEETS

	Notes	Millions of Japanese Yen		USD in thousands
		As of December 31,		As of December 31,
		2010	2009	2010
ASSETS:				
Cash and deposits.....		12,791	25,261	157,029
Restricted cash		17	10	209
Trading assets:		221,809	234,773	2,723,084
Trading securities	*1, *3, *4, *6	153,927	165,798	1,889,718
Derivatives		67,882	68,975	833,366
Receivable – unsettled trades		151	0	1,857
Guarantee deposits		1,532	6,959	18,811
Other.....		445	492	5,467
Total current assets.....		236,745	267,495	2,906,457
Tangible fixed assets:	*2	10	0	127
Furniture and fixtures		10	0	127
Intangible fixed assets:		8	0	97
Software		8	0	97
Investments and other assets:		668	478	8,197
Investment securities	*3	7	7	86
Long-term loans receivable	*3	25	27	309
Long-term guarantee deposits		182	182	2,235
Other.....		454	262	5,567
Total non-current assets		686	478	8,421
Total assets		237,431	267,973	2,914,878
LIABILITIES:				
Current liabilities:				
Trading liabilities-Derivatives	*7	68,841	51,616	845,144
Deposits received		13	17	158
Cash collateral received		15,093	18,853	185,296
Accrued expenses.....		221	350	2,714
Income taxes payable.....		29	50	358
Reserve for bonuses		41	55	504
Other.....		9	11	112
Total current liabilities		84,247	70,952	1,034,286
Non-current liabilities:				
Notes payable.....		109,860	142,950	1,348,720
Long-term borrowings		11,000	22,000	135,044
Deferred tax liabilities		78	26	952
Reserve for retirement benefits		320	326	3,929
Other.....		169	89	2,075
Total non-current liabilities		121,427	165,391	1,490,720
Total liabilities		205,674	236,343	2,525,006
NET ASSETS:				
Stockholder's equity				
Common stock		1,178	1,178	14,462
Capital surplus:				
Capital surplus		30,413	36,041	373,372
Total capital surplus		30,413	36,041	373,372
Retained earnings:				
Earned reserve		162	162	1,991
Other retained earnings:				
Accumulated deficit carried forward		(109)	(5,790)	(1,340)
Total retained earnings (accumulated deficit)		53	(5,628)	651
Total stockholder's equity		31,644	31,591	388,485
Valuation and translation adjustments:				
Deferred gains and losses on hedged transactions.....		113	39	1,387
Total valuation and translation adjustments.....		113	39	1,387
Total net assets		31,757	31,630	389,872
Total liabilities and net assets.....		237,431	267,973	2,914,878

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF OPERATIONS

	<i>Notes</i>	<i>Millions of Japanese Yen</i>		<i>USD in</i>
				<i>thousands</i>
		<i>For the years ended December 31,</i>		<i>For the year ended December 31,</i>
		<i>2010</i>	<i>2009</i>	<i>2010</i>
Operating revenue:				
Commissions:		136	158	1,668
Other commissions		136	158	1,668
Net trading gain (loss).....	*1, *13	314	(3,757)	3,857
Interest income	*2	1,726	1,641	21,197
Total operating revenue (loss)		2,176	(1,958)	26,722
Interest expense	*3	550	1,438	6,755
Net operating revenue (loss)		1,626	(3,396)	19,967
Selling, general and administrative expenses:				
Brokerage and other commissions	*4	158	328	1,939
Compensation and benefits	*5	776	967	9,528
Real estate expense	*6	363	475	4,458
Data processing and other supplies.....	*7	154	177	1,900
Depreciation		3	7	32
Taxes other than income taxes	*8	107	145	1,316
Other	*9	8	7	98
Total selling, general and administrative expenses ..		1,569	2,106	19,271
Operating income (loss)		57	(5,502)	696
Non-operating revenue		0	1	2
Non-operating expense	*10	0	47	0
Ordinary income (loss)		57	(5,548)	698
Extraordinary loss	*11, *12	–	(76)	–
Income (loss) before income taxes		57	(5,624)	698
Income taxes - current.....		4	4	47
Total income taxes.....		4	4	47
Net income (loss) for the year.....		53	(5,628)	651

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

	<i>Millions of Japanese Yen</i>		<i>USD in thousands</i>
	<i>For the years ended December 31,</i>		<i>For the year ended December 31,</i>
	<i>2010</i>	<i>2009</i>	<i>2010</i>
<i>Notes</i>			
Stockholder's equity:			
Common stock			
Beginning balance	1,178	1,178	14,462
Changes during the year:			
Total changes during the year	-	-	-
Ending balance	1,178	1,178	14,462
Capital surplus:			
Other capital surplus			
Beginning balance	36,041	50,154	442,465
Changes during the year:			
Offset deficit by capital surplus	(5,628)	(14,113)	(69,093)
Total changes during the year	(5,628)	(14,113)	(69,093)
Ending balance	30,413	36,041	373,372
Total capital surplus			
Beginning balance	36,041	50,154	442,465
Changes during the year:			
Offset deficit by capital surplus	(5,628)	(14,113)	(69,093)
Total changes during the year	(5,628)	(14,113)	(69,093)
Ending balance	30,413	36,041	373,372
Retained earnings:			
Earned reserve			
Beginning balance	162	161	1,991
Changes during the year:			
Transfer from retained earnings carried forward	-	1	-
Total changes during the year	-	1	-
Ending balance	162	162	1,991
Other retained earnings			
Accumulated deficit carried forward:			
Beginning balance	(5,790)	(14,274)	(71,084)
Changes during the year:			
Offset deficit by capital surplus	5,628	14,113	69,093
Transfer to earned reserve	-	(1)	-
Net income (loss) for the year	53	(5,628)	651
Total changes during the year	5,681	8,484	69,744
Ending balance	(109)	(5,790)	(1,340)
Total retained earnings (accumulated deficit)			
Beginning balance	(5,628)	(14,113)	(69,093)
Changes during the year:			
Offset deficit by capital surplus	5,628	14,113	69,093
Net income (loss) for the year	53	(5,628)	651
Total changes during the year	5,681	8,485	69,744
Ending balance	53	(5,628)	651
Total stockholder's equity			
Beginning balance	31,591	37,219	387,834
Changes during the year:			
Net income (loss) for the year	53	(5,628)	651
Total changes during the year	53	(5,628)	651
Ending balance	31,644	31,591	388,485
Valuation and translation adjustments:			
Deferred gains and losses on hedged transactions			
Beginning balance	39	234	472
Changes during the year:			
Net changes in items other than stockholder's equity	74	(195)	915
Total changes during the year	74	(195)	915
Ending balance	113	39	1,387
Total valuation and translation adjustments			
Beginning balance	39	234	472
Changes during the year:			
Net changes in items other than stockholder's equity	74	(195)	915
Total changes during the year	74	(195)	915
Ending balance	113	39	1,387
Total net assets			
Beginning balance	31,630	37,453	388,306
Changes during the year:			
Net income (loss) for the year	53	(5,628)	651
Net changes in items other than stockholder's equity	74	(195)	915
Total changes during the year	127	(5,823)	1,566
Ending balance	31,757	31,630	389,872

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

	<i>Millions of Japanese Yen</i>		<i>USD in thousands</i>
	<i>For the years ended December 31,</i>		<i>For the year ended December 31,</i>
	<i>Notes</i>	<i>2010</i>	<i>2009</i>
Cash flow from operating activities:			
Income (loss) before income taxes.....	57	(5,624)	698
Depreciation	3	7	32
Adjustments for extraordinary items:			
Impairment loss	–	76	–
Interest income	(1,726)	(1,641)	(21,197)
Interest expense on loans and notes payable	550	1,362	6,755
Loss on redemption of notes payable.....	–	67	–
Decrease in trading securities and others.....	11,708	32,595	143,732
Decrease (increase) in derivatives, net.....	18,489	(21,476)	226,980
Decrease in long-term loans receivable	1	1	18
Decrease (increase) in other assets:			
Decrease in guarantee deposits	5,427	9,790	66,623
(Increase) decrease in other assets	(193)	946	(2,367)
Increase (decrease) in other liabilities:			
(Decrease) increase in deposits received	(5)	4	(55)
(Decrease) increase in cash collateral received	(3,760)	4,856	(46,159)
Increase in accrued expenses	14	9	171
Decrease in income taxes payable	(21)	(33)	(261)
Decrease in reserve for bonuses.....	(14)	(18)	(167)
(Decrease) increase in reserve for retirement benefits..	(6)	43	(75)
Decrease in reserve for retirement benefits for directors	–	(1)	–
Increase (decrease) in other liabilities	69	(856)	849
Sub-total	30,593	20,107	375,577
Interest received	1,744	1,678	21,408
Interest paid	(685)	(1,704)	(8,404)
Income taxes paid.....	(4)	(28)	(47)
Income taxes refunds	24	–	298
Net cash provided by operating activities	31,672	20,053	388,832
Cash flow from investing activities:			
Purchase of investment securities.....	–	(2)	–
Acquisition of tangible fixed assets	(12)	(20)	(142)
Acquisition of intangible fixed assets	(9)	(63)	(115)
Collection of long-term guarantee deposits	–	94	–
Term deposits made	(2,003)	(7,504)	(24,605)
Withdrawal from term deposits	3,002	11,007	36,856
Net cash provided by investing activities.....	978	3,512	11,994
Cash flow from financing activities:			
Proceeds from notes payable	271	668	3,327
Redemption of notes payable.....	(33,361)	(56,826)	(409,564)
Repayments of long-term borrowings	(11,000)	(10,000)	(135,043)
Net cash used in financing activities	(44,090)	(66,158)	(541,280)
Effect of exchange rate changes on cash and cash equivalents	(32)	8	(389)
Net decrease in cash and cash equivalents.....	(11,472)	(42,585)	(140,843)
Cash and cash equivalents at beginning of year	23,261	65,846	285,564
Cash and cash equivalents at end of year.....	*1 11,789	23,261	144,721

The accompanying notes are an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) For the year ended December 31, 2010

1. Valuation of securities and derivatives

- (1) Valuation of trading securities and derivatives
Trading securities and derivatives transactions are recorded at fair value.
- (2) Valuation of non-trading securities
Securities without a market value are recorded at cost using the moving average method.

2. Depreciation method of fixed assets

- (1) Tangible fixed assets
The straight-line method is used.
The estimated useful lives of major items are as follows:

Buildings	5 to 15 years
Furniture and fixtures	5 to 15 years
Office equipment	3 to 6 years
- (2) Intangible fixed assets and long-term prepaid expenses
The straight-line method is used.
Internal use software is amortized on a straight-line basis over the expected usable period.

3. Accounting policies for deferred assets

Issuance costs on notes payable are charged to expenses as incurred.

4. Foreign currency translation

Assets and liabilities that are denominated in foreign currencies are translated into Japanese yen at the prevailing rate of exchange on the accompanying balance sheet date with resulting gains and losses reflected in income.

5. Accounting policies for reserves

- (1) Reserve for bonuses
A reserve for bonuses is provided for the payment of estimated bonuses to employees at the end of the period for services related to that period then ended.
- (2) Reserve for retirement benefits
A reserve for retirement benefits is provided for future retirement benefits to employees based on retirement allowance liabilities estimated at the end of the period.

6. Hedge accounting

- (1) Hedge accounting
Valuation gains or losses on hedging instruments are mainly deferred until the gains or losses on the underlying hedged instruments are realized.

(2) Hedging instruments and hedged instruments

The Company issues notes payable and makes borrowings at fixed or floating rates, and enters into corresponding derivative contracts to hedge the related market risks.

(3) Hedging policy

The Company enters into derivatives transactions such as interest rate swap contracts to reduce the market risk related to notes payables and borrowings. Transactions to be hedged are specified for each contract.

(4) Assessment of effectiveness of hedging activities

The Company assesses the effectiveness of its hedging activities periodically by verifying the correlation between the hedging instruments and the hedged instruments.

7. Scope of funds in statements of cash flows

Cash and cash equivalents in statements of cash flows consist of cash on hand, deposits that can be withdrawn at any time and term deposits with original maturities within three months.

8. Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

9. Other

The accompanying financial statements for the years ended December 31, 2010 and December 31, 2009 are stated in Japanese Yen. The translation of Japanese Yen amounts into U.S. dollar amounts for the year ended December 31, 2010 is included solely for convenience of readers outside Japan and has been made at the rate of 81.455 Yen to 1\$, the appropriate rate of exchange as at December 30, 2010. The translation should not be construed as a representation that Japanese Yen amounts could be converted into U.S. dollars at that or any other rate.

(B) For the year ended December 31, 2009

1. Valuation of securities and derivatives

(1) Valuation of trading securities and derivatives

Trading securities and derivatives transactions are recorded at fair value.

(2) Valuation of non-trading securities

Securities without a market value are recorded at cost using the moving average method.

2. Depreciation method of fixed assets

(1) Tangible fixed assets

The straight-line method is used.

The estimated useful lives of major items are as follows:

Buildings	5 to 15 years
Furniture and fixtures	5 to 15 years
Office equipment	3 to 6 years

(2) Intangible fixed assets and long-term prepaid expenses

The straight-line method is used.

Internal use software is amortized on a straight-line basis over the expected usable period.

3. Accounting policies for deferred assets

Issuance costs on notes payable are charged to expenses as incurred.

4. Foreign currency translation

Assets and liabilities that are denominated in foreign currencies are translated into Japanese yen at the prevailing rate of exchange on the accompanying balance sheet date with resulting gains and losses reflected in income.

5. Accounting policies for reserves

(1) Reserve for bonuses

A reserve for bonuses is provided for the payment of estimated bonuses to employees at the end of the period for services related to that period then ended.

(2) Reserve for retirement benefits

A reserve for retirement benefits is provided for future retirement benefits to employees based on retirement allowance liabilities estimated at the end of the period.

(3) Reserve for retirement benefits for directors

There are no applicable items.

At the board meeting held on September 30, 2009, a proposal to terminate the retirement benefit plan for directors was approved. The retirement benefit that had been accrued until the termination of the plan would be paid to directors when each of them retire. Accordingly, the Company reversed the entire amount of a reserve for retirement benefits for directors and recorded unpaid balances in "Non-current liabilities –other".

6. Hedge accounting

(1) Hedge accounting

Valuation gains or losses on hedging instruments are mainly deferred until the gains or losses on the underlying hedged instruments are realized.

(2) Hedging instruments and hedged instruments

The Company issues notes payable and makes borrowings at fixed or floating rates, and enters into corresponding derivative contracts to hedge the related market risks.

(3) Hedging policy

The Company enters into derivatives transactions such as interest rate swap contracts to reduce the market risk related to notes payables and borrowings. Transactions to be hedged are specified for each contract.

(4) Assessment of effectiveness of hedging activities

The Company assesses the effectiveness of its hedging activities periodically by verifying the correlation between the hedging instruments and the hedged instruments.

7. Scope of funds in statement of cash flows

Cash and cash equivalents in statement of cash flows consist of cash on hand, deposits that can be withdrawn at any time and term deposits with original maturities within three months.

8. Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

NOTES TO FINANCIAL STATEMENTS

(Notes to Balance Sheet)

(A) As of December 31, 2010

*1. Trading securities were as follows:

	<i>Millions of Japanese Yen</i>
Assets	
Bonds	153,927

*2. Accumulated depreciation of tangible fixed assets

	<i>Millions of Japanese Yen</i>
Buildings	11
Furniture and fixtures.....	150
Total	<u>161</u>

*3. Financial assets pledged as collateral

	<i>Millions of Japanese Yen</i>
Trading securities.....	47,889
Investment securities	7
Long-term loans receivable	25
Total	<u>47,921</u>

*4. Fair value of securities pledged and received as collateral

(1) Fair value of securities pledged as collateral

	<i>Millions of Japanese Yen</i>
Securities pledged for the contracts of over-the-counter derivative instruments	26,521
Securities pledged for the contracts of other transactions	21,368

(2) Fair value of securities received as collateral

	<i>Millions of Japanese Yen</i>
Securities received for the contracts of over-the-counter derivative instruments	2,003

5. Commitments

In connection with the PFI (Private Finance Initiative) transactions, the Company had entered into loan commitment contracts, which arise only in the case that a lenders' loan is not executed. The contractual amount of loan commitments at December 31, 2010 was ¥610 million.

*6. Guarantees

	<i>Millions of Japanese Yen</i>
Guarantees of collateral debt obligations	68,359
Guarantees of trusted loans	3,245

The Company pledged trading securities of ¥21,368 million for collateral debt obligation guarantee contracts as of December 31, 2010.

*7 Related party transactions

Primary sources of related party transactions assets and liabilities were as follows:

	<i>Millions of Japanese Yen</i>
Trading liabilities – Derivatives.....	8,043

(B) As of December 31, 2009

*1. Trading securities were as follows:

	<i>Millions of Japanese Yen</i>
Assets	
Bonds	165,798

*2. Accumulated depreciation of tangible fixed assets

	<i>Millions of Japanese Yen</i>
Buildings	11
Furniture and fixtures.....	148
Total	<u>159</u>

*3. Financial assets pledged as collateral

	<i>Millions of Japanese Yen</i>
Trading securities.....	41,798
Investment securities	5
Long-term loans receivable	27
Total	<u>41,830</u>

*4. Fair value of securities pledged and received as collateral

(1) Fair value of securities pledged as collateral

	<i>Millions of Japanese Yen</i>
Securities pledged for the contracts of over-the-counter derivative instruments	10,248
Securities pledged for the contracts of other transactions	31,550

(2) Fair value of securities received as collateral

*Millions of
Japanese Yen*

Securities received for the contracts of over-the-counter derivative instruments	2,986
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5. Commitments

In connection with the PFI (Private Finance Initiative) transactions, the Company had entered into loan commitment contracts, which arise only in the case that a lenders' loan is not executed. The contractual amount of loan commitments at December 31, 2009 was ¥7,332 million.

*6. Guarantees

*Millions of
Japanese Yen*

Guarantees of collateral debt obligations	90,550
Guarantees of trusted loans	1,415

The Company pledged trading securities of ¥31,550 million for collateral debt obligation guarantee contracts as of December 31, 2009.

*7 Related party transactions

Primary sources of related party transactions assets and liabilities were as follows:

*Millions of
Japanese Yen*

Trading liabilities – Derivatives.....	6,015
--	-------

(Notes to Statement of Operations)

(A) For the year ended December 31, 2010

*1. Trading gain (loss) was as follows:

(Millions of Japanese Yen)

	<u>Realized</u>	<u>Unrealized</u>	<u>Total</u>
Equities.....	(34)	(75)	(109)
Bonds	9,916	(7,525)	2,391
Other.....	7,399	(9,367)	(1,968)
Total	<u>17,281</u>	<u>(16,967)</u>	<u>314</u>

*2. Interest income was as follows:

*Millions of
Japanese Yen*

Interest income on bonds.....	1,688
Other	38
Total	<u>1,726</u>

*3. Interest expense was as follows:

	<i>Millions of Japanese Yen</i>
Interest expense on loans and notes payable	550
Total	<u>550</u>

*4 Brokerage and other commissions were as follows:

	<i>Millions of Japanese Yen</i>
Commission fees	110
Membership fees	3
Communication and transportation	35
Traveling expenses	9
Entertainment	1
Total	<u>158</u>

*5. Compensation and benefits were as follows:

	<i>Millions of Japanese Yen</i>
Compensation	628
Welfare expenses	60
Retirement benefit expenses	49
Increase in reserve for bonuses	39
Total	<u>776</u>

*6. Real estate expense was as follows:

	<i>Millions of Japanese Yen</i>
Buildings	234
Furniture and fixtures.....	129
Total	<u>363</u>

*7. Data processing and other supplies were as follows:

	<i>Millions of Japanese Yen</i>
Data processing	152
Stationary	2
Total	<u>154</u>

*8 Taxes, other than income taxes, were as follows:

	<i>Millions of Japanese Yen</i>
Fixed asset tax	4
Consumption tax	35
Enterprise tax	66
Business office tax	1
Other	1
Total	<u>107</u>

*9. Other expenses were as follows:

	<i>Millions of Japanese Yen</i>
Books and magazines	3
Other	5
Total	<u>8</u>

*10. Non-operating expense was as follows:

None.

*11 Extraordinary loss was as follows:

None.

*12. Impairment loss

None.

*13. Related party transactions

	<i>Millions of Japanese Yen</i>
Net trading loss	<u>(1,286)</u>

(B) For the year ended December 31, 2009

*1. Trading gain (loss) was as follows:

	<i>(Millions of Japanese Yen)</i>		
	<u>Realized</u>	<u>Unrealized</u>	<u>Total</u>
Equities.....	230	15	245
Bonds	(27,734)	22,811	(4,923)
Other.....	(1,827)	2,748	921
Total	<u>(29,331)</u>	<u>25,574</u>	<u>(3,757)</u>

*2. Interest income was as follows:

	<i>Millions of Japanese Yen</i>
Interest income on bonds	1,529
Other	112
Total	<u>1,641</u>

*3. Interest expense was as follows:

	<i>Millions of Japanese Yen</i>
Interest expense on loans and notes payable	1,362
Other	76
Total	<u>1,438</u>

*4 Brokerage and other commissions were as follows:

	<i>Millions of Japanese Yen</i>
Commission fees	275
Membership fees	4
Communication and transportation	35
Traveling expenses	12
Entertainment	2
Total	<u>328</u>

*5. Compensation and benefits were as follows:

	<i>Millions of Japanese Yen</i>
Compensation	780
Welfare expenses	72
Retirement benefit expenses	59
Increase in reserve for bonuses	55
Increase in reserve for retirement benefits for directors	1
Total	<u>967</u>

*6. Real estate expense was as follows:

	<i>Millions of Japanese Yen</i>
Buildings	342
Furniture and fixtures	133
Total	<u>475</u>

*7. Data processing and other supplies were as follows:

	<i>Millions of Japanese Yen</i>
Data processing	174
Stationary	3
Total	<u>177</u>

*8 Taxes, other than income taxes, were as follows:

	<i>Millions of Japanese Yen</i>
Fixed asset tax	6
Consumption tax	59
Enterprise tax	79
Business office tax	1
Other	0
Total	<u>145</u>

*9. Other expenses were as follows:

	<i>Millions of Japanese Yen</i>
Books and magazines	3
Other	4
Total	<u>7</u>

*10. Non-operating expense was as follows:

Penalty charge on real estate lease contract	47
--	----

*11 Extraordinary loss was as follows:

Impairment loss	76
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*12. Impairment loss

The Company recognized an impairment loss on the following properties during the year ended December 31, 2009.

<u>Location</u>	<u>Purpose of use</u>	<u>Type</u>	<i>Millions of Japanese Yen</i>
Tokyo metropolitan area	Properties for business use	Real estate	2
Tokyo metropolitan area	Properties for business use	Furniture and fixtures	0
Tokyo metropolitan area	Properties for business use	Office equipment	16
Tokyo metropolitan area	Properties for business use	Software	58
Total			<u>76</u>

Properties used for the derivatives business are considered as one asset group.

Since the book value of a group of assets exceeded the undiscounted sum of its future cash flows, the carrying amount of the assets are reduced to their recoverable amount and an impairment loss was

recognized as an extraordinary loss. The recoverable amount of the asset group is measured by value in use. The value in use was calculated by applying 1.2% discount rate to the assets' expected future cash flows.

*13. Related party transactions

	<i>Millions of Japanese Yen</i>
Net trading loss	(926)

(Notes to Statement of Changes in Net Assets)

(A) For the year ended December 31, 2010

1. Class and number of shares issued

	<i>(Shares)</i>			
	<i>Number of shares as of December 31, 2009</i>	<i>Increase during the year</i>	<i>Decrease during the year</i>	<i>Number of shares as of December 31, 2010</i>
<i>Type</i>				
Shares issued				
Common stock	1,000,000	-	-	1,000,000
Total	1,000,000	-	-	1,000,000

(B) For the year ended December 31, 2009

1. Class and number of shares issued

	<i>(Shares)</i>			
	<i>Number of shares as of December 31, 2008</i>	<i>Increase during the year</i>	<i>Decrease during the year</i>	<i>Number of shares as of December 31, 2009</i>
<i>Type</i>				
Shares issued				
Common stock	1,000,000	-	-	1,000,000
Total	1,000,000	-	-	1,000,000

(Notes to Statement of Cash Flows)

(A) For the year ended December 31, 2010

*1. Relationship between cash and cash equivalents at the end of year and the amounts shown in the balance sheet

	<i>Millions of Japanese Yen</i>
Cash and deposits	12,791
Term deposits with initial maturity over three months	(1,002)
Cash and cash equivalents	11,789

(B) For the year ended December 31, 2009

- *1. Relationship between cash and cash equivalents at the end of year and the amounts shown in the balance sheet

	<i>Millions of Japanese Yen</i>
Cash and deposits	25,261
Term deposits with initial maturity over three months	(2,000)
Cash and cash equivalents	23,261

(Information on Financial Instruments)

(A) For the year ended December 31, 2010

Effective from the fiscal year ended December 31, 2010, the Company adopted a revised Accounting Standard - ASBJ Statement No. 10 (revised 2008) "Accounting Standards for Financial Instruments" and its implementation Guidance – ASBJ Guidance No. 19 "Guidance on Disclosures about Financial Instruments" issued by Accounting Standards Board of Japan ("ASBJ") on March 10, 2008.

1. Qualitative information on financial instruments

(1) Policy on financial instruments

The Company provides various financial services that meet customers' hedging needs, and provides a diverse and complex investment / funding structure, and purchases financial instruments to hedge the risk that are incidental to these financial instruments.

The Company entirely and efficiently manages the variety of risk incurred by such financial instruments and maintains sound finance.

(2) Contents and risk of financial instruments

The Company is mainly engaged in transactions such as trading securities, listed derivative instruments such as bond futures etc, and over-the-counter derivative instruments such as option transactions and swap transactions. In addition, the Company has also entered into guarantee contracts.

The Company is raising capital by notes payable of which embedded derivative financial instruments are bifurcated from main contracts or hedge accounting is applied.

The Company is exposed to market risk, credit risk and liquidity risk resulting from the financial instruments it holds.

Market risk is the potential loss the Company may incur as a result of decrease in the fair value of financial instruments caused by fluctuation in interest rates, foreign exchange rates and the market value of securities . Also, market risk due to unfavorable or illiquid market conditions includes the potential loss.

Credit risk is the potential loss the Company may incur if the issuer of securities or its counterparties fail to perform pursuant to the terms of their contractual obligations.

Liquidity risk is the potential loss the Company may incur as a result of raising cash at a premium to its normal cost of funding.

(3) Risk management structure

In the Company, the Risk Oversight Department is in charge of risk management and independent of departments executing transactions, in order to deal with market, credit, and

liquidity risk related to financial instruments. The Risk Oversight Department has established policies on risk management and limits to monitor the aforementioned risk. The policies are reviewed and approved by the Board of Directors. The Risk Oversight Department of the Company monitors the amount of risk taken daily and performs a comparison versus pre-established limits. The Risk Oversight Department has a direct reporting line to the Board of Directors.

a) Market risk management

Concerning transactions in trading businesses, the Company monitors the amount of risk taken daily against pre-established limits. As for quantitative risk management, market risk is quantified based on VaR . In addition to its VaR methodology, the Company performs stress testing of the potential impact of adverse market conditions.

b) Credit risk management

Concerning transactions in trading businesses which generate credit risk, the Company has established credit limits based on the credit standing of counterparties' and calculates credit standings on a daily basis of each counterparty to monitor compliance.

In addition, concerning the credit risk of financial instruments held in the trading business, the Company has established upper limits of holding and the holding period in accordance with each issuer's category and credit rating in relation to the relevant financial instruments, and monitors the status of them.

And as for the guarantee contracts, the Company manages the risk by evaluating the probability of the execution of guarantee obligation which is conducted from the information such as the status of underlying assets and the rate of default of resemble assets, etc.

The result is reported to the directors regularly.

c) Liquidity risk management

The Company is in control of daily funding quantitatively and reports the result regularly to the directors.

The Company is mainly raising capital by notes payable, and managing liquidity risk continuously to hold investment amount to the amount of raising capital.

(4) Notes on fair value information

The fair value of financial instruments is calculated using reasonable methods when a market price is not available. On determination of fair value, certain assumptions are set, and the fair value may be determined differently using alternative assumptions. A contractual amount of derivative transactions does not represent the market or credit risk of such derivative transactions.

2. Fair value of financial instruments

The amounts of differences between stated on the balance sheet as of December 31, 2010, and fair values are shown in the following table. Financial instruments whose fair values are extremely difficult to determine are excluded (see Note 2).

<i>(Millions of Japanese Yen)</i>			
	<i>Amount on balance sheet</i>	<i>Fair value</i>	<i>Difference</i>
(1) Cash and deposits	12,791	12,791	–
(2) Trading assets	221,809	221,809	–
(a) Trading securities	153,927	153,927	–
(b) Derivatives	67,882	67,882	–
(3) Receivable – unsettled trades	151	151	–
(4) Guarantee deposits	1,532	1,532	–
Total assets	<u>236,283</u>	<u>236,283</u>	–
(1) Trading liabilities-Derivatives	68,841	68,841	–
(2) Cash collateral received	15,093	15,093	–
(3) Notes payable	109,860	109,859	(1)
(4) Long-term borrowings	11,000	11,197	197
Total liabilities	<u>204,794</u>	<u>204,990</u>	<u>196</u>
Derivative assets and liabilities(*)			
Hedge accounting not applied	(959)	(959)	–
Hedge accounting applied	271	271	–
Total derivative assets and liabilities	<u>(688)</u>	<u>(688)</u>	<u>–</u>

(*) Derivative assets and liabilities are presented on a net basis. Debits and credits arising from derivative transactions are netted and net credit position is shown with ().

(Note 1) Valuation method for financial instruments

Assets

(1) Cash and deposits

Cash and deposits are stated at their book values since the terms of the settlement period are within 1 year and the fair values approximate the book values.

(2) Trading assets

The fair value of securities held for trading purpose is based on either quoted market prices or broker prices provided by financial institutions that are reasonably and objectively calculated. The fair value of derivatives are estimates which are considered appropriate based on the market prices, discounted cash flows, option pricing model and other information.

Please refer to “Trading Securities and Derivative Instruments” related to the valuation method on each financial instruments.

(3) Receivable – unsettled trades and (4) Guarantee deposits

Unsettled trades and Guarantee deposits are stated as their book values since the terms of the settlement period are short and the fair values approximate the book values.

Liabilities

(1) Trading liabilities

The fair value of derivatives are estimates which are considered appropriate based on the market prices, discounted cash flows, option pricing model and other information.

Please refer to “Trading Securities and Derivative Instruments” related to valuation method on each financial instruments.

(2) Cash collateral received

Cash collateral is stated at their book values since the terms of the settlement period are short and the fair values approximate the book values.

(3) Notes payable and (4) Long-term borrowings

Notes payable and long-term borrowings in which hedge accounting is not applied are bifurcated from embedded derivatives and main contracts are considered as floating rate funding instruments. As the floating rate is short term and the Company’s credit standing is not extensively different after the borrowing, notes payable and long-term borrowings are stated as their book values since the fair values approximate the book values. On the other hand, the fair value of fixed rate notes payable and long-term borrowings in which hedge accounting is applied is based on the total present value of principal and interest discounted by the interest rate considering the remaining maturities and credit risk.

Derivative instruments

Please refer to “Trading Securities and Derivative Instruments.”

(Note 2) Guarantee contracts are not included in the table above because the fair value of guarantee contracts is extremely difficult to measure as there are no quoted market prices and their future cash flows cannot be reasonably determinable.

(Note 3) Scheduled redemption amount of monetary claims and securities with contracted maturities

	<i>(Millions of Japanese Yen)</i>			
	<i>Within 1 year</i>	<i>1 to 5 years</i>	<i>5 to 10 years</i>	<i>Over 10 years</i>
Deposits	12,791	–	–	–
Guarantee deposits	1,532	–	–	–
Total	14,323	–	–	–

(Note 4) Scheduled redemption amount of notes payable and long-term borrowings

	<i>(Millions of Japanese Yen)</i>			
	<i>Within 1 year</i>	<i>1 to 5 years</i>	<i>5 to 10 years</i>	<i>Over 10 years</i>
Notes payable	500	600	8,690	100,070
Long-term borrowings	–	6,000	–	5,000
Total	500	6,600	8,690	105,070

(Trading Securities and Derivative Instruments)

(A) As of December 31, 2010

1 Financial instruments held for trading purpose

(1) Fair value of Trading securities

(Millions of Japanese Yen)

<i>Type</i>	<i>Assets</i>	<i>Liabilities</i>
Bonds	153,927	—
Total	153,927	—

Unrealized gain on Trading securities was ¥805 million as of December 31, 2010.

(2) The contract amount and fair value of derivatives to which hedge accounting is not applied

“Contract amount, etc.” as shown in the tables is the nominal contract or notional principal amount of derivative transactions. The amount itself does not represent the market or credit risk of such derivative transactions.

(a) Foreign currency-related instruments

		<i>(Millions of Japanese Yen)</i>			
<i>Type</i>		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
	Foreign exchange forwards				
	Short				
	USD	8,894	–	(164)	(164)
	Long				
	USD	14	–	(3)	(3)
	Cross currency swaps				
	Pay foreign / Receive Yen				
	USD	413,478	244,677	13,754	13,754
	EUR	3,819	2,482	799	799
	AUD	447	447	18	18
	Pay Yen / Receive foreign				
	USD	166,748	126,789	(25,021)	(25,021)
	EUR	2,482	2,482	(741)	(741)
	AUD	434	434	(14)	(14)
Over-the-counter products	Currency options				
	Short				
	Call				
	USD	44,813	31,939		
		4,937	4,120	(4,199)	738
	Put				
	USD	49,759	36,079		
		5,022	4,008	(7,503)	(2,481)
	Long				
	Call				
	USD	42,667	29,253		
		(3,521)	(2,567)	2,821	(700)
	Put				
	USD	45,681	30,573		
		(3,443)	(2,589)	9,106	5,663
	Total	779,236	505,155	(11,147)	(8,152)

Notes:

1. The fair value of foreign exchange forward agreements at end of period is based on the futures' market price.
2. The fair value of cross currency swaps is calculated by discounting future cash flows to present value based on the interest rate at year end.
3. The fair value of foreign currency options is based on an option pricing model generally acknowledged in the market based on volatility, etc.
4. For option contracts, option premiums at the inception are shown below the respective contractual amount.

(b) Interest rate-related instruments

(Millions of Japanese Yen)

		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
<i>Type</i>					
Listed products	Interest rate futures				
	Short	15,884	–	(5)	(5)
	Long	160,000	–	1	1
Over-the-counter products	Interest rate options				
	Short				
	Cap	37,232	25,000		
		595	435	(53)	542
	Swaption	13,000	12,000		
		446	394	(1,182)	(736)
	Long				
	Cap	4,500	–		
		(36)	–	0	(36)
	Swaption	16,000	12,000		
		(395)	(286)	488	93
	Interest rate swaps				
	Receive fixed / Pay float	1,005,014	599,162	35,889	35,889
	Receive float / Pay fixed	1,342,353	617,838	(27,147)	(27,147)
	Receive float / Pay float	384,298	372,153	3,313	3,313
	Receive fixed / Pay fixed	43,655	43,655	238	238
	Total	3,021,936	1,681,808	11,542	12,152

Notes:

1. The fair value of interest rate futures is based on the closing price of major exchanges.
2. The fair value of interest rate options is based on an option pricing model generally acknowledged in the market based on volatility, etc.
3. For option contracts, option premiums at the inception are shown below the respective contractual amount.
4. The fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at year end.

(c) Equity-related instruments

(Millions of Japanese Yen)

		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
<i>Type</i>					
Listed products	Equity index futures				
	Long	2,452	–	(2)	(2)
	Total	2,452	–	(2)	(2)

Note

1. The fair value of equity index futures is based on the closing price at major exchanges.

(d) Bond-related instruments

(Millions of Japanese Yen)

		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
<i>Type</i>					
Listed products	Bond futures				
	Short	3,127	–	(11)	(11)
	Total	3,217	–	(11)	(11)

Note:

- The fair value of bond futures is based on the closing price at major exchanges.

(e) Credit-related instruments

(Millions of Japanese Yen)

		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
<i>Type</i>					
Over-the-counter products	Credit derivatives				
	Sell protection	500	–	(3)	(3)
	Buy protection	500	–	3	3
	Total	1,000	–	–	–

Note:

- The fair value of credit derivatives is calculated using the internal valuation model.

(f) Commodity-related instruments

		<i>(Millions of Japanese Yen)</i>			
<i>Type</i>		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
Over-the-counter products	Commodity swaps				
	Receive fixed price /	15,991	15,533	(6,292)	(6,292)
	Pay Commodity indices				
	Receive Commodity indices /	17,280	16,776	5,368	5,368
	Pay fixed price				
	Receive Commodity indices /	6,583	6,171	(417)	(417)
	Pay Commodity indices				
	Commodity options				
	Short				
	Cap	76	–		
	12	–	(2)	10	
Long					
Cap	76	–			
	(10)	–	2	(8)	
	Total	40,006	38,480	(1,341)	(1,339)

Notes:

1. The fair value of commodity swaps is calculated using the internal valuation model.
2. The fair value of commodity options is based on an option pricing model generally acknowledged in the market based on volatility, etc.
3. For option contracts, option premiums at the inception are shown below respective contractual amount.

2 Financial instruments held for purposes other than trading

- (1) Fair value of bonds held to maturity
None.
- (2) Fair value of securities of subsidiaries and affiliates
None.
- (3) Other securities with fair value
None.
- (4) Bonds held to maturity that were sold
None.
- (5) Other securities that were sold
None.
- (6) Other securities without fair value

	<i>Millions of Japanese Yen</i>
Other securities	7
Classified under Non-current assets	7
Stocks(unlisted)	7
(7) Maturities of other securities None.	

(8) Fair value of derivatives to which hedge accounting is applied

		<i>(Millions of Japanese Yen)</i>			
<i>Hedge accounting</i>	<i>Type</i>	<i>Hedged instruments</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>
Deferred hedge	Cross currency swaps Pay Yen / Receive foreign USD	Borrowings	5,000	5,000	(155)
	Interest rate swaps Receive fixed / Pay float	Notes Payable, Borrowings	7,200	7,200	426
	Total		12,200	12,200	271

Note:

1. The fair value of cross currency swaps and interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at year end.

(B) As of December 31, 2009

1 Financial instruments held for trading purpose

(1) Details of trading

a) Type of transactions

The Company is mainly engaged in transactions such as Trading securities for bonds, listed derivative instruments such as interest rate futures, bond futures, equity index futures and over-the-counter derivative instruments such as option transactions and swap transactions.

b) Purpose and policy of trading

The Company carries out trading in order to i) provide a wide range of financial instruments that meet customers' hedging needs as well to manage their diverse and complex investment / funding structures, ii) hedge the risks that are incidental to trading and iii) maximize gain within a certain risk limits.

c) Risk related to trading

The Company is exposed to market risk, credit risk and liquidity risk resulting from its trading activities.

Market risk is the potential loss the Company may incur as a result of changes in the fair value of financial instruments it holds on its books.

Credit risk is the potential loss the Company may incur if its counterparties fail to perform pursuant to the terms of their contractual obligations and the value of collateral held, if any, is not adequate to cover such losses.

Liquidity risk is the potential loss the Company may incur as a result of raising cash at short notice at a premium to its normal cost of funding.

d) Risk management structure

The Company has implemented operating policies in order to establish limits for and monitor the aforementioned risks. The operating policies are reviewed and approved by

the Board of Directors. The Company monitors the amount of risk taken daily and performs a comparison versus pre-established limits. The Risk Oversight Department of the Company has a direct reporting line to the Board of Directors.

The Company minimizes market risk by frequently hedging its exposures. The Company's credit risk predominantly originates from exposure to counterparties.

(2) Fair value of Trading securities

<i>Type</i>	<i>(Millions of Japanese Yen)</i>	
	<i>Assets</i>	<i>Liabilities</i>
Bonds	165,798	—
Total	165,798	—

Unrealized gain on Trading securities was ¥379 million as of December 31, 2009.

(3) Contract amount and fair value of derivatives

(a) Foreign currency-related instruments

		<i>(Millions of Japanese Yen)</i>			
<i>Type</i>		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
	Foreign exchange forwards				
	Short				
	USD	5,254	464	150	150
	AUD	7,782	–	188	188
	Long				
	USD	16,249	–	(77)	(77)
	AUD	164	–	(4)	(4)
	Pay foreign / Receive foreign				
	Pay EUR / Receive USD	481	–	(19)	(19)
	Cross currency swaps				
	Pay foreign / Receive Yen				
	USD	605,381	441,233	6,815	6,815
	EUR	9,535	8,033	940	940
	AUD	837	640	44	44
	Pay Yen / Receive foreign				
	USD	223,390	168,779	(11,973)	(11,973)
	EUR	6,292	6,292	(916)	(916)
	AUD	627	627	(39)	(39)
Over-the-counter products	Currency options				
	Short				
	Call				
	USD	37,710	27,786		
		3,319	2,806	(3,156)	163
	AUD	95	–		
		1	–	(0)	0
	Put				
	USD	46,504	35,315		
		3,170	2,753	(5,213)	(2,043)
	Long				
	Call				
	USD	55,390	48,619		
		(4,138)	(3,738)	4,838	700
	AUD	82	–		
		(1)	–	0	(0)
	Put				
	USD	52,575	45,681		
		(4,225)	(3,873)	8,417	4,192
	Total	1,068,348	783,469	(5)	(1,879)

Notes:

1. The fair value of foreign exchange forward agreements at end of period is based on the futures' market price.
2. The fair value of cross currency swaps is calculated by discounting future cash flows to present value based on the interest rate at year end.
3. The fair value of foreign currency options is based on an option pricing model.
4. For option contracts, option premiums at the inception are shown below the respective contractual amount.

(b) Interest rate-related instruments

(Millions of Japanese Yen)

		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
<i>Type</i>					
Listed products	Interest rate futures				
	Short	26,713	–	(2)	(2)
	Long	13,000	–	2	2
Over-the-counter products	Interest rate options				
	Short				
	Cap	49,958	34,912		
		734	607	(108)	627
	Swaption	17,000	16,000		
		446	446	(742)	(296)
	Long				
	Cap	14,600	4,500		
		(135)	(36)	0	(135)
	Swaption	21,155	19,000		
	(397)	(395)	375	(22)	
Interest rate swaps	Receive fixed / Pay float	1,362,128	924,866	33,700	33,700
	Receive float / Pay fixed	1,581,174	939,481	(26,424)	(26,424)
	Receive float / Pay float	462,376	452,918	12,736	12,736
	Receive fixed / Pay fixed	44,610	44,610	(589)	(589)
Total		3,592,714	2,436,287	18,948	19,597

Notes:

1. The fair value of interest rate futures is based on the closing price of major exchanges.
2. The fair value of interest rate options is based on an option pricing model.
3. For option contracts, option premiums at the inception are shown below the respective contractual amount.
4. The fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at year end.

(c) Equity-related instruments

(Millions of Japanese Yen)

		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
<i>Type</i>					
Listed products	Equity index futures				
	Long	1,634	–	73	73
	Total	1,634	–	73	73

Note:

- The fair value of equity index futures is based on the closing price at major exchanges.

(d) Bond-related instruments

(Millions of Japanese Yen)

		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
<i>Type</i>					
Listed products	Bond futures				
	Short	3,639	–	50	50
	Long	2,634	–	(51)	(51)
	Total	6,273	–	(1)	(1)

Note:

- The fair value of bond futures is based on the closing price at major exchanges.

(e) Credit-related instruments

(Millions of Japanese Yen)

		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
<i>Type</i>					
Over-the-counter products	Credit derivatives				
	Sell protection	1,100	500	(3)	(3)
	Buy protection	1,100	500	3	3
	Total	2,200	1,000	–	–

Note:

- The fair value of credit derivatives is calculated using the internal valuation model.

(f) Commodity-related instruments

		<i>(Millions of Japanese Yen)</i>			
<i>Type</i>		<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
Over-the-counter products	Commodity swaps				
	Receive fixed price / Pay Commodity indices	20,351	20,351	(8,393)	(8,393)
	Receive Commodity indices / Pay fixed price	22,046	22,046	7,152	7,152
	Receive Commodity indices / Pay Commodity indices	8,665	8,665	(415)	(415)
	Total	51,062	51,062	(1,656)	(1,656)

Note:

1. The fair value of commodity swaps is calculated using the internal valuation model.

2. Financial instruments held for purposes other than trading

(1) Fair value of bonds held to maturity

None.

(2) Fair value of securities of subsidiaries and affiliates

None.

(3) Other securities with fair value

None.

(4) Bonds held to maturity that were sold

None.

(5) Other securities that were sold

None.

(6) Other securities without fair value

	<i>Millions of Japanese Yen</i>
Other securities	7
Classified under Non-current assets	7
Stocks(unlisted)	7

(7) Maturities of other securities

None.

(8) Fair value of derivatives

None – as deferral hedge treatment has been applied.

(Retirement Benefits)

1. Outline of the retirement and severance benefit plans

(A) For the year ended December 31, 2010

The Company has a lump-sum payment retirement plan based on its retirement rules.

(B) For the year ended December 31, 2009

The Company has a lump-sum payment retirement plan based on its retirement rules.

2. Retirement benefit liabilities

	<i>Millions of Japanese Yen As of December 31,</i>	
	<u>2010</u>	<u>2009</u>
Retirement benefits liabilities	320	326
Reserve for retirement benefits.....	320	326

3. Retirement expenses

	<i>Millions of Japanese Yen For the years ended December 31,</i>	
	<u>2010</u>	<u>2009</u>
Service expenses	49	59
Retirement benefit expenses	49	59

4. Basis of calculation of retirement benefit liabilities

(A) For the year ended December 31, 2010

The Company adopted the simplified method for the calculation of retirement benefit liabilities.

(B) For the year ended December 31, 2009

The Company adopted the simplified method for the calculation of retirement benefit liabilities.

(Deferred Tax Accounting)

1. Significant components of deferred tax assets and liabilities

	<i>Millions of Japanese Yen</i> <i>As of December 31,</i>	
	<u>2010</u>	<u>2009</u>
Deferred tax assets:		
Reserve for bonuses	17	22
Reserve for retirement benefits.....	131	134
Excess depreciation.....	169	219
Disallowed accrued expenses	26	29
Valuation of financial instruments	114	2,144
Tax loss carryforwards	10,414	8,347
Sub-total	<u>10,871</u>	<u>10,895</u>
Valuation allowance	<u>(10,871)</u>	<u>(10,895)</u>
Total deferred tax assets	<u>—</u>	<u>—</u>
Deferred tax liabilities:		
Deferred hedge gains	78	26
Total deferred tax liabilities	<u>78</u>	<u>26</u>
Net deferred tax liabilities	<u>78</u>	<u>26</u>

2. Reconciliation between the statutory tax rate and the effective tax rate

(A) For the year ended December 31, 2010

Japanese statutory tax rate	40.7 %
(Adjustments)	
Permanent differences such as entertainment expenses	1.5 %
Adjustment for per capita inhabitant taxes	6.7 %
Valuation allowance	(42.2)%
Effective tax rate	<u>6.7 %</u>

(B) For the year ended December 31, 2009

The reconciliation is not shown because the results before income taxes in the respective year was a loss.

(Related Party Transactions)**(A) For the year ended December 31, 2010**

1 Transactions with related parties for the year ended December 31, 2010

(1) Parent company and major corporate shareholders

<i>Relationship</i>	<i>Name of company</i>	<i>Location</i>	<i>Paid-in Capital (Hundred Millions of Japanese Yen)</i>	<i>Principal business</i>	<i>Direct ownership of voting rights (%)</i>	<i>Type of relations</i>	<i>Description of the transactions</i>	<i>Value of transactions (Millions of Japanese Yen)</i>	<i>Account</i>	<i>Period-end balance (Millions of Japanese Yen)</i>
							Derivative transactions			
Parent company	Tokio Marine & Nichido Fire Insurance Co., Ltd.	Tokyo-prefecture Chiyoda-ward	1,019	Non-Life insurance	Direct ownership 100%	Concurrent appointment of directors, etc	Derivatives transactions	-	Trading liabilities	8,043
						One				

Notes:

- The amount describes only period-end balance for derivatives transactions.
- Terms of transactions and method of determining terms of transactions:
The terms of transactions listed above are conducted under the same terms and conditions as transacted with third parties.

(2) Related companies

None.

(3) Affiliates and other companies

None.

(4) Director and major individual shareholders

None.

2 Notes concerning parent company and important affiliates information

(1) Parent company information

Tokio Marine Holdings, Inc. (Listed on the Tokyo Stock Exchange and Osaka Securities Exchange)

Tokio Marine & Nichido Fire Insurance Co., Ltd. (Unlisted)

(2) Important related companies' information

None.

(B) For the year ended December 31, 2009

1 Transactions with related parties for the year ended December 31, 2009

(1) Parent company and major corporate shareholders

<i>Relationship</i>	<i>Name of company</i>	<i>Location</i>	<i>Paid-in Capital (Hundred Millions of Japanese Yen)</i>	<i>Principal business</i>	<i>Direct ownership of voting rights (%)</i>	<i>Type of relations</i>	<i>Description of the transactions</i>	<i>Value of transactions (Millions of Japanese Yen)</i>	<i>Account</i>	<i>Period-end balance (Millions of Japanese Yen)</i>
							Derivative transactions			
Parent company	Tokio Marine & Nichido Fire Insurance Co., Ltd.	Tokyo-prefecture Chiyoda-ward	1,019	Non-Life insurance	Direct ownership 100%	Concurrent appointment of directors, etc	Derivatives transactions	-	Trading liabilities	6,015
							None			

Notes:

1. The amount describes only period-end balance for derivatives transactions.
2. Terms of transactions and method of determining terms of transactions:
The terms of transactions listed above are conducted under the same terms and conditions as transacted with third parties.

(2) Related companies

None.

(3) Affiliates and other companies

None.

(4) Director and major individual shareholders

None.

2 Notes concerning parent company and important affiliates information

(1) Parent company information

Tokio Marine Holdings, Inc. (Listed on the Tokyo Stock Exchange and Osaka Securities Exchange)

Tokio Marine & Nichido Fire Insurance Co., Ltd. (Unlisted)

(2) Important related companies' information

None.

(Per Share Data)

1. Per Share Data

	<i>Japanese Yen</i> <i>For the years ended</i> <i>December 31,</i>	
	<i>2010</i>	<i>2009</i>
Net assets per share.....	31,757.08	31,629.52
Net income (loss) per share	53.05	(5,627.94)

2. Diluted net income per share

(A) For the year ended December 31, 2010

No diluted net income per share is presented because there was no item with dilutive effect.

(B) For the year ended December 31, 2009

No diluted net income per share is presented because the Company reported a net loss and there was no item with dilutive effect.

Note: 1. The calculation of net income per share is based on the following figures.

	<i>Japanese Yen</i> <i>For the years ended</i> <i>December 31,</i>	
	<u>2010</u>	<u>2009</u>
Net income (loss) (Millions of Japanese Yen)	53	(5,628)
Net income (loss) not available for common shareholders (Millions of Japanese Yen)	–	–
Net income (loss) available for common shareholders (Millions of Japanese Yen)	53	(5,628)
Average number of shares outstanding (Thousands of shares)	1,000	1,000

SUPPLEMENTARY SCHEDULES

(SECURITIES)

Subject to the provisions of Article 124 of the Regulations, schedule of securities is omitted as total amount of securities is below 1% of total assets amount.

(FIXED ASSETS)

<i><As of December 31, 2010></i>							
<i>Type of asset</i>	<i>Balance at</i> <i>beginning of</i> <i>year</i>	<i>Increase</i> <i>during the</i> <i>year</i>	<i>Decrease</i> <i>during the</i> <i>year</i>	<i>Balance at</i> <i>end of</i> <i>year</i>	<i>Depreciation</i> <i>and</i> <i>Accumulated amortization</i>		<i>Balance at</i> <i>end of</i> <i>year, net</i>
					<i>depreciation</i> <i>and</i> <i>amortization</i>	<i>expense</i> <i>during the</i> <i>year</i>	
<i>(Millions of Japanese Yen)</i>							
Tangible fixed assets							
Buildings	11	–	–	11	11	–	0
Furniture and fixtures ..	148	12	–	160	150	1	10
Total	159	12	–	171	161	1	10
Intangible fixed assets							
Software	680	9	–	689	681	1	8
Telephone rights.....	0	–	–	0	–	–	0
Total	680	9	–	689	681	1	8
Long-term prepaid expenses	0	–	–	0	–	–	0

(NOTES PAYABLE)

Type	Issued date	As of	As of	Coupon (%)	Secured/ Unsecured	Maturity
		December 31, 2009 (Millions of Japanese Yen)	December 31, 2010 (Millions of Japanese Yen)			
Fixed rate notes	October 4, 2005			0.610%	Unsecured	January 29, 2010
	~ July 30, 2008	1,800	200	~ 1.150%		~ January 19, 2021
Power reverse dual currency notes	August 18, 2003			0.000%	Unsecured	January 12, 2010
	~ April 23, 2009	27,350 [100]	25,450	~ 7.729%		~ July 5, 2038
Nikkei average linked notes	February 6, 2006			0.000%	Unsecured	September 13, 2027
	~ February 4, 2008	6,200	6,200	~ 0.100%		~ February 4, 2038
CMS floater notes	October 20, 2004			1.053%	Unsecured	January 14, 2010
	~ September 19, 2006	16,540 [400]	3,490	~ 4.069%		~ January 13, 2026
Reverse floater notes	March 23, 2005			0.533%	Unsecured	January 21, 2010
	~ February 15, 2006	10,000	500	~ 2.670%		~ October 21, 2025
Snowball notes	June 16, 2005			0.000%	Unsecured	January 27, 2010
	~ October 26, 2006	14,200	9,050	~ 5.479%		~ September 28, 2026
FX linked coupon notes	July 12, 2005			0.000%	Unsecured	February 26, 2010
	~ October 23, 2008	64,510	63,220	~ 7.000%		~ October 22, 2038
Credit linked notes	July 14, 2008			0.774%	Unsecured	September 29, 2010
	~ July 30, 2008	1,100 [600]	500 [500]	~ 1.266%		~ September 28, 2011
China class A equity linked notes	May 19, 2010			0.000%	Unsecured	September 1, 2010
	~ July 8, 2010	-	-	~		~ November 9, 2010
FX linked digital coupon notes	December 1, 2004			0.100%	Unsecured	December 2, 2024
	~ October 23, 2006	1,250	1,250	~ 10.000%		~ October 24, 2036
Total		142,950 [1,100]	109,860 [500]			

Note:

- The figures shown in the parentheses [] are the principal amount with maturity in one year.

Maturities of notes payable after one year but within five years at December 31, 2010 are as follows:

Year ending December 31				
2011	2012	2013	2014	2015
(Millions of Japanese Yen)				
500	-	-	-	600

(BORROWINGS)

	<i>As of December 31, 2009 (Millions of Japanese Yen)</i>	<i>As of December 31, 2010 (Millions of Japanese Yen)</i>	<i>Average interest rate (%)</i>	<i>Maturities</i>
Long-term borrowings payable within one year.....	—	—	—	—
Long-term borrowings (Maturity beyond one year).....	22,000	11,000	1.524%	March 31, 2013 ~ February 28, 2025
Total	22,000	11,000	—	—

Note:

1. Average interest rate was a weighted average at end-balance.

Maturities of long-term borrowings after one year but within five years at December 31, 2010 are as follows:

<i>Year ending December 31</i>				
<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
<i>(Millions of Japanese Yen)</i>				
—	—	5,000	—	1,000

(LIABILITY RESERVES)

<i><As of December 31, 2010></i>				
<i>Balance at beginning of year</i>	<i>Increase during the year</i>	<i>Decrease during the year (write off)</i>	<i>Decrease during the year (other)</i>	<i>Balance at end of year</i>
<i>(Millions of Japanese Yen)</i>				
Reserve for bonuses.....	55	41	55	—
				41

Tokio Marine & Nichido Fire Insurance Co., Ltd.
Independent Auditors' Report and Financial Statements for the
Years ended March 31, 2011 and 2010



Report of Independent Auditors

To the Board of Directors of
Tokio Marine & Nichido Fire Insurance Co., Ltd.

We have audited the accompanying consolidated balance sheet of Tokio Marine & Nichido Fire Insurance Co., Ltd. ("the Company") and its subsidiaries as of March 31, 2011, and the related consolidated statements of income, comprehensive income, changes in shareholder's equity 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 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 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, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

1. As described in "Significant Accounting Policies", on April 1, 2010, the Company applied "Accounting Standard for Equity Method of Accounting for Investments"; and "Immediate Treatment of Affiliates Accounted for under the Equity Method".
2. As described in "Changes in Significant Accounting Policies", on April 1, 2010, the Company applied "Accounting Standard for Asset Retirement Obligations", and "Guidance on Accounting Standard for Asset Retirement Obligations".
3. As described in "Subsequent Events", on August 11, 2011, the Company had a definitive agreement with CNA Financial Corporation to acquire the outstanding shares of First Insurance Company of Hawaii, Ltd., which CNA Financial Corporation, a major insurance group in the U.S., owned through its subsidiary, The Continental Insurance Company.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 3 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

August 19, 2011

PricewaterhouseCoopers Aarata

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Report of Independent Auditors

To the Board of Directors of
Tokio Marine & Nichido Fire Insurance Co., Ltd.

We have audited the accompanying consolidated balance sheet of Tokio Marine & Nichido Fire Insurance Co., Ltd. ("the Company") and its subsidiaries as of March 31, 2010, and the related consolidated statements of income, changes in shareholder's equity 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 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 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.

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 3 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

August 27, 2010

I. Financial Statements of Tokio Marine & Nichido and its Consolidated Subsidiaries

Consolidated Balance Sheets

		<i>(Yen in millions except percentages)</i>				<i>(USD in thousands)</i>	
		<i>As of</i>		<i>As of</i>		<i>As of</i>	
		<i>31 March, 2011</i>		<i>31 March, 2010</i>		<i>31 March, 2011</i>	
<i>Notes No.</i>		<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>		
Assets							
	Cash and bank deposits	4	189,467	1.93	272,347	2.49	2,278,617
	Call loans		183,300	1.87	86,400	0.79	2,204,450
	Receivables under resale agreements		121,967	1.24	150,969	1.38	1,466,831
	Monetary receivables bought.....		913,714	9.31	1,275,183	11.66	10,988,743
	Money trusts.....		14,056	0.14	11,778	0.11	169,044
	Securities	2,4,6	6,287,832	64.05	6,969,727	63.72	75,620,349
	Loans	3,7	417,809	4.26	478,215	4.37	5,024,762
	Tangible fixed assets	1	270,700	2.76	278,086	2.54	3,255,562
	Land		121,839	–	128,256	–	1,465,292
	Buildings		121,830	–	122,321	–	1,465,183
	Construction in progress		6,566	–	7,915	–	78,966
	Other tangible fixed assets.....		20,463	–	19,592	–	246,097
	Intangible fixed assets		339,273	3.46	373,959	3.42	4,080,253
	Software		3,154	–	3,565	–	37,931
	Goodwill		254,763	–	270,892	–	3,063,897
	Other intangible fixed assets		81,356	–	99,501	–	978,425
	Other assets		953,780	9.72	962,733	8.80	11,470,595
	Deferred tax assets.....		65,440	0.67	2,356	0.02	787,011
	Customers' liabilities under acceptances and guarantees		74,796	0.76	95,129	0.87	899,531
	Allowance for doubtful accounts.....		(15,517)	(0.16)	(18,133)	(0.17)	(186,615)
	Total assets		9,816,621	100.00	10,938,754	100.00	118,059,182
Liabilities							
	Underwriting funds		6,330,973	64.49	6,334,873	57.91	76,139,182
	Outstanding claims	4	1,251,989	–	1,118,678	–	15,056,993
	Underwriting reserves	4	5,078,983	–	5,216,194	–	61,082,177
	Corporate bonds		125,079	1.27	178,821	1.63	1,504,257
	Other liabilities		1,330,512	13.55	1,990,504	18.20	16,001,347
	Payables under security lending transactions		646,436	–	1,087,058	–	7,774,336
	Other liabilities	4	684,076	–	903,446	–	8,227,011
	Reserve for retirement benefits		162,349	1.65	157,288	1.44	1,952,483
	Reserve for retirement benefits for directors and corporate auditors		18	0.00	12	0.00	216
	Reserve for employees' bonuses		19,081	0.19	21,690	0.20	229,477
	Reserve for retirement of fixed assets		–	–	1,603	0.01	–
	Reserve under the special law		61,470	0.63	57,672	0.53	739,266
	Reserve for price fluctuation		61,470	–	57,672	–	739,266
	Deferred tax liabilities		35,941	0.37	109,467	1.00	432,243
	Negative goodwill		15,091	0.15	16,040	0.15	181,491
	Acceptances and guarantees		74,796	0.76	95,129	0.87	899,531
	Total liabilities		8,155,314	83.08	8,963,103	81.94	98,079,543
Net assets							
Shareholder's equity							
	Common stock		101,994	1.04	101,994	0.93	1,226,627
	Capital surplus		123,521	1.26	123,521	1.13	1,485,520
	Retained earnings.....		644,554	6.57	682,786	6.24	7,751,702
	Total Shareholder's equity		870,070	8.86	908,302	8.30	10,463,860
Accumulated other comprehensive income							
	Unrealized gains on securities, net of taxes.....		884,710	9.01	1,109,691	10.14	10,639,928
	Deferred gains and losses on hedge transactions ..		19,373	0.20	16,439	0.15	232,989
	Foreign currency translation adjustments		(123,261)	(1.26)	(68,617)	(0.63)	(1,482,393)
	Total accumulated other comprehensive income		780,822	7.95	1,057,514	9.67	9,390,523
	Non-controlling interests		10,414	0.11	9,833	0.09	125,244
	Total net assets		1,661,307	16.92	1,975,650	18.06	19,979,639
	Total liabilities and net assets		9,816,621	100.00	10,938,754	100.00	118,059,182

The accompanying notes are an integral part of the financial statements.

**Consolidated Statements of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statements of Income)**

	<i>(Yen in millions except percentages)</i>				<i>(USD in thousands)</i>
	<i>For the year ended 31 March, 2011</i>		<i>For the year ended 31 March, 2010</i>		<i>For the year ended 31 March, 2011</i>
	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>	
<i>Notes No.</i>					
Ordinary income	2,696,469	100.00	2,657,517	100.00	32,428,972
Underwriting income	2,405,104	89.19	2,453,390	92.32	28,924,883
Net premiums written	2,076,892	–	2,095,408	–	24,977,655
Deposit premiums from policyholders	118,199	–	130,431	–	1,421,515
Investment income on deposited premiums from policyholders	62,419	–	63,757	–	750,679
Life insurance premiums	30,061	–	24,789	–	361,527
Reversal of outstanding claims	–	–	3,563	–	–
Reversal of underwriting reserve	117,359	–	135,330	–	1,411,413
Other underwriting income	171	–	108	–	2,057
Investment income	263,433	9.77	178,076	6.70	3,168,166
Interest and dividends	145,912	–	138,660	–	1,754,805
Gains on money trusts	46	–	1,219	–	553
Gains on trading securities	10,693	–	7,097	–	128,599
Gains on sales of securities	134,213	–	86,068	–	1,614,107
Gains on redemption of securities	739	–	1,496	–	8,888
Gains on derivatives	23,451	–	2,561	–	282,032
Other investment income	10,797	–	4,729	–	129,850
Transfer of investment income on deposited premiums	(62,419)	–	(63,757)	–	(750,679)
Other ordinary income	27,931	1.04	26,051	0.98	335,911
Equity in earnings of affiliates	1,329	–	1,559	–	15,983
Other ordinary income	26,601	–	24,492	–	319,916
Ordinary expenses	2,566,582	95.18	2,440,310	91.83	30,866,891
Underwriting expenses	2,120,978	78.66	1,975,524	74.34	25,507,853
Net claims paid	1,223,569	–	1,233,528	–	14,715,201
Loss adjustment expenses	1 84,651	–	85,019	–	1,018,052
Agency commissions and brokerage	1 366,690	–	377,709	–	4,409,982
Maturity refunds to policyholders	257,580	–	259,581	–	3,097,775
Dividends to policyholders	505	–	594	–	6,073
Life insurance claims	16,663	–	15,153	–	200,397
Provision for outstanding claims	167,596	–	–	–	2,015,586
Other underwriting expenses	3,720	–	3,938	–	44,738
Investment expenses	36,557	1.36	39,404	1.48	439,651
Losses on money trusts	75	–	–	–	902
Losses on sales of securities	7,941	–	7,292	–	95,502
Impairment losses on securities	13,682	–	25,433	–	164,546
Losses on redemption of securities	4,432	–	5,223	–	53,301
Other investment expenses	10,424	–	1,455	–	125,364
Underwriting and general administrative expenses	1 399,004	14.80	406,456	15.29	4,798,605
Other ordinary expenses	10,041	0.37	18,924	0.71	120,758
Interest paid	3,733	–	6,247	–	44,895
Increase in allowances for doubtful accounts	1,112	–	5,716	–	13,373
Losses on bad debts	103	–	27	–	1,239
Other ordinary expenses	5,091	–	6,932	–	61,227
Ordinary profit	129,886	4.82	217,207	8.17	1,562,069
Extraordinary gains	3,910	0.15	4,901	0.18	47,023
Gains on sales of fixed assets	3,215	–	4,019	–	38,665
Gains on negative goodwill	55	–	–	–	661
Gains on changes in equity of affiliates	9	–	–	–	108
Other extraordinary gains	2 630	–	881	–	7,577
Extraordinary losses	18,959	0.70	17,983	0.68	228,010
Losses on sales of fixed assets	3,949	–	2,680	–	47,492
Impairment losses on fixed assets	3 4,436	–	8,879	–	53,349
Reserve under special law	3,797	–	4,210	–	45,664
Reserve for price fluctuation	3,797	–	4,210	–	45,664
Effect of initial application of Accounting Standard for Asset Retirement Obligations	2,745	–	–	–	33,013
Other extraordinary losses	4 4,030	–	2,212	–	48,467

**Consolidated Statements of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statements of Income) (continued)**

	<i>(Yen in millions except percentages)</i>				<i>(USD in thousands)</i>
	<i>For the year ended 31 March, 2011</i>		<i>For the year ended 31 March, 2010</i>		<i>For the year ended 31 March, 2011</i>
	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>	
<i>Notes No.</i>					
Income or losses before income taxes and non-controlling interests	114,836	4.26	204,125	7.68	1,381,070
Income taxes – current	49,130	1.82	57,242	2.15	590,860
Income taxes for prior periods	–	–	8,947	0.34	–
Income taxes – deferred	(12,314)	(0.46)	(7,347)	(0.28)	(148,094)
Total income taxes	36,816	1.37	58,842	2.21	442,766
Income before non-controlling interests	78,020	2.89	–	–	938,304
Non-controlling interests	1,078	0.04	2,025	0.08	12,965
Net income	76,941	2.85	143,256	5.39	925,328

The accompanying notes are an integral part of the financial statements.

(Consolidated Statement of Comprehensive Income)

	<i>(Yen in millions)</i>		<i>(USD in thousands)</i>
	<i>For the year ended</i>		<i>For the year ended</i>
	<i>31 March 2011</i>	<i>31 March 2010</i>	<i>31 March 2011</i>
<i>Notes No.</i>			
Income before non-controlling interests	78,020	–	938,304
Other comprehensive income			
Unrealized gains on securities, net of taxes	(225,855)	–	(2,716,236)
Deferred gains and losses on hedge transactions	2,933	–	35,274
Foreign currency translation adjustments	(53,588)	–	(644,474)
Share of other comprehensive income of affiliates	–	–	–
accounted for by the equity method	(566)	–	(6,807)
Total other comprehensive income	2	(277,076)	(3,332,243)
Total comprehensive income	1	(199,056)	(2,393,939)
(Split between)			
Comprehensive income attributable to owners of the parent	(199,749)	–	(2,402,273)
Comprehensive income attributable to non-controlling interests	693	–	8,334

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Changes in Shareholder's Equity

	<i>(Yen in millions)</i>		<i>(USD in thousands)</i>
	<i>For the year ended</i>		<i>For the year ended</i>
	<i>31 March 2011</i>	<i>31 March 2010</i>	<i>31 March 2011</i>
Shareholder's equity			
Common stock			
Beginning balance	101,994	101,994	1,226,627
Changes during the year			
Total changes during the year	—	—	—
Ending balance	101,994	101,994	1,226,627
Capital surplus			
Beginning balance	123,521	123,521	1,485,520
Changes during the year			
Total changes during the year	—	—	—
Ending balance	123,521	123,521	1,485,520
Retained earnings			
Beginning balance	682,786	560,912	8,211,497
Changes in accounting policies applied to foreign affiliates	2,057	—	24,738
Changes during the year			
Dividends	(116,917)	(22,501)	(1,406,097)
Net income	76,941	143,256	925,328
Others (Note)	(314)	1,118	(3,776)
Total changes during the year	(40,290)	121,874	(484,546)
Ending balance	644,554	682,786	7,751,702
Total shareholder's equity			
Beginning balance	908,302	786,428	10,923,656
Changes due to the changes in accounting treatment by foreign subsidiaries	2,057	—	24,738
Changes during the year			
Dividends	(116,917)	(22,501)	(1,406,097)
Net income	76,941	143,256	925,328
Others (Note)	(314)	1,118	(3,776)
Total changes during the year	(40,290)	121,874	(484,546)
Ending balance	870,070	908,302	10,463,860
Accumulated other comprehensive income			
Unrealized gains on securities, net of taxes			
Beginning balance	1,109,691	691,436	13,345,652
Changes during the year			
Net changes in items other than shareholder's equity	(224,981)	418,255	(2,705,725)
Total changes during the year	(224,981)	418,255	(2,705,725)
Ending balance	884,710	1,109,691	10,639,928
Deferred gains and losses on hedge transactions			
Beginning balance	16,439	17,347	197,703
Changes during the year			
Net changes in items other than shareholder's equity	2,933	(907)	35,274
Total changes during the year	2,933	(907)	35,274
Ending balance	19,373	16,439	232,989
Foreign currency translation adjustments			
Beginning balance	(68,617)	(82,197)	(825,219)
Changes during the year			
Net changes in items other than shareholder's equity	(54,644)	13,580	(657,174)
Total changes during the year	(54,644)	13,580	(657,174)
Ending balance	(123,261)	(68,617)	(1,482,393)
Non-controlling interests			
Beginning balance	9,833	6,782	118,256
Changes during the year			
Net changes in items other than shareholder's equity	581	3,051	6,987
Total changes during the year	581	3,051	6,987
Ending balance	10,414	9,833	125,244

Consolidated Statements of Changes in Shareholder's Equity (continued)

	<i>(Yen in millions)</i>		<i>(USD in thousands)</i>
	<i>For the year ended</i>		<i>For the year ended</i>
	<i>31 March 2011</i>	<i>31 March 2010</i>	<i>31 March 2011</i>
Total net assets			
Beginning balance	1,975,650	1,419,795	23,760,072
Changes in accounting policies applied to foreign affiliates	2,057	–	24,738
Changes during the year			
Dividends	(116,917)	(22,501)	(1,406,097)
Net income	76,941	143,256	925,328
Other (Note)	(314)	1,118	(3,776)
Net changes in items other than shareholder's equity	(276,110)	433,980	(3,320,625)
Total changes during the year.....	(316,401)	555,854	(3,805,183)
Ending balance	<u>1,661,307</u>	<u>1,975,650</u>	<u>19,979,639</u>

(Note) "Other" for the fiscal year ended March 31, 2011 consisted mainly of reclassification adjustments of tax effects initially appraised in accordance with accounting standards adopted by overseas consolidated subsidiaries "Others" for the fiscal year ended March 31, 2010 consisted mainly of: (i) reversal of valuation reserves in connection with deferred tax assets of overseas consolidated subsidiaries initially appraised in accordance with accounting standards adopted by those overseas consolidated subsidiaries; and (ii) valuation adjustments in connection with assets of overseas equity method affiliates initially appraised in accordance with accounting standards prescribed in the region or country in which those affiliates are located.

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows

	<i>(Yen in millions)</i>		<i>(USD in thousands)</i>
	<i>For the year ended</i>		<i>For the year ended</i>
	<i>31 March, 2011</i>	<i>31 March, 2010</i>	<i>31 March, 2011</i>
<i>Notes No.</i>			
I. Cash flows from operating activities:			
Income or losses before income taxes and non-controlling interests	114,836	204,125	1,381,070
Depreciation	28,034	53,791	337,150
Impairment losses on fixed assets	4,436	8,879	53,349
Amortization of goodwill	16,129	16,129	193,975
Amortization of negative goodwill.....	(950)	(952)	(11,425)
Gains on negative goodwill	(55)	–	(661)
Increase (decrease) in outstanding claims	168,403	(4,012)	2,025,292
Decrease in underwriting reserves	(117,372)	(135,312)	(1,411,569)
(Decrease) increase in allowance for doubtful accounts	(2,591)	5,437	(31,161)
Increase in reserve for retirement benefits	5,062	10,701	60,878
Increase in reserve for retirement benefits for directors and corporate auditors	5	0	60
(Decrease) increase in reserve for employees' bonuses	(2,052)	4,678	(24,678)
Decrease in reserve for retirement of fixed assets	(1,603)	(1,755)	(19,278)
Increase in reserve for price fluctuations	3,797	4,210	45,664
Interest and dividends	(145,912)	(138,660)	(1,754,805)
Net gains on securities	(115,578)	(55,070)	(1,389,994)
Interest expenses	3,733	6,247	44,895
Losses on foreign exchange	1,705	2,004	20,505
Losses (gains) related to tangible fixed assets	2,221	(1,375)	26,711
Equity in earnings of affiliates	(1,329)	(1,559)	(15,983)
(Increase) decrease in other liabilities (other than investing and financing activities)	(18,941)	14,542	(227,793)
Increase (decrease) in other assets (other than investing and financing activities)	23,739	(52,921)	285,496
Others	1,784	(3,243)	21,455
Subtotal	(32,496)	(64,114)	(390,812)
Interest and dividends	145,774	147,612	1,753,145
Interest paid	(3,926)	(6,865)	(47,216)
Income taxes paid	(71,858)	7,339	(864,197)
Net cash provided by (used in) operating activities	37,493	83,973	450,908
II. Cash flows from investing activities:			
Net decrease in deposits	50,541	120,037	607,829
Purchases of monetary receivables bought.....	(665,076)	(695,748)	(7,998,509)
Proceeds from sales and redemption of monetary receivables bought	887,746	384,832	10,676,440
Increase in money trusts	(3,000)	(9,500)	(36,079)
Decrease in money trusts	692	7,629	8,322
Purchases of securities	(1,729,747)	(2,176,123)	(20,802,730)
Proceeds from sales and redemption of securities	1,918,169	2,012,671	23,068,779
New loans	(158,361)	(148,090)	(1,904,522)
Proceeds from collection of loans	215,464	211,320	2,591,269
(Decrease) increase in cash received under securities lending transactions	(440,622)	972,703	(5,299,122)
Others	(3,379)	(1,895)	(40,637)
II (a) Subtotal	72,427	677,835	871,040
I + II (a)	109,920	761,808	1,321,948
Purchases of tangible fixed assets	(23,031)	(24,205)	(276,981)
Proceeds from sales of tangible fixed assets	8,776	9,914	105,544
Net cash provided by (used in) investing activities	58,172	663,544	699,603

Consolidated Statements of Cash Flows (continued)

	<i>(Yen in millions)</i>		<i>(USD in thousands)</i>
	<i>For the year ended</i>		<i>For the year ended</i>
	<i>31 March, 2011</i>	<i>31 March, 2010</i>	<i>31 March, 2011</i>
III. Cash flows from financing activities:			
Proceeds from borrowing	50,000	5,794	601,323
Repayments of borrowing.....	(167,950)	(82,418)	(2,019,844)
Proceeds from issuance of short-term corporate bonds	9,999	–	120,253
Redemption of short-term corporate bonds	(10,000)	(68,000)	(120,265)
Proceeds from issuance of corporate bonds	271	661	3,259
Redemption of corporate bonds	(53,361)	(121,826)	(641,744)
Dividends paid	(116,536)	(22,501)	(1,401,515)
Dividends paid to minority interest	(3)	–	(36)
Others	(2,777)	(2,680)	(33,397)
Net cash (used in) provided by financing activities	(290,359)	(290,971)	(3,491,990)
IV. Effect of exchange rate changes on cash and cash equivalents.....	(8,189)	8,389	(98,485)
V. Net (decrease) increase in cash and cash equivalents	(202,882)	464,935	(2,439,952)
VI. Cash and cash equivalents at beginning of period	1,033,920	568,985	12,434,396
VII. Cash and cash equivalents at end of period	831,038	1,033,920	9,994,444

Notes No.

1

The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Tokio Marine & Nichido Fire Insurance Co., Ltd. (the “Company”) and its consolidated subsidiaries in accordance with the Regulations Concerning Terminology, Formats and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28, 1976, hereinafter the “Consolidated Statements Regulations”). The consolidated financial statements have been also prepared in conformity with the Enforcement Regulations for the Insurance Business Law (Ministry of Finance Ordinance No. 5, 1996, hereinafter the “Insurance Law Enforcement Regulations”), as stipulated under Articles 46 and 68 of the Consolidated Statements Regulations.

In more specific terms, the consolidated financial statements for the previous consolidated fiscal year (April 1, 2009 – March 31, 2010) were prepared in accordance with but prior to the amendment of both the Consolidated Statements Regulations and the Insurance Law Enforcement Regulations. On the other hand, the consolidated financial statements for the consolidated fiscal year under review (April 1, 2010 – March 31, 2011) have been prepared in accordance with the amended Consolidated Statements Regulations and the Insurance Law Enforcement Regulations.

The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Corporate Law of Japan and the Financial Instruments and Exchange Act of Japan, 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.

Amounts less than ¥1 million (or \$1 thousand) have been omitted. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

2. Certification of Audit

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, Tokio Marine & Nichido’s consolidated financial statements for the fiscal years ended March 31, 2011 and March 31, 2010 have been audited and certified by PricewaterhouseCoopers Aarata.

3. U.S. Dollar Equivalents

The accompanying financial statements are expressed in Yen and, solely for the convenience of readers, have been translated into United States dollars at the rate of 83.15 yen = U.S.\$1, the appropriate exchange rate prevailing on the Tokyo foreign exchange market as of 31 March 2011. Each amount in U.S. dollars shown in the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statement of Comprehensive Income, Consolidated Statements of Changes in Shareholder’s Equity and Consolidated Statements of Cash Flows is calculated by dividing the corresponding amount in yen in millions by 83.15, the resultant figure rounded to U.S. dollars in thousands, and accordingly, this translation should not be construed as a representation that all the amounts shown could be converted, realized or settled into U.S. dollars at that rate.

4. Special Approach to Ensure Adequacy of Consolidated Financial Statements

The Company takes special approaches to ensure adequacy of the consolidated financial statements. For example, the Company joins Financial Accounting Standards Foundation, participates in the seminars associated by the accounting audit firms, and subscribes to accounting specialized books, in order to improve the structure which enables the Company to adequately understand the accounting principles and to coordinate with the changes in the accounting procedures.

Significant Accounting Policies

(A) For the year ended March 31, 2011

1. Scope of consolidation

- (1) Number of consolidated subsidiaries – 43 companies

(Name of Company)

Philadelphia Consolidated Holding Corp.

Philadelphia Indemnity Insurance Company

Tokio Millennium Re (UK) Limited

Kiln Group Limited

Kiln Underwriting Limited

Tokio Marine Underwriting Limited

Asia General Holdings Limited

Tokio Marine Insurance Singapore Ltd.

Tokio Marine Life Insurance Singapore Ltd.

Tokio Marine Life Insurance Malaysia Bhd.

Tokio Millennium Re Ltd.

Tokio Marine Financial Solutions Ltd.

Other 31 companies

International Marine Insurance Managers SA (Pty) Ltd is excluded from the consolidation from the fiscal year ended March 31, 2011 because this company has been dissolved.

Additionally, there were the following name changes of subsidiaries during the fiscal year ended March 31, 2011. TM Asia Life Malaysia Bhd. changed its name to Tokio Marine Life Insurance Malaysia Bhd. as of June 22, 2010, TM Asia Life Singapore Ltd. changed its name to Tokio Marine Life Insurance Singapore Ltd. as of August 31, 2010, and Tokio Marine Global Ltd. changed its name to Tokio Millennium Re (UK) Limited effective January 1, 2011.

- (2) Names of major non-consolidated subsidiaries

Tokio Marine & Nichido Adjusting Service Co., Ltd. and Tokio Marine Capital, Co. Ltd are non-consolidated subsidiaries of the Company. Each non-consolidated subsidiary is small in scale in terms of total assets, sales, net income or loss for the period and retained earnings. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the Group's financial condition and results of operations, these companies are excluded from the consolidation.

2. Application of the equity method

- (1) Number of affiliates accounted for by the equity method – 2 companies

(Name of major affiliate accounted for by the equity method)

First Insurance Company of Hawaii, Ltd.

Praesidio Risk Managers (Pty) Ltd is no longer affiliates accounted for by the equity method as all of its shares previously held by the Company through subsidiary was sold during the fiscal year ended March 31, 2011.

- (2) The non-consolidated subsidiaries (Tokio Marine & Nichido Adjusting Service Co., Ltd., Tokio Marine Capital Co., Ltd., etc.) and other affiliates (Tokio Marine Nichido Atradius Credit Management Co., Ltd, etc.) have not been accounted for under the equity method because these

companies have had a minor effect on the Company's consolidated net income or loss and retained earnings for the fiscal year ended March 31, 2011.

- (3) The Company owns 27.0% of the total voting rights of Japan Earthquake Reinsurance Co., Ltd. However, the Company does not consider Japan Earthquake Reinsurance Co., Ltd. to be its affiliate since it believes that it cannot exert a significant influence on any policy making decisions of Japan Earthquake Reinsurance's operations given the highly public nature of the company.
- (4) With regard to any company accounted for by the equity method that has a different closing date from that of the consolidated financial statements, the financial statements of that company for its fiscal year are used for presentation in the consolidated financial results.

(Significant accounting policies)

The Company adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 March 10, 2008) and "Immediate Treatment of Affiliates Accounted for under the Equity Method"(PITF No.24 March 10, 2008) from the fiscal year ended March 31, 2011 and made necessary adjustments for its consolidated financial reporting.

There is no significant impact of the above change on ordinary profit and income before income taxes and non-controlling interests.

3. Closing date of consolidated subsidiaries

The closing date of the fiscal year for 42 of overseas consolidated subsidiaries is December 31. Since the differences in the closing dates do not exceed three months, the financial statements of the consolidated subsidiaries as of December 31 are used for presentation in the accompanying consolidated financial statements. As for any significant transactions taking place during the period between the subsidiaries' closing dates and the consolidated closing date, necessary adjustments are made for the purpose of consolidation.

4. Accounting policies

(1) Valuation of securities

- a. Trading securities are valued by the mark-to-market method, with the costs of their sales being calculated based on the moving-average method.
- b. Held-to-maturity debt securities are recorded by using the amortized cost method based on the moving-average method (straight-line depreciation method).
- c. Other securities with fair value are recorded by the mark-to-market method based upon the market price on the closing date.

The total amount of unrealized gains/losses on other securities is included in net assets net income taxes and costs of sales sold are calculated using the moving-average method.

- d. Other securities whose fair value cannot be reasonably measured are stated at cost being determined by the moving average-method.
- e. Investments in non-consolidated subsidiaries and affiliates that are not subject to the equity method are stated at cost determined by the moving-average method.
- f. Securities held in individually managed money trusts that are mainly invested in securities for trading are accounted for under the mark-to-market method.

(2) Valuation of derivative financial instruments

Derivative financial instruments are accounted for by the mark-to-market method.

(3) Depreciation method of fixed assets

a. Tangible fixed assets

Depreciation of tangible fixed assets owned by the Company and its domestic consolidated subsidiaries is computed using the declining balance method.

However, depreciation of buildings (excluding auxiliary facilities attached to such buildings, etc.) that were acquired on or after April 1, 1998 is computed using the straight-line method.

b. Intangible fixed assets

Depreciation of intangible fixed assets procured through acquisition of overseas subsidiaries is recorded over the period of time for which the Company expects such subsidiaries to contribute to the Company, and in accordance with the form of such contribution.

(4) Significant reserves and allowances

a. Allowance for doubtful accounts

In order to provide allowance for losses from bad debts, a general allowance is made pursuant to the rules of asset self-assessment and the rules of asset write-off. Allowances are made by domestic consolidated insurance subsidiaries as follows:

For claims to any debtor who has legally, or practically, become insolvent (due to bankruptcy, special liquidation or suspension of transactions with banks based on the rules governing clearing houses, etc.) and for receivables from any debtor who has substantially become insolvent, allowances are provided based on the amount of any such claim minus the amount expected to be collectible calculated based on the disposal of collateral or execution of guarantees.

For claims to any debtor who is likely to become insolvent in the near future, allowances are provided based on the overall solvency assessment of the relevant debtor, the net amount of such claims considered to be collectible through the disposal of collateral or execution of guarantee is deducted from such claims.

For claims other than those described above, the amount of claims is multiplied by the default rate, which is computed based on historical loan loss experience in certain previous periods, and is included in the accompanying consolidated financial statements.

For specified overseas claims, any estimated losses arising from political or economic situations in the relevant countries are accounted for as allowances for specified overseas claims in the accompanying consolidated financial statements.

In addition, all claims are assessed by the asset accounting department and the asset management department in accordance with the rules for self-assessment of asset quality. Subsequently, the asset auditing departments, which are independent from other asset-related departments, conduct audits of the assessment results of the other asset-related departments. Allowance for doubtful accounts are accounted for based on such assessment results as stated above.

b. Reserve for retirement benefits

To provide for employees' retirement benefits, the Company and its domestic consolidated subsidiaries have recorded the amount expected to be incurred at the end of the fiscal year ended March 31, 2011 based on the projected retirement benefit obligations and related pension assets at the end of the fiscal year ended March 31, 2011.

Prior service costs are charged to expense in each subsequent consolidated fiscal year by using the straight-line method with costs based on a certain term (fourteen years) that is based on the average remaining service years of the employees when costs were incurred.

Actuarial differences are charged to expense in the subsequent consolidated fiscal year by using the straight-line method based on a certain term (fourteen years) that is based on the average remaining service years of the employees when amounts were incurred.

c. Reserve for retirement benefits for directors and corporate auditors

Some domestic consolidated subsidiaries set aside a reserve for retirement benefits for their directors and corporate auditors as of the end of the fiscal year ended March 31, 2011, in accordance with their internal remuneration regulations.

d. Reserve for employees' bonuses

To provide for payment of bonuses to employees, the Company and its consolidated domestic subsidiaries maintain reserves for employees' bonuses based on the expected amount to be paid.

e. Reserve for price fluctuation

Domestic consolidated insurance subsidiaries maintain reserves under Article 115 of the Insurance Business Law in order to provide for possible losses or damages arising from price fluctuation of stock, etc.

(5) Consumption tax

For the Company and its domestic consolidated subsidiaries, consumption tax is accounted for by the tax-excluded method. However, underwriting and general administrative costs incurred by domestic consolidated insurance subsidiaries are accounted for by the tax-included method.

In addition, any non-deductible consumption taxes, in respect of assets, are included in other assets (as suspense payments) and are amortized over five years using the straight-line method.

(6) Leases

Non-transferable finance leases with lease periods commencing prior to April 1, 2008 are accounted under the accounting policy applied to operating leases.

(7) Hedge accounting

a. Interest rate

To mitigate interest rate fluctuation risks associated with long-term insurance policies, the Company implemented an Asset Liability Management framework designed to manage such risks by evaluating and analyzing financial assets and insurance liabilities simultaneously.

As for some of interest rate swap transactions that are utilized to manage such risks, the Company has applied deferred hedge treatment based upon the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Adoption of

Accounting for Financial Instruments in the Insurance Industry” (issued by the Japanese Institute of Certified Public Accountant (“JICPA”), on September 3, 2002 “Report No. 26”).

Effectiveness is not evaluated for hedge treatments that are believed to have high hedge effectiveness, because the Company groups hedged insurance liabilities with the interest rate swaps that are the hedge instruments, based on the period remaining for the instruments. As for any deferred hedge gains based on the Industry Audit Committee’s Report No.16, “Accounting and Auditing Treatments related to Adoption of Accounting for Financial Instruments in the Insurance Industry” (issued by the JICPA, March 31, 2000) prior to the application of Report No. 26, the Company has amortized such deferred hedge gains as of the end of March 2003, over the remaining period of hedging tools (1-17 years) using the straight-line method.

The amount of deferred hedge gains under this transitional treatment as of March 31, 2011 is 26,700 million yen and the amount allocated to gains or losses for the fiscal year ended March 31, 2011 is 2,505 million yen.

b. Foreign exchange

With regard to some currency swap and forward contract transactions, which are utilized to reduce the future foreign exchange risk associated with assets denominated in foreign currencies, the Company applies fair value hedge accounting and/or matching treatment. The hedge effectiveness is not evaluated for hedge that are believed to have high hedge effectiveness, such as in cases where hedging tools and hedged instruments share the same important characteristics.

(8) Method of amortization and amortization period of goodwill

Goodwill recognized as an asset on the consolidated balance sheets is amortized in the following manner. The goodwill in connection with Philadelphia Consolidated Holding Corp., Tokio Marine Life Insurance Malaysia Bhd. and Kiln Group Limited is amortized over 20 years, 15 years and 10 years, respectively, using the straight-line method. Other goodwill in small amounts is amortized at one time.

Negative goodwill incurred before March 31, 2010 is recognized as liability on the consolidated balance sheets and amortized over 20 years using the straight-line method.

(9) Scope of cash and cash equivalents for consolidated statements of cash flows

Cash and cash equivalents for consolidated statements of cash flows consist of cash on-hand, demand deposits and short-term investments with original maturities or redemption of 3 months or less at the date of acquisition.

(B) For the year ended March 31, 2010

1. Scope of consolidation

(1) Number of consolidated subsidiaries – 44 companies

(Name of Company)

Philadelphia Consolidated Holding Corp.

Philadelphia Indemnity Insurance Company

Tokio Marine Global Ltd.

Kiln Group Limited

Kiln Underwriting Limited

Asia General Holdings Limited

Tokio Marine Insurance Singapore Ltd.
TM Asia Life Singapore Ltd.
TM Asia Life Malaysia Bhd.
Tokio Millennium Re Ltd.
Tokio Marine Financial Solutions Ltd.
Other 33 companies

Waterloo Partners Ltd and one other company are excluded from the consolidation from the fiscal year ended March 31, 2010 because these companies have been dissolved.

(2) Names of major non-consolidated subsidiaries

Tokio Marine & Nichido Adjusting Service Co., Ltd. and Tokio Marine Capital, Co. Ltd are non-consolidated subsidiaries of the Company. Each non-consolidated subsidiary is small in scale in terms of total assets, sales, net income or loss for the period and retained earnings. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the Group's financial condition and results of operations, these companies are excluded from the consolidation.

2. Application of the equity method

(1) Number of affiliates accounted for by the equity method – 3 companies

(Name of major affiliate accounted for by the equity method)

First Insurance Company of Hawaii, Ltd.

IDL Holding ApS and two other companies are no longer affiliates accounted for by the equity method as all of their shares previously held by the Company through subsidiaries were sold during the fiscal year ended March 31, 2010.

(2) The non-consolidated subsidiaries (Tokio Marine & Nichido Adjusting Service Co., Ltd., Tokio Marine Capital Co., Ltd., etc.) and other affiliates (Tokio Marine Nichido Atradius Credit Management Co., Ltd, etc.) have not been accounted for under the equity method because these companies have had a minor effect on the Company's consolidated net income or loss and retained earnings for the fiscal year ended March 31, 2010.

(3) The Company owns 27.0% of the total voting rights of Japan Earthquake Reinsurance Co., Ltd. However, the Company does not consider Japan Earthquake Reinsurance Co., Ltd. to be its affiliate since it believes that it cannot exert a significant influence on any policy making decisions of Japan Earthquake Reinsurance's operations given the highly public nature of the company.

(4) With regard to any company accounted for by the equity method that has a different closing date from that of the consolidated financial statements, the financial statements of that company for its fiscal year are used for presentation in the consolidated financial results.

3. Closing date of consolidated subsidiaries

The closing date of the fiscal year for 43 of overseas consolidated subsidiaries is December 31. Since the differences in the closing dates do not exceed three months, the financial statements of the consolidated subsidiaries as of December 31 are used for presentation in the accompanying consolidated financial statements. As for any significant transactions taking place during the period between the subsidiaries' closing dates and the consolidated closing date, necessary adjustments are made for the purpose of consolidation.

4. Accounting policies

(1) Valuation of securities

- a. Trading securities are valued by the mark-to-market method, with the costs of their sales being calculated based on the moving-average method.
- b. Held-to-maturity debt securities are recorded by using the amortized cost method based on the moving-average method (straight-line depreciation method).
- c. Other securities with fair value are recorded by the mark-to-market method based upon the market price on the closing date. The total amount of unrealized gains/losses on other securities is included in net assets, net income taxes and costs of sales sold are calculated using the moving-average method.
- d. Other securities whose fair value cannot be reasonably measured are stated at cost being determined by the moving average-method.
- e. Investments in non-consolidated subsidiaries and affiliates that are not subject to the equity method are stated at cost determined by the moving-average method.
- f. Securities held in individually managed money trusts that are mainly invested in securities for trading are accounted for under the mark-to-market method.

(2) Valuation of derivative financial instruments

Derivative financial instruments are accounted for by the mark-to-market method.

(3) Depreciation method of fixed assets

a. Tangible fixed assets

Depreciation of tangible fixed assets owned by the Company and its domestic consolidated subsidiaries is computed using the declining balance method.

However, depreciation of buildings (excluding auxiliary facilities attached to such buildings, etc.) that were acquired on or after April 1, 1998 is computed using the straight-line method.

b. Intangible fixed assets

Depreciation of intangible fixed assets procured through acquisition of overseas subsidiaries is recorded over the period of time for which the Company expects such subsidiaries to contribute to the Company, and in accordance with the form of such contribution.

(4) Significant reserves and allowances

a. Allowance for doubtful accounts

In order to provide allowance for losses from bad debts, a general allowance is made pursuant to the rules of asset self-assessment and the rules of asset write-off. Allowances are made by domestic consolidated insurance subsidiaries as follows:

For claims to any debtor who has legally, or practically, become insolvent (due to bankruptcy, special liquidation or suspension of transactions with banks based on the rules governing clearing houses, etc.) and for receivables from any debtor who has substantially become insolvent, allowances are provided based on the amount of any such claim minus the amount expected to be collectible calculated based on the disposal of collateral or execution of guarantees.

For claims to any debtor who is likely to become insolvent in the near future, allowances are provided based on the overall solvency assessment of the relevant debtor, the net amount of such claims considered to be collectible through the disposal of collateral or execution of guarantee is deducted from such claims.

For claims other than those described above, the amount of claims is multiplied by the default rate, which is computed based on historical loan loss experience in certain previous periods, and is included in the accompanying consolidated financial statements.

For specified overseas claims, any estimated losses arising from political or economic situations in the relevant countries are accounted for as allowances for specified overseas claims in the accompanying consolidated financial statements.

In addition, all claims are assessed by the asset accounting department and the asset management department in accordance with the rules for self-assessment of asset quality. Subsequently, the asset auditing departments, which are independent from other asset-related departments, conduct audits of the assessment results of the other asset-related departments. Allowance for doubtful accounts are accounted for based on such assessment results as stated above.

b. Reserve for retirement benefits

To provide for employees' retirement benefits, the Company and its domestic consolidated subsidiaries have recorded the amount expected to be incurred at the end of the fiscal year ended March 31, 2010 based on the projected retirement benefit obligations and related pension assets at the end of the fiscal year ended March 31, 2010.

Prior service costs are charged to expense in each subsequent consolidated fiscal year by using the straight-line method with costs based on a certain term (fourteen years) that is based on the average remaining service years of the employees when costs were incurred.

Actuarial differences are charged to expense in the subsequent consolidated fiscal year by using the straight-line method based on a certain term (fourteen years) that is based on the average remaining service years of the employees when amounts were incurred.

(Changes in the basis of accounting principles)

The Company applied "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008) for the fiscal year ended March 31, 2010 and made the necessary adjustments for its consolidated financial reporting. There is no impact of the above change on the Company's ordinary profit and income before income taxes and non-controlling interests, because the Company adopted the same discount rates as before.

c. Reserve for retirement benefits for directors and corporate auditors

Some domestic consolidated subsidiaries set aside a reserve for retirement benefits for their directors and corporate auditors as of the end of the fiscal year ended March 31, 2010, in accordance with their internal remuneration regulations.

d. Reserve for employees' bonuses

To provide for payment of bonuses to employees, the Company and its consolidated domestic subsidiaries maintain reserves for employees' bonuses based on the expected amount to be paid.

e. Reserve for retirement of fixed assets

To provide for payment of expenses related to dismantling buildings, the Company provided a reserve for retirement of fixed assets based on the projected amount to be paid for dismantling buildings.

f. Reserve for price fluctuation

Domestic consolidated insurance subsidiaries maintain reserves under Article 115 of the Insurance Business Law in order to provide for possible losses or damages arising from price fluctuation of stock, etc.

(5) Consumption tax

For the Company and its domestic consolidated subsidiaries, consumption tax is accounted for by the tax-excluded method. However, underwriting and general administrative costs incurred by domestic consolidated insurance subsidiaries are accounted for by the tax-included method.

In addition, any non-deductible consumption taxes, in respect of assets, are included in other assets (as suspense payments) and are amortized over five years using the straight-line method.

(6) Leases

Non-transferable finance leases with lease periods commencing prior to April 1, 2008 are accounted under the accounting policy applied to operating leases.

(7) Hedge accounting

a. Interest rate

To mitigate interest rate fluctuation risks associated with long-term insurance policies, the Company implemented an Asset Liability Management framework designed to manage such risks by evaluating and analyzing financial assets and insurance liabilities simultaneously.

As for some of interest rate swap transactions that are utilized to manage such risks, the Company has applied deferred hedge treatment based upon the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Adoption of Accounting for Financial Instruments in the Insurance Industry" (issued by the Japanese Institute of Certified Public Accountant ("JICPA"), on September 3, 2002 "Report No. 26").

Effectiveness is not evaluated for hedge treatments that are believed to have high hedge effectiveness, because the Company groups hedged insurance liabilities with the interest rate swaps that are the hedge instruments, based on the period remaining for the instruments. As for any deferred hedge gains based on the Industry Audit Committee's Report No.16, "Accounting and Auditing Treatments related to Adoption of Accounting for Financial Instruments in the Insurance Industry" (issued by the JICPA, March 31, 2000) prior to the application of Report No. 26, the Company has amortized such deferred hedge gains as of the end of March 2003, over the remaining period of hedging tools (1-17 years) using the straight-line method.

The amount of deferred hedge gains under this transitional treatment as of March 31, 2010 is 29,206 million yen and the amount allocated to gains or losses for the fiscal year ended March 31, 2010 is 3,881 million yen.

b. Foreign exchange

With regard to some currency swap and forward contract transactions, which are utilized to reduce the future foreign exchange risk associated with assets denominated in foreign currencies, the Company applies fair value hedge accounting and/or matching treatment. The hedge effectiveness is not evaluated for hedge that are believed to have high hedge effectiveness, such as in cases where hedging tools and hedged instruments share the same important characteristics.

5. Valuation of assets and liabilities of consolidated subsidiaries

The full valuation method is adopted in valuing assets and liabilities of consolidated subsidiaries at the initial consolidation date.

6. Amortization of goodwill and negative goodwill

Negative goodwill recognized as a liability on the consolidated balance sheets is amortized over 20 years using the straight-line method.

Goodwill recognized as an asset on the consolidated balance sheets is amortized in the following manner. The goodwill in connection with Philadelphia Consolidated Holding Corp., TM Asia Life Malaysia Bhd. and Kiln Group Limited is amortized over 20 years, 15 years and 10 years, respectively, using the straight-line method. Other goodwill and negative goodwill in small amounts are amortized at one time.

7. Scope of cash and cash equivalents for consolidated statements of cash flows

Cash and cash equivalents for consolidated statements of cash flows consist of cash on-hand, demand deposits and short-term investments with original maturities or redemption of 3 months or less at the date of acquisition.

Changes in Significant Accounting Policies

(A) For the year ended March 31, 2011

Application of “Accounting Standard for Asset Retirement Obligations”

The Company applied “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21, March 31, 2008) from the fiscal year ended March 31, 2011. As a result, for the fiscal year ended March 31, 2011, ordinary profit and income before income taxes and non-controlling interests decreased by 132 million yen and 2,877 million yen, respectively.

Application of “Accounting Standard for Business Combinations and related matters”

The Company applied “Accounting Standard for Business Combinations” (ASBJ Statement No.21, December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, December 26, 2008), “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No.23, December 26, 2008), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, December 26, 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16, 2008), and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No10, December 26, 2008).

(B) For the year ended March 31, 2010

Not applicable.

Change to Basis of Presentation

(A) For the year ended March 31, 2011

Changes related to Consolidated Statement of Income

Due to the application of the “Cabinet Office Ordinance on Partial Revision of the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements and Others” (Cabinet Office Ordinance No. 5, March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, December 26, 2008), the item “Income before non-controlling interests” is presented from the fiscal year ended March 31, 2011.

(B) For the year ended March 31, 2010

Not applicable.

Additional Information

(A) For the year ended March 31, 2011

The Company adopted “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No.25 Jun 30, 2010) from the fiscal year ended March 31, 2011. However, the amounts for “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” for the fiscal year ended March 31, 2010 are shown as “Valuation and translation adjustments” and “Total valuation and translation adjustments”.

(B) For the year ended March 31, 2010

Not applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to Consolidated Balance Sheets

(A) As of March 31, 2011

1. Accumulated depreciation of tangible fixed assets is 302,510 million yen and advanced depreciation of such assets is 17,449 million yen.

2. Securities of non-consolidated subsidiaries and affiliates, etc. are provided as follows:

	<i>(Yen in millions)</i>
Securities (equity)	39,461
Securities (partnership)	33,785

3. The total amount of loans to borrowers in bankruptcy, past due loans, loans contractually past due for three months or more, and restructured loans is 7,841 million yen. The breakdown is as set forth below:

(1) The amount of loans to borrowers in bankruptcy is 429 million yen.

Loans that are past due for a certain period, or for other reasons, are generally placed on non-accrual status when substantial doubt is considered to exist as to the ultimate collectibility either of principal or interest (“Non-accrual states loans”; any part of bad debt written-off is excluded). Loans to borrowers in bankruptcy represent non-accrual loans after a partial charge-off of claims deemed uncollectible, which are defined in Article 96, paragraph 1, subparagraph 3 (a) to (e) (maximum amount transferable to allowance for doubtful accounts) and subparagraph 4 of the Enforcement Ordinance of the Corporation Tax Law (Ordinance No. 97, 1965).

(2) The amount of past due loans is 7,114 million yen.

Past due loans are non-accrual status loans, other than loans to borrowers in bankruptcy and loans on which interest payments are deferred in order to assist business restructuring or financial recovery of the borrowers.

(3) There are no loans contractually past due for three months or more.

Loans contractually past due for three months or more are defined as loans on which any principal or interests payments are delayed for three months or more from the date following the due date. Loans classified as loans to borrowers in bankruptcy and past due loans are excluded.

(4) The amount of restructured loans is 297 million yen.

Restructured loans are loans on which concessions (e.g. reduction of the stated interest rate, deferral of interest payment, extension of the maturity date, forgiveness of debt) are granted to borrowers in financial difficulties to assist them in their corporate restructuring or financial recovery by improving their ability to repay creditors. Restructured loans do not include loans classified as loans to borrowers in bankruptcy, past due loans or loans past due for three months or more.

4. The value of assets pledged as collateral totals 356,090 million yen in securities and 25,982 million yen in bank deposits. Collateralized debt obligations are held to the value of 65,342 million yen in outstanding claims, 60,114 million yen in underwriting reserve and 23,490 million yen in other debts (e.g. overseas reinsurance payables).

5. Securities received from derivative transactions are 15,392 million yen at fair value.

6. Securities include securities lent under loan agreements of 690,235 million yen.
7. The outstanding balance of undrawn committed loans is as follows:

	<i>(Yen in millions)</i>
Total loan commitments	62,068
Balance of drawn committed loans.....	6,488
Undrawn loan commitments	55,579

8. The Company guarantees the liabilities of some of its subsidiaries. The balance of the guarantees to its subsidiaries as of March 31, 2011 is as follows:

	<i>(Yen in millions)</i>
TNUS Insurance Company	14
Tokio Marine Compania de Seguros, S.A. de C.V.	2,232
Tokio Marine Pacific Insurance Limited.....	2,133
The Tokio Marine & Nichido Fire Insurance Company (China) Limited	720
Total.....	5,101

(B) As of March 31, 2010

1. Accumulated depreciation of tangible fixed assets is 334,502 million yen and advanced depreciation of such assets is 17,751 million yen.
2. Securities of non-consolidated subsidiaries and affiliates, etc. are provided as follows:

	<i>(Yen in millions)</i>
Securities (equity)	36,780
Securities (partnership)	38,504

3. The total amount of loans to borrowers in bankruptcy, past due loans, loans contractually past due for three months or more, and restructured loans is 14,911 million yen. The breakdown is as set forth below:

- (1) The amount of loans to borrowers in bankruptcy is 2,473 million yen.

Loans that are past due for a certain period, or for other reasons, are generally placed on non-accrual status when substantial doubt is considered to exist as to the ultimate collectibility either of principal or interest (“Non-accrual states loans”; any part of bad debt written-off is excluded). Loans to borrowers in bankruptcy represent non-accrual loans after a partial charge-off of claims deemed uncollectible, which are defined in Article 96, paragraph 1, subparagraph 3 (a) to (e) (maximum amount transferable to allowance for doubtful accounts) and subparagraph 4 of the Enforcement Ordinance of the Corporation Tax Law (Ordinance No. 97, 1965).

- (2) The amount of past due loans is 8,337 million yen.

Past due loans are non-accrual status loans, other than loans to borrowers in bankruptcy and loans on which interest payments are deferred in order to assist business restructuring or financial recovery of the borrowers.

- (3) The amount of loans contractually past due for three months or more is 334 million yen.

Loans contractually past due for three months or more are defined as loans on which any principal or interests payments are delayed for three months or more from the date following the due date. Loans classified as loans to borrowers in bankruptcy and past due loans are excluded.

- (4) The amount of restructured loans is 3,766 million yen.

Restructured loans are loans on which concessions (e.g. reduction of the stated interest rate, deferral of interest payment, extension of the maturity date, forgiveness of debt) are granted to borrowers in financial difficulties to assist them in their corporate restructuring or financial recovery by improving their ability to repay creditors. Restructured loans do not include loans classified as loans to borrowers in bankruptcy, past due loans or loans past due for three months or more.

4. The value of assets pledged as collateral totals 370,187 million yen in securities and 15,382 million yen in bank deposits. Collateralized debt obligations are held to the value of 63,597 million yen in outstanding claims, 53,846 million yen in underwriting reserve and 24,136 million yen in other debts (e.g. overseas reinsurance payables).
5. Securities received from derivative transactions are 14,460 million yen at fair value.
6. Securities include securities lent under loan agreements of 1,080,467 million yen.
7. The outstanding balance of undrawn committed loans is as follows:

	<i>(Yen in millions)</i>
Total loan commitments	81,279
Balance of drawn committed loans	7,800
Undrawn loan commitments	<u>73,478</u>

8. Tokio Marine & Nichido guarantees the liabilities of some of its subsidiaries. The balance of the guarantees to its subsidiaries as of March 31, 2010 is as follows:

	<i>(Yen in millions)</i>
TNUS Insurance Company	20
Tokio Marine Compania de Seguros, S.A. de C.V.	3,394
Tokio Marine Pacific Insurance Limited	1,837
The Tokio Marine & Nichido Fire Insurance Company (China) Limited	1,689
Total	<u>6,942</u>

Notes to Consolidated Statements of Income

(A) For the year ended March 31, 2011

1. Major components of business expenses

	<i>(Yen in millions)</i>
Agency commissions, etc.....	337,765
Salaries	146,673

Business expenses consist of “Loss adjustment expenses”, “Operating and general administrative expenses” and “Agency commissions and brokerage” as shown in the accompanying consolidated statements of income.

2. Other extraordinary gains is the gains on provision for reserve for retirement of tangible fixed assets of 630 million yen.
3. The Company recognized impairment losses on the following properties during the year ended March 31, 2011.

<i>Purpose of use</i>	<i>Category</i>	<i>Location</i>	<i>Impairment loss (Yen in millions)</i>			
			<i>Land</i>	<i>Building</i>	<i>Others</i>	<i>Total</i>
Properties for rent	Land, buildings and others	A building in Maebashi City, Gunma Pref.	37	778	49	864
Idle or potential disposal properties	Land, buildings and others	26 properties including a welfare facility in Izumi City, Osaka Pref.	2,447	1,123	0	3,571
Total			2,485	1,901	50	4,436

Properties are classified as follows: (a) properties for business use used for insurance businesses and other businesses are grouped by each business unit and (b) other properties including properties for rent and idle or potential disposal properties are grouped on an individual basis.

As to properties for rent and idle or potential disposal properties that depreciated in value mainly due to the fall in the real estate market, the Company wrote off the excess of the book values of such properties over the recoverable amount and recognized such write-offs as impairment losses in extraordinary losses.

The Company determined the recoverable amount of a property by selecting the higher of the net sale price or the utility value. The net sale prices were calculated as the assessed values established by a real estate appraiser, minus the anticipated expenses for disposing of the relevant properties. The utility values were calculated by discounting the future cash flows to net present values at a rate of 9.6%.

4. The main component of other extraordinary losses is impairment losses in debt securities issued by subsidiaries to 3,663 million yen.

(B) For the year ended March 31, 2010

1. Major components of business expenses

	<i>(Yen in millions)</i>
Agency commissions, etc.....	341,203
Salaries	142,241

Business expenses consist of “Loss adjustment expenses”, “Operating and general administrative expenses” and “Agency commissions and brokerage” as shown in the accompanying consolidated statements of income.

2. The main component of other extraordinary gains is the gains on provision for reserve for retirement of tangible fixed assets of 498 million yen.

3. The Company recognized impairment losses on the following properties during the year ended March 31, 2010.

<i>Purpose of use</i>	<i>Category</i>	<i>Location</i>	<i>Impairment loss (Yen in millions)</i>			
			<i>Land</i>	<i>Building</i>	<i>Others</i>	<i>Total</i>
Properties for business use (derivative business)	Buildings and others	3 properties including auxiliary facilities attached to buildings in Chiyoda-ku, Tokyo.	–	1	15	17
Idle or potential disposal properties	Land, buildings and others	29 properties including a building in Chiba City, Chiba Pref.	3,098	5,750	13	8,862
Total			3,098	5,752	29	8,879

Properties are classified as follows: (a) properties for business use used for insurance businesses and other businesses are grouped by each business unit and (b) other properties including properties for rent and idle or potential disposal properties are grouped on an individual basis.

The total amount of projected future cash flow generated from the derivative business fell below the book values of the properties used for these businesses. Consequently, the Company wrote off the excess of the book values of such properties over the recoverable amount and recognized such write-offs as impairment losses in extraordinary losses. The Company calculated the recoverable amount of the relevant property by discounting projected future cash flows at a rate of 1.2%.

Due mainly to decline in the real estate market, book values of some properties for idle or potential disposal properties fell below the recoverable amount. Consequently, the Company wrote off the excess of the book values of such properties over the recoverable amount and recognized any such write-off as impairment losses in extraordinary losses. Recoverable amount are the net sales price. Net sales price is the fair value assessed by real estate valuers minus anticipated expenses for disposal of the relevant properties.

4. The main component of other extraordinary losses is impairment losses on investment of affiliates amounting to 2,120 million yen.

Notes to Consolidated Statement of Comprehensive Income

(A) For the year ended March 31, 2011

1. Comprehensive income for the fiscal year ended March 31, 2010

	<i>(Yen in millions)</i>
Comprehensive income attributable to owners of the parent	574,185
Comprehensive income attributable to non-controlling interests	3,060
Total	<u>577,245</u>

2. Other comprehensive income for the fiscal year ended March 31, 2010

	<i>(Yen in millions)</i>
Unrealized gains on securities, net of taxes	418,723
Deferred losses on hedge transactions	(907)
Foreign currency translation adjustments	13,829
Share of other comprehensive income of affiliates accounted for by the equity method	316
Total	<u>431,963</u>

Notes to Consolidated Statements of Changes in Shareholder's Equity

(A) For the year ended March 31, 2011

1. Class and number of issued shares and treasury stock (Unit: thousand shares)

	<i>Number of shares as of March 31, 2010</i>	<i>Increase during the year ended March 31, 2011</i>	<i>Decrease during the year ended March 31, 2011</i>	<i>Number of shares as of March 31, 2011</i>
Issued shares				
Common stock	1,549,692	–	–	1,549,692
Total	1,549,692	–	–	1,549,692

Class and number of issued shares of treasury stock: None.

2. Stock acquisition rights (including those owned by the Company)

None.

3. Dividends

(1) Amount of dividends

<i>Resolution</i>	<i>Class of stock</i>	<i>Amount of dividends paid</i>	<i>Dividends per share</i>	<i>Record date</i>	<i>Effective date</i>
Meeting of the board of directors held on May 19, 2010	Common stock	50,008 million yen	32.27 yen	March 31, 2010	June 17, 2010
Meeting of the board of directors held on November 18, 2010	Common stock	57,013 million yen	36.79 yen	–	November 25, 2010
Meeting of the board of directors held on March 16, 2011	Common stock	9,515 million yen	6.14 yen	–	March 18, 2011

<i>Resolution</i>	<i>Class of stock</i>	<i>Type of dividend properties and total amount of book values</i>	<i>Dividends per share</i>	<i>Record date</i>	<i>Effective date</i>
Meeting of the board of directors held on February 10, 2011	Common stock	<ul style="list-style-type: none"> • Common stock of Tokio Marine & Nichido Operations Co., Ltd. million yen • Common stock of Tokio Marine & Nichido Corporation Co., Ltd. 	380 million yen	0.24 yen	– March 4, 2011

(2) Dividends of which the record date falls within the year ended March 31, 2011, and the effective date falls after March 31, 2011

<i>Resolution</i>	<i>Class of stock</i>	<i>Amount of dividends paid</i>	<i>Source of dividends</i>	<i>Dividends per share</i>	<i>Record date</i>	<i>Effective date</i>
Meeting of the board of directors held on May 18, 2011	Common stock	20,006 million yen	Retained earnings	12.91 yen	March 31, 2011	June 17, 2011

(B) For the year ended March 31, 2010

1. Class and number of issued shares and treasury stock (Unit: thousand shares)

	<i>Number of shares as of March 31, 2009</i>	<i>Increase during the year ended March 31, 2010</i>	<i>Decrease during the year ended March 31, 2010</i>	<i>Number of shares as of March 31, 2010</i>
Issued shares				
Common stock	1,549,692	–	–	1,549,692
Total.....	1,549,692	–	–	1,549,692

Class and number of issued shares of treasury stock: None.

2. Stock acquisition rights (including those owned by the Company)

None.

3. Dividends

(1) Amount of dividends

<i>Resolution</i>	<i>Class of stock</i>	<i>Amount of dividends paid</i>	<i>Dividends per share</i>	<i>Record date</i>	<i>Effective date</i>
Meeting of the board of directors held on May 19, 2009	Common stock	22,501 million yen	14.52 yen	March 31, 2009	June 1, 2009

(2) Dividends of which the record date falls within the year ended March 31, 2010, and the effective date falls after March 31, 2010

<i>Resolution</i>	<i>Class of stock</i>	<i>Amount of dividends paid</i>	<i>Source of dividends</i>	<i>Dividends per share</i>	<i>Record date</i>	<i>Effective date</i>
Meeting of the board of directors held on May 19, 2010	Common stock	50,008 million yen	Retained earning	32.27 yen	March 31, 2010	June 17, 2010

Notes to Consolidated Statements of Cash Flows

(A) For the year ended March 31, 2011

1. Reconciliation of cash and cash equivalents at the end of the year to the amounts disclosed in the consolidated balance sheets is provided as follows:

	<i>(As of March 31, 2011)</i>
	<i>(Yen in millions)</i>
Cash and bank deposits	189,467
Call loans	183,300
Monetary receivables bought	913,714
Securities	6,287,832
Time deposits with initial term over three months to maturity	(44,487)
Monetary receivables bought not included in cash equivalents	(446,266)
Securities not included in cash equivalents.....	(6,252,523)
Cash and cash equivalents.....	<u>831,038</u>

2. Cash flows from investing activities include cash flows arising from asset management relating to the insurance business.

(B) For the year ended March 31, 2010

1. Reconciliation of cash and cash equivalents at the end of the year to the amounts disclosed in the consolidated balance sheets is provided as follows:

	<i>(As of March 31, 2010)</i>
	<i>(Yen in millions)</i>
Cash and bank deposits	272,347
Call loans	86,400
Monetary receivables bought	1,275,183
Securities	6,969,727
Time deposits with initial term over three months to maturity	(71,328)
Monetary receivables bought not included in cash equivalents	(755,678)
Securities not included in cash equivalents.....	(6,742,731)
Cash and cash equivalents.....	<u>1,033,920</u>

2. Cash flows from investing activities include cash flows arising from asset management relating to the insurance business.

Leases

(A) For the year ended March 31, 2011

1. Finance Leases

Non-transferable finance leases which are accounted under the accounting policy similar to that applicable to operating lease transactions.

As Lessee:

- (1) Amount equivalent to acquisition cost, accumulated depreciation, accumulated impairment losses and net book value of leased assets are as follows:

	<i>Acquisition cost</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>
Tangible fixed assets.....	¥931 million	¥798 million	¥132 million

Acquisition cost includes interest payable thereon because the balance of future lease payment accounts for a small portion of the balance of tangible fixed assets.

- (2) Balance of future lease payments;

Due within one year	¥23 million
Due over one year	¥109 million
Total.....	<u>¥132 million</u>

Future lease payment includes interest payable thereon because the balance of future lease payment accounts for a small portion of the balance of tangible fixed assets.

- (3) Lease payment, reversal of impairment loss on leased assets, depreciation equivalent and impairment losses;

Lease payment	¥312 million
Depreciation equivalent	¥312 million

- (4) Computation of depreciation equivalent

Depreciation equivalent is determined on the straight-line method over the lease period, with no residual value.

2. Operating leases

Future lease payments related to non-cancelable operating leases

As Lessee:

Due within one year.....	¥2,991 million
Due over one year	¥5,060 million
Total	<u>¥8,052 million</u>

As Lessor:

Due within one year.....	¥1,297 million
Due over one year	¥3,240 million
Total	<u>¥4,538 million</u>

(Impairment losses)

There is no impairment loss allocated to the leased assets.

(B) For the year ended March 31, 2010

1. Finance Leases

Non-transferable finance leases which are accounted under the accounting policy similar to that applicable to operating lease transactions.

- (1) Amount equivalent to acquisition cost, accumulated depreciation, accumulated impairment losses and net book value of leased assets are as follows:

	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Tangible fixed assets	¥2,278 million	¥1,830 million	¥447 million

Acquisition cost includes interest payable thereon because the balance of future lease payment accounts for a small portion of the balance of tangible fixed assets.

- (2) Balance of future lease payments;

Due within one year	¥314 million
Due over one year	¥133 million
Total.....	<u>¥447 million</u>

Future lease payment includes interest payable thereon because the balance of future lease payment accounts for a small portion of the balance of tangible fixed assets.

- (3) Lease payment, reversal of impairment loss on leased assets, depreciation equivalent and impairment losses;

Lease payment	¥597 million
Depreciation equivalent	¥597 million

- (4) Computation of depreciation equivalent

Depreciation equivalent is determined on the straight-line method over the lease period, with no residual value.

2. Operating leases

Future lease payments related to non-cancelable operating leases

Due within one year	¥2,794 million
Due over one year	¥6,568 million
Total.....	<u>¥9,362 million</u>

(Impairment losses)

There is no impairment loss allocated to the leased assets.

INFORMATION ON FINANCIAL INSTRUMENTS

(A) For the year ended March 31, 2011

1. Qualitative Information on Financial Instruments

(1) Investment policies

The Tokio Marine Group's core operation is its insurance business and it generally makes investments based on cash inflows mainly arising from insurance premiums. Investment assets are managed in two categories, which are "Assets backing insurance liabilities" corresponding to long-term insurance contracts such as long-term fire insurance and deposit type insurance, and "Other".

With regard to "Assets backing insurance liabilities", Asset Liability Management ("ALM") is applied in order to ensure future payments for claims and maturity-refunds. Through ALM, the Tokio Marine Group aims to maximize the value of surplus ("Investment assets" minus "Insurance liabilities") by controlling the interest rate risks with derivatives such as interest rate swaps to which insurance liabilities are exposed and by investing in bonds with high credit ratings.

With regard to "Other", the Tokio Marine Group works toward diversification of investments and improvement of investment efficiency in order to generate sustainable investment income, while maintaining liquidity for future claims payments. On investment, considering the risk-and-return profile for each investment item, diversified investment is carried out in varieties of investment items such as bonds, stocks and loans. In addition, foreign exchange forwards, credit derivatives and other derivative transactions are utilized to mitigate risks related to assets held and to generate investment income within a specified range of risks.

Through these approaches, the Tokio Marine Group aims to minimize fluctuations in short-term gains and losses, increase investment income in order to maximize net asset value in the mid-to-long-term, and maintain financial soundness.

With regard to financing, the Tokio Marine Group issues corporate bonds and undertakes borrowings mainly to secure funds for investments. When financing is necessary, amounts and methodologies are determined based on the group's cash flow status.

In addition, a consolidated subsidiary operates a derivatives business that provides financial instruments that meet the diversified and sophisticated hedging and financing needs in the market.

(2) Details of financial instruments and their risks

The Tokio Marine Group holds bonds, stocks and other securities, all of which are exposed to market, credit and market liquidity risks.

Market risks refer to the risks of losses arising from fluctuations in stock prices, exchange rates, interest rates and other market indicators. Credit risks refer to the risks of losses when the value of an investment declines or is lost due to insolvency or deterioration in the financial condition of the debtor. Market liquidity risks refer to the risks of losses that may occur from being unable to make transactions due to inactive market condition, or being forced to make transactions at extremely unfavorable prices.

Some currency risks are hedged through foreign exchange forwards, currency swaps and other such transactions. Hedge accounting is applied to some of these transactions.

Loans are exposed to credit risks and market risks.

Derivative transactions are exposed to market risks, credit risks and market liquidity risks. Credit risks associated with derivative transactions include losses when the counter-parties fail to fulfill their obligations due to insolvency or for other reasons. In order to reduce such credit risks, netting

arrangements may be used with financial institutions and other counter parties with whom there are frequent transactions. Also, interest rate risks associated with long-term insurance liabilities are hedged by interest rate swaps and other transactions for which hedge accounting is applied.

With regard to hedging instruments, hedged items, hedging policies and evaluation of hedge effectiveness, please refer to “Basis of Presentation and Significant Accounting Policies - 4. Accounting policies - (7) Hedge accounting“.

(3) Risk management structure

(i) Market risk and credit risk management

In the Company, the Risk Management Department, the department in charge of risk management and independent of departments executing investment transactions, quantitatively and qualitatively controls risks in order to deal with market, credit and market liquidity risks and other investment risks related to financial instruments.

Based on the annual investment plan established by the investment departments, the board of directors establishes an investment risk management policy that prescribes organizational structure related to investment risks, risk management methodologies, how to respond to losses and at times when the risk profile exceeds preset limits, and information to be reported. In accordance with the policy, “Investment guidelines” are established under which investable instruments, specific risk limits and actions to take in response to losses are classified and prescribed for each segment set in the annual investment plan. In order to monitor individual investments and loans, “Review guidelines” are established and prescribe items subject to monitoring and criteria for monitoring.

As for quantitative risk management, market, credit and other such risks are quantified using on VaR-like concepts.

The Risk Management Department monitors compliance with the policy and the guidelines, as well as levels of investment risk and return, and reports such information on a monthly basis to the directors, and on a quarterly basis to the board of directors. Individual investments are reviewed and monitored pursuant to the guidelines.

Other consolidated subsidiaries maintain risk management structures similar to those described above.

(ii) Liquidity risk management

The Tokio Marine Group manages liquidity risks by controlling payment schedule and ensuring various ways of financing, through treasury management by each consolidated subsidiary and by the group as a whole.

(4) Notes on fair value information

The fair value of financial instruments is calculated in a reasonable method when market price is not available. On determination of such fair value, certain assumptions are set, and the fair value may be determined differently on other assumptions.

2. Fair Value of Financial Instruments

Table below shows the fair value of financial instruments excluding those without reasonably measured fair value.

<i>As of March 31, 2011</i>			
	<i>Carrying amount shown on balance sheet</i>	<i>Fair Value</i>	<i>Difference</i>
<i>(Yen in millions)</i>			
(1) Cash and bank deposits	189,467	189,469	1
(2) Call loans.....	183,300	183,300	–
(3) Receivables under resale agreement	121,967	121,967	–
(4) Monetary receivables bought	913,714	913,714	–
(5) Money trusts	14,056	14,056	–
(6) Securities			
Trading securities	313,242	313,242	–
Bonds held to maturity	141,635	147,288	5,652
Available for sale securities	5,555,368	5,555,368	–
(7) Loans	383,472		
Allowance for doubtful accounts ^(*)	(6,433)		
	<u>377,039</u>	<u>386,920</u>	<u>9,881</u>
Total financial assets	<u>7,809,793</u>	<u>7,825,328</u>	<u>15,535</u>
(1) Corporate bonds	125,079	126,229	1,150
(2) Payables under security lending transactions	646,436	646,436	–
Total financial liabilities.....	<u>771,515</u>	<u>772,665</u>	<u>1,150</u>
Derivative assets and liabilities ^(*)			
Hedge accounting not applied.....	(310)	(310)	–
Hedge accounting applied.....	21,226	21,226	–
Total derivative assets and liabilities	<u>20,915</u>	<u>20,915</u>	<u>–</u>

(*1) Allowance for doubtful accounts earmarked for loans is deducted from the carrying amounts.

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

(Note 1) Valuation method for financial instruments

Assets

With regard to (1) Cash and bank deposits (excluding those defined as securities in “Accounting Standard for Financial Instruments” (ASBJ Statement No.10)), (2) Call loans, and (3) Receivables under resale agreement, the book value is deemed as the fair value since it is scheduled to be settled in a short period of time and the book value approximates the fair value.

Regarding (6) Securities (including those in (1) Cash and bank deposits and (4) Monetary receivables bought that are defined to be securities in “Accounting for Financial Instruments” (ASBJ Statement No.10) and securities in (5) Money trusts that are invested as trust funds) with quoted market price, the quoted closing price is used for listed stocks and the price of the over-the-counter transactions is used for bonds. For securities with no quoted market price, the net present value of the estimated future cash flows is applied as the fair value.

With regard to floating rate loans in (7) Loans, as long as the borrower's credit standing has not significantly deteriorated since the start of the loan, the book value is deemed as the fair value because interest rate changes will be timely reflected in the future cash flows and the book value approximates the fair value. For fixed rate loans, the fair value is measured as the net present value of estimated future cash flows. For loans where borrowers are insolvent or in bankruptcy proceedings, the estimated uncollectible debts are deducted from the carrying amount to get the fair value.

Liabilities

With regard to (1) Corporate bonds, the price of the over-the-counter transactions is the fair value.

With regard to (2) Payables under security lending transactions, the book value is deemed as the fair value because it is scheduled to be settled in a short period of time and the book value approximates the fair value.

Derivatives

Please refer to "Information on derivatives".

(Note 2) Unlisted stocks and partnership investments comprised of unlisted stocks (Carrying amount on the consolidated balance sheet: 277,585 million yen) are not included in (6) Securities because the fair value cannot be determined as they have no quoted market price and the future cash flow cannot be estimated.

Policy loans (Carrying amount on the consolidated balance sheet: 34,336 million yen) are not included in (7) Loans because future cash flows cannot be estimated since it is arranged under insurance policy and the amount is limited within repayment fund for cancellation with no contractual maturity.

(Note 3) Maturity analysis of financial assets

	<i>As of March 31, 2011</i>			
	<i>Within 1 year</i>	<i>1 - 5 years</i>	<i>5 - 10 years</i>	<i>Over 10 years</i>
	<i>(Yen in millions)</i>			
Cash and bank deposits	180,173	824	–	–
Monetary receivable bought	750,844	32,236	19,048	107,425
Securities				
Bonds held to maturity				
Domestic government bonds	–	–	12,000	107,000
Foreign securities	1,862	5,389	6,783	7,448
Other securities (available for sale) with maturity				
Domestic government bonds	150,844	371,772	390,200	699,200
Domestic municipal bonds	10,612	107,621	24,549	–
Domestic corporate bonds	76,513	288,616	125,370	34,050
Domestic stocks	100	–	–	–
Foreign securities	112,321	311,419	192,082	201,002
Loans (*).....	56,570	181,977	45,346	94,502
Total	1,339,841	1,299,857	815,380	1,250,628

(*) Loans to borrowers that are insolvent or in bankruptcy proceedings and for which repayment cannot be expected (5,052 million yen), and loans with no repayment schedule (23 million yen) are not included above.

(Note 4) Maturity schedules for Bonds, Long-term borrowings and Obligations under lease transactions Please refer to “Related Information to the Consolidated Financial Statements”.

(B) For the year ended March 31, 2010

1. Qualitative Information on Financial Instruments

(1) Investment policies

The Tokio Marine Group’s core operation is its insurance business and it generally makes investments based on cash inflows mainly arising from insurance premiums. Investment assets are managed in two categories, which are “Assets backing insurance liabilities” corresponding to long-term insurance contracts such as long-term fire insurance and deposit type insurance, and “Other”.

With regard to “Assets backing insurance liabilities”, Asset Liability Management (“ALM”) is applied in order to ensure future payments for claims and maturity-refunds. Through ALM, the Tokio Marine Group aims to maximize the value of surplus (“Investment assets” minus “Insurance liabilities”) by controlling the interest rate risks with derivatives such as interest rate swaps to which insurance liabilities are exposed and by investing in bonds with high credit ratings.

With regard to “Other”, the Tokio Marine Group works toward diversification of investments and improvement of investment efficiency in order to generate sustainable investment income, while maintaining liquidity for future claims payments. On investment, considering the risk-and-return profile for each investment item, diversified investment is carried out in varieties of investment items such as bonds, stocks and loans. In addition, foreign exchange forwards, credit derivatives and other derivative transactions are utilized to mitigate risks related to assets held and to generate investment income within a specified range of risks.

Through these approaches, the Tokio Marine Group aims to minimize fluctuations in short-term gains and losses, increase investment income in order to maximize net asset value in the mid-to-long-term, and maintain financial soundness.

With regard to financing, the Tokio Marine Group issues corporate bonds and undertakes borrowings mainly to secure funds for investments. When financing is necessary, amounts and methodologies are determined based on the group’s cash flow status.

In addition, a consolidated subsidiary operates a derivatives business that provides financial instruments that meet the diversified and sophisticated hedging and financing needs in the market.

(2) Details of financial instruments and their risks

The Tokio Marine Group holds bonds, stocks and other securities, all of which are exposed to market, credit and market liquidity risks.

Market risks refer to the risks of losses arising from fluctuations in stock prices, exchange rates, interest rates and other market indicators. Credit risks refer to the risks of losses when the value of an investment declines or is lost due to insolvency or deterioration in the financial condition of the debtor. Market liquidity risks refer to the risks of losses that may occur from being unable to make transactions due to inactive market condition, or being forced to make transactions at extremely unfavorable prices.

Some currency risks are hedged through foreign exchange forwards, currency swaps and other such transactions. Hedge accounting is applied to some of these transactions.

Loans are exposed to credit risks and market risks.

Derivative transactions are exposed to market risks, credit risks and market liquidity risks. Credit risks associated with derivative transactions include losses when the counter-parties fail to fulfill their

obligations due to insolvency or for other reasons. In order to reduce such credit risks, netting arrangements may be used with financial institutions and other counter parties with whom there are frequent transactions. Also, interest rate risks associated with long-term insurance liabilities are hedged by interest rate swaps and other transactions for which hedge accounting is applied.

With regard to hedging instruments, hedged items, hedging policies and evaluation of hedge effectiveness, please refer to “Basis of Presentation and Significant Accounting Policies - 4. Accounting policies - (7) Hedge accounting“.

(3) Risk management structure

(i) Market risk and credit risk management

In the Company, the Risk Management Department, the department in charge of risk management and independent of departments executing investment transactions, quantitatively and qualitatively controls risks in order to deal with market, credit and market liquidity risks and other investment risks related to financial instruments.

Based on the annual investment plan established by the investment departments, the board of directors establishes an investment risk management policy that prescribes organizational structure related to investment risks, risk management methodologies, how to respond to losses and at times when the risk profile exceeds preset limits, and information to be reported. In accordance with the policy, “Investment guidelines” are established under which investable instruments, specific risk limits and actions to take in response to losses are classified and prescribed for each segment set in the annual investment plan. In order to monitor individual investments and loans, “Review guidelines” are established and prescribe items subject to monitoring and criteria for monitoring.

As for quantitative risk management, market, credit and other such risks are quantified using on VaR-like concepts.

The Risk Management Department monitors compliance with the investment risk policy, as well as levels of investment risk and return, and reports such information on a monthly basis to the directors, and on a quarterly basis to the board of directors. Individual investments are reviewed pursuant to the “Review guidelines”.

Other consolidated subsidiaries maintain risk management structures similar to those described above.

(ii) Liquidity risk management

The Tokio Marine Group manages liquidity risks by controlling payment schedule and ensuring various ways of financing, through treasury management by each consolidated subsidiary and by the group as a whole.

(4) Notes on fair value information

The fair value of financial instruments is calculated in a reasonable method when market price is not available. On determination of such fair value, certain assumptions are set, and the fair value may be determined differently on other assumptions.

2. Fair Value of Financial Instruments

Table below shows the fair value of financial instruments excluding those without reasonably measured fair value.

		<i>As of March 31, 2010</i>		
		<i>Carrying amount shown on balance sheet</i>	<i>Fair Value</i>	<i>Difference</i>
<i>(Yen in millions)</i>				
(1)	Cash and bank deposits	272,347	272,347	–
(2)	Call loans.....	86,400	86,400	–
(3)	Receivables under resale agreement	150,969	150,969	–
(4)	Monetary receivables bought	1,275,183	1,275,183	–
(5)	Money trusts	11,778	11,778	–
(6)	Securities			
	Trading securities	320,609	320,609	–
	Bonds held to maturity	142,101	144,133	2,031
	Available for sale securities	6,129,248	6,129,248	–
(7)	Loans	443,057		
	Allowance for doubtful accounts ^(*)	(7,964)		
		<u>435,092</u>	<u>440,109</u>	<u>5,017</u>
	Total financial assets	<u>8,823,731</u>	<u>8,830,779</u>	<u>7,048</u>
(1)	Corporate bonds	178,821	179,837	1,016
(2)	Payables under security lending transactions	1,087,058	1,087,058	–
	Total financial liabilities.....	<u>1,265,879</u>	<u>1,266,895</u>	<u>1,016</u>
	Derivative assets and liabilities ^(*)			
	Hedge accounting not applied.....	15,173	15,173	–
	Hedge accounting applied.....	20,377	20,377	–
	Total derivative assets and liabilities	<u>35,550</u>	<u>35,550</u>	<u>–</u>

(*1) Allowance for doubtful accounts earmarked for loans is deducted from the carrying amount.

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

(Note 1) Valuation method for financial instruments

Assets

With regard to (1) Cash and bank deposits (excluding those defined as securities in “Accounting Standard for Financial Instruments” (ASBJ Statement No.10)), (2) Call loans, and (3) Receivables under resale agreement, the book value is deemed as the fair value since it is scheduled to be settled in a short period of time and the book value approximates the fair value.

Regarding (6) Securities (including those in (1) Cash and bank deposits and (4) Monetary receivables bought that are defined to be securities in “Accounting for Financial Instruments” (ASBJ Statement No.10) and securities in (5) Money trusts that are invested as trust funds) with quoted market price, the quoted closing price is used for listed stocks and the price of the over-the-counter transactions is used for bonds. For securities with no quoted market price, the net present value of the estimated future cash flows is applied as the fair value.

With regard to floating rate loans in (7) Loans, the book value is deemed as the fair value because interest rate changes will be timely reflected in the future cash flows and the book value approximates the fair value. For fixed rate loans, the fair value is measured as the net present value of estimated future cash flows. For loans where borrowers are insolvent or in bankruptcy proceedings, the estimated uncollectible debts are deducted from the carrying amount to get the fair value.

Liabilities

With regard to (1) Corporate bonds, the price of the over-the-counter transactions is the fair value.

With regard to (2) Payables under security lending transactions, the book value is deemed as the fair value because it is scheduled to be settled in a short period of time and the book value approximates the fair value.

Derivatives

Please refer to “Information on derivatives”.

(Note 2) Unlisted stocks and partnership investments comprised of unlisted stocks (Carrying amount on the consolidated balance sheet: 377,767 million yen) are not included in (6) Securities because the fair value cannot be determined as they have no quoted market price and the future cash flow cannot be estimated.

Policy loans (Carrying amount on the consolidated balance sheet: 35,158 million yen) are not included in (7) Loans because future cash flows cannot be estimated since it is arranged under insurance policy and the amount is limited within repayment fund for cancellation with no contractual maturity.

(Note 3) Maturity analysis of financial assets

	<i>As of March 31, 2010</i>			
	<i>Within 1 year</i>	<i>1 - 5 years</i>	<i>5 - 10 years</i>	<i>Over 10 years</i>
	<i>(Yen in millions)</i>			
Cash and bank deposits	259,860	1,209	–	–
Monetary receivable bought	1,000,674	46,999	52,909	172,196
Securities				
Bonds held to maturity				
Domestic government bonds	–	–	5,000	114,000
Foreign securities	1,545	5,483	8,601	6,182
Other securities (available for sale)				
with maturity				
Domestic government bonds	311,810	376,993	296,438	681,000
Domestic municipal bonds	13,707	66,084	86,307	–
Domestic corporate bonds	142,892	319,030	126,705	36,806
Domestic stocks	100	–	–	–
Foreign securities	137,666	313,923	167,856	174,029
Loans (*).....	79,310	181,540	67,352	108,411
Total	<u>1,947,568</u>	<u>1,311,265</u>	<u>811,171</u>	<u>1,292,625</u>

(*) Loans to borrowers that are insolvent or in bankruptcy proceedings and for which repayment cannot be expected (6,341 million yen), and loans with no repayment schedule (101 million yen) are not included above.

(Note 4) Maturity schedules for Bonds, Long-term borrowings and Obligations under lease transactions Please refer to “Related Information to the Consolidated Financial Statements”.

(Additional information)

The Company has applied “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, March 10, 2008) and “Guidance on Disclosure about Fair Value of Financial Instruments” (ASBJ Guidance No.19, March 10, 2008) from the fiscal year ended March 31, 2010. Accordingly, the scope of securities evaluated with the fair value is changed, however, there is no effect on amounts shown on consolidated balance sheets.

Securities

(A) For the year ended March 31, 2011

1. Trading Securities

<u>Type</u>	<i>As of March 31, 2011</i>	
	<i>Amount shown on consolidated balance sheets</i>	<i>Valuation gains recognized on consolidated statements of income</i>
	<i>(Yen in millions)</i>	
Trading securities	314,768	5,780

(Note)

As of March 31, 2011, the above figures include amounts related to certificates of deposit (carrying amount 1,525 million yen and valuation gains recognized on the consolidated statement of income 0 million yen), which are presented as “Cash and bank deposits” on the consolidated balance sheets.

2. Bonds Held to Maturity

<u>Type</u>		<i>As of March 31, 2011</i>		
		<i>Carrying amount</i>	<i>Fair value</i>	<i>Difference</i>
		<i>(Yen in millions)</i>		
Market value is more than carrying amount	Bonds	120,460	126,000	5,539
	Foreign securities	15,335	15,744	409
	Sub Total	135,796	141,745	5,949
Market value is less than carrying amount	Bonds	—	—	—
	Foreign securities	5,839	5,543	(296)
	Sub Total	5,839	5,543	(296)
Total		141,635	147,288	5,652

3. Other Securities (Available for Sale)

		<i>As of March 31, 2011</i>		
<u>Type</u>		<u>Carrying amount</u>	<u>Original cost</u>	<u>Difference</u>
<i>(Yen in millions)</i>				
Gross unrealized gains	Bonds	1,939,972	1,876,990	62,982
	Stocks	1,994,362	669,905	1,324,457
	Foreign securities	699,714	624,155	75,558
	Others ^(*2)	130,400	117,406	12,994
	Sub Total	<u>4,764,450</u>	<u>3,288,457</u>	<u>1,475,992</u>
Gross unrealized losses	Bonds	411,577	424,860	(13,282)
	Stocks	108,231	121,818	(13,586)
	Foreign securities	393,421	423,167	(29,745)
	Others ^(*3)	829,539	834,195	(4,655)
	Sub Total	<u>1,742,771</u>	<u>1,804,042</u>	<u>(61,270)</u>
Total	<u><u>6,507,221</u></u>	<u><u>5,092,500</u></u>	<u><u>1,414,721</u></u>	

(Notes)

- Other securities (available for sale) that are deemed to be difficult to acquire fair value are not included in the table.
- The amount includes foreign mortgage backed securities etc. (carrying amount 127,311 million yen, acquisition cost 114,860 million yen, difference 12,451 million yen) which are presented as "Monetary receivables bought" on the consolidated balance sheets.
- The amount includes certificates of deposit (carrying amount 38,138 million yen, acquisition cost 38,138 million yen) and commercial papers, etc. (carrying amount 786,402 million yen, acquisition cost 790,532 million yen, difference (-)4,129 million yen) which are presented as "Cash and bank deposits" and "Monetary receivables bought", respectively, on the consolidated balance sheets.

4. Bonds Held to Maturity Sold in This Period

None

5. Other Securities Sold in This Period

		<i>For the year ended March 31, 2011</i>		
<u>Type</u>		<u>Sale proceeds</u>	<u>Realized gains</u>	<u>Realized losses</u>
<i>(Yen in millions)</i>				
Bonds		347,004	3,653	1,594
Stocks		187,922	118,351	1,913
Foreign securities		397,039	11,719	3,849
Others		124,509	6,660	6,629
Total		<u><u>1,056,475</u></u>	<u><u>140,385</u></u>	<u><u>13,987</u></u>

(Note)

"Others" include amounts related to certificates of deposit (sale amount 10,994 million yen) and foreign mortgage backed securities, etc. (sale amount 110,550 million yen, gains on sale 6,172 million yen, losses on sale 6,045 million yen), which are presented as "Cash and bank deposits" and "Monetary receivables bought", respectively, on the consolidated balance sheets.

6. Securities of Which Impairment Losses Were Recognized

For the year ended March 31, 2011, impairment losses amounting to 12,323 million yen (10,214 million yen for stocks, 2,104 million yen for foreign securities and 4 million yen for others) were

recognized for Other securities (available for sale) with fair value. Impairment losses amounting to 1,363 million yen (585 million yen for stocks, 161 million yen for foreign securities and 616 million yen for others) were recognized for Other securities (available for sale) that are deemed to be difficult to acquire fair value.

Impairment losses are in principal recognized on securities for which the fair values have declined 30% or more versus their book values as at the end of the period.

(B) For the year ended March 31, 2010

1. Trading Securities

<u>Type</u>	<i>As of March 31, 2010</i>	
	<i>Amount shown on consolidated balance sheets</i>	<i>Valuation losses recognized on consolidated statements of income</i>
	<i>(Yen in millions)</i>	
Trading securities	325,412	(1,581)

(Note)

As of March 31, 2010, the above figures include amounts related to certificates of deposit (carrying amount 1,088 million yen and valuation gains recognized on the consolidated statements of income 0 million yen) and commercial papers, etc. (carrying amount 3,714 million yen and valuation losses recognized on the consolidated statements of income 29 million yen), which are presented as "Cash and bank deposits" and "Monetary receivables bought", respectively, on the consolidated balance sheets.

2. Bonds Held to Maturity

<u>Type</u>	<i>As of March 31, 2010</i>			
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Difference</i>	
	<i>(Yen in millions)</i>			
Market value is more than carrying amount	Bonds	117,860	120,252	2,391
	Foreign securities	8,877	9,008	131
	Sub Total	126,737	129,261	2,523
Market value is less than carrying amount	Bonds	2,727	2,702	(25)
	Foreign securities	12,636	12,169	(467)
	Sub Total	15,363	14,871	(492)
Total	142,101	144,133	2,031	

3. Other Securities (Available for Sale)

		<i>As of March 31, 2010</i>		
<u>Type</u>		<u>Carrying amount</u>	<u>Original cost</u>	<u>Difference</u>
<i>(Yen in millions)</i>				
	Bonds	1,969,017	1,916,064	52,953
Gross	Stocks	2,460,512	792,416	1,668,095
unrealized gains	Foreign securities	719,580	646,214	73,365
	Others ^(*)2)	149,146	131,192	17,954
	Sub Total	<u>5,298,258</u>	<u>3,485,889</u>	<u>1,812,368</u>
	Bonds	541,052	558,303	(17,250)
Gross	Stocks	74,946	81,391	(6,444)
unrealized losses	Foreign securities	350,198	373,086	(22,888)
	Others ^(*)3)	1,215,705	1,236,177	(20,472)
	Sub Total	<u>2,181,903</u>	<u>2,248,959</u>	<u>(67,055)</u>
Total		<u><u>7,480,161</u></u>	<u><u>5,734,848</u></u>	<u><u>1,745,313</u></u>

(Notes)

- Other securities (available for sale) that are deemed to be difficult to acquire fair value are not included in the table.
- The amount includes foreign mortgage backed securities etc. (carrying amount 141,147 million yen, acquisition cost 124,504 million yen, carrying amount 16,643 million yen) which are presented as "Monetary receivables bought" on the consolidated balance sheets.
- The amount includes certificates of deposit (carrying amount 79,443 million yen, acquisition cost 79,443 million yen) and commercial papers, etc. (carrying amount 1,130,321 million yen, acquisition cost 1,150,101 million yen, difference (-)19,780 million yen) which are presented as "Cash and bank deposits" and "Monetary receivables bought", respectively, on the consolidated balance sheets.

(Additional information)

From the fiscal year ended March 31, 2010, the Company applied "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and "Guidance on Accounting Standard for Financial Instruments" (ASBJ Guidance No. 19, March 10, 2008). Accordingly, the scope of securities measured at fair value has been changed, and commercial papers which had been categorized as securities without fair value in the past are now included in the table.

4. Bonds Held to Maturity Sold in This Period

None

5. Other Securities Sold in This Period

		<i>For the year ended March 31, 2010</i>		
<u>Type</u>		<u>Sale proceeds</u>	<u>Realized gains</u>	<u>Realized losses</u>
<i>(Yen in millions)</i>				
Bonds		284,616	2,186	648
Stocks		94,136	61,103	890
Foreign securities		552,801	20,661	5,670
Others		64,996	3,480	634
Total		<u><u>996,551</u></u>	<u><u>87,431</u></u>	<u><u>7,844</u></u>

(Note)

"Others" include amounts related to commercial papers, etc. (sale amount 57,133 million yen), gains on sale 1,362 million yen, losses on sale 551 million yen) which are presented as "Monetary receivables bought" on the consolidated balance sheets.

6. Securities of Which Impairment Losses Were Recognized

For the year ended March 31, 2010, impairment losses amounting to 25,450 million yen (2,866 million yen for securities with fair value and 22,584 million yen for securities that are deemed to be difficult to acquire fair value) were recognized for Other Securities (available for sale). This includes the impairment losses related to foreign mortgage backed securities in the amount of 16 million yen, which is included in "Other investment expenses" on the consolidated statements of income.

Impairment losses are in principal recognized on securities for which the fair values have declined 30% or more versus their book values as at the end of the period.

Money Trusts

(A) For the year ended March 31, 2011

1. Money Trusts Held for Trading Purposes

<u>Type</u>	<i>As of March 31, 2011</i>	
	<i>Carrying amount</i>	<i>Valuation gains recognized on consolidated statements of income</i>
	<i>(Yen in millions)</i>	
Money trusts	13,856	1,067

2. Money Trusts Held to Maturity

None

3. Money Trusts Other Than That Held to Maturity or That Held for Trading Purposes

<u>Type</u>	<i>As of March 31, 2011</i>		
	<i>Carrying amount</i>	<i>Original cost</i>	<i>Difference</i>
	<i>(Yen in millions)</i>		
Money trusts.....	200	200	—

(B) For the year ended March 31, 2010

1. Money Trusts Held for Trading Purposes

<u>Type</u>	<i>As of March 31, 2010</i>	
	<i>Carrying amount</i>	<i>Valuation gains recognized on consolidated statements of income</i>
	<i>(Yen in millions)</i>	
Money trusts	11,578	841

2. Money Trusts Held to Maturity

None

3. Money Trusts Other Than That Held to Maturity or That Held for Trading Purposes

<u>Type</u>	<i>As of March 31, 2010</i>		
	<u>Carrying amount</u>	<u>Original cost</u>	<u>Difference</u>
	<i>(Yen in millions)</i>		
Money trusts.....	200	200	—

Information on Derivatives

(A) For the year ended March 31, 2011

“Contract amount, etc.” as shown in the tables is the nominal contract or notional principal amount of derivative transactions. The amount itself does not represent the market or credit risk of such derivative transactions.

1. Derivatives Transaction to Which Hedge Accounting is Not Applied

(1) Foreign currency-related instruments

		<i>(Yen in millions)</i>			
		<i>As of March 31, 2011</i>			
<u>Type</u>	<u>Contract amount, etc.</u>	<u>Over 1 year</u>	<u>Fair value</u>	<u>Unrealized gains/ (losses)</u>	
Foreign exchange forwards					
Short					
USD	158,911	—	(1,502)	(1,502)	
EUR	23,420	—	(879)	(879)	
GBP	4,890	—	(94)	(94)	
AUD	6,724	—	(380)	(380)	
CAD	5,122	—	(178)	(178)	
Long					
USD	7,813	—	220	220	
EUR	12,070	—	535	535	
GBP	2,695	—	68	68	
AUD	9,846	—	563	563	
Currency swaps					
Pay Foreign/ Rec. Yen					
USD	413,478	244,677	13,753	13,753	
EUR	3,818	2,481	798	798	
AUD	447	447	17	17	
Pay Yen/ Rec. Foreign					
USD	157,060	116,203	(25,031)	(25,031)	
EUR	2,481	2,481	(741)	(741)	
AUD	434	434	(14)	(14)	
Pay Foreign/ Rec. Foreign					
Pay USD/ Rec. SGD	616	—	60	60	
Currency options					
Short					
Call					
USD	44,812	31,939			
	4,936	4,120	4,198	738	
Put					
USD	49,758	36,078			

		5,022	4,007	7,503	(2,481)
	Long Call USD	42,666	29,252		
		3,521	2,567	2,821	(699)
	Put USD	45,681	30,572		
		3,443	2,588	9,105	5,662
	Total	–	–	10,826	(9,582)

(Notes)

1. The fair value of foreign exchange forwards and currency swaps is calculated by discounting future cash flows to the present value based on the interest rate as of the closing date of the fiscal year.
2. The fair value of currency options is based on an option pricing model.
3. For currency options, option premiums are shown beneath the contract amount of the options.

(2) Interest rate-related instruments

		<i>(Yen in millions)</i>			
		<i>As of March 31, 2011</i>			
	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
	Interest rate futures				
Market transactions:	Short	15,883	–	(4)	(4)
	Long	160,000	–	1	1
	Interest rate options				
	Short				
	Cap	37,231	25,000		
		595	434	53	542
	Swaption	13,000	12,000		
		445	393	1,182	(736)
	Long				
Over-the-counter transactions:	Cap	4,500	–		
		36	–	0	(36)
	Swaption	16,000	12,000		
		394	285	487	93
	Interest rate swaps				
	Rec. fix/Pay float	3,217,882	2,440,731	128,857	128,857
	Rec. float/Pay fix	3,697,935	2,568,326	(111,238)	(111,238)
	Rec. float/ Pay float	384,298	372,152	3,313	3,313
	Rec. fix/Pay fix	43,655	43,655	237	237
	Total	–	–	22,889	21,028

(Notes)

1. The fair value of the interest rate future at the closing date of the fiscal year is based on the closing price at major stock exchanges.
2. The fair value of interest rate option is based on an option pricing model.
3. For interest rate option, option premiums are shown beneath the contract amount of the options.
4. The fair value of the interest rate swap is calculated by discounting future cash flows to the present value based on the interest rate as of the closing date of the fiscal year.

(3) Equity-related instruments

(Yen in millions)

As of March 31, 2011

	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized (losses)</i>
	Equity index futures				
Market transactions:	Short	15,688	–	(158)	(158)
	Long	2,452	–	(1)	(1)
	Total	–	–	(160)	(160)

(Note)

The fair value of the equity index futures as of the closing date of the fiscal year is based on the quoted final price at major stock exchanges.

(4) Bond-related instruments

(Yen in millions)

As of March 31, 2011

	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized (losses)</i>
	Bond futures				
Market transactions:	Short	11,300	–	(52)	(52)
	Total	–	–	(52)	(52)

(Note)

The fair value of the bond futures as of the closing date of the fiscal year is based on the closing price at major stock exchanges.

(5) Credit-related instruments

(Yen in millions)

As of March 31, 2011

	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized (losses)</i>
	Credit derivatives				
Over-the-counter transactions:	Sell protection	199,719	156,491	(8,088)	(8,088)
	Buy protection	35,423	34,923	(59)	(59)
	Total	–	–	(8,147)	(8,147)

(Note)

The fair value of the credit derivative as of the closing date of the fiscal year is calculated based on the internal pricing model.

(6) Commodity-related instruments

(Yen in millions)

		<i>As of March 31, 2011</i>			
	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
	Commodity options				
	Short				
	Cap	76	–		
		12	–	2	9
	Long				
	Cap	76	–		
Over-the-counter transactions:		10	–	2	(7)
	Commodity swaps				
	Rec. fixed price/ Pay commodity indices	15,990	15,533	(6,292)	(6,292)
	Rec. Commodity indices/ Pay fixed price	17,280	16,775	5,368	5,368
	Rec. Commodity indices/ Pay variable indices	6,582	6,170	(416)	(416)
	Total	–	–	(1,336)	(1,339)

(Notes)

1. The fair value of the commodity options and commodity swaps as of the closing date of the fiscal year is calculated based on the internal pricing model.
2. For commodity options, the option premiums are shown beneath the contract amount of the options.

(7) Others

		<i>(Yen in millions)</i>			
		<i>As of March 31, 2011</i>			
	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
	Natural disaster derivatives				
	Short	12,216	386		
		869	9	630	239
	Long	28,815	–		
		3,847	–	2,188	(1,658)
Over-the-counter transactions:	Weather derivatives				
	Short	115	–		
		3	–	1	1
	Others				
	Short	123	123		
		6	6	6	–
	Total	–	–	2,827	(1,417)

(Notes)

1. The fair value of natural disaster derivatives is calculated based on the internal pricing model on fair value and options premiums.
2. The fair value of weather derivatives is calculated based on the weather condition, term of the contract and components of other contracts relating to the weather derivatives.
3. The fair value of other derivatives is calculated based on options premiums.
4. The option premiums of natural disaster derivatives, weather derivatives and other options are shown beneath the contract amount of the options.

2. Derivatives Transaction to Which Hedge Accounting is Applied

(1) Foreign currency-related instruments

(Yen in millions)

		<i>As of March 31, 2011</i>			
	<i>Type</i>	<i>Object</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>
Deferred hedge	Currency swaps				
	Pay Yen/ Rec. Foreign USD	Borrowing	5,000	5,000	(154)
Fair value hedge	Foreign exchange forwards				
	Short				
	USD	Other securities	76,179	–	(515)
	EUR		49,758	–	(2,242)
	GBP		14,220	–	(382)
	CAD		2,586	–	(30)
	Currency swaps				
	Pay Foreign/ Rec. Yen				
	USD	Other securities	7,578	7,578	1,758
	AUD		16,824	16,824	(588)
Matching treatment (forward transaction, etc.)	Foreign exchange forwards				
	Short				
	USD	Cash and bank deposits	10,000	–	(Note 2)
	AUD		5,002	–	
	Total		–	–	(2,156)

(Notes)

1. The fair value of currency swaps and foreign exchange forwards is calculated by discounting future cash flows to the present value based on the interest rate as of the closing date of the fiscal year.
2. "Financial instruments" includes the fair value of transfer contracts such as currency forward contracts that are integrated with the deposits for which they are a hedge.

(2) Interest rate-related instruments

(Yen in millions)

<i>As of March 31, 2011</i>					
	<i>Type</i>	<i>Object</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>
	Interest rate swap	Insurance liabilities			
Deferred hedge	Rec. fix/Pay float		371,000	345,000	23,382
	Total		-	-	23,382

(Note)

The fair value of the interest rate swap is calculated by discounting future cash flows to the present value based on the interest rate as of the closing date of the fiscal year.

(B) For the year ended March 31, 2010

“Contract amount, etc.” as shown in the tables is the nominal contract or notional principal amount of derivative transactions. The amount itself does not represent the market or credit risk of such derivative transactions.

1. Derivatives Transaction to Which Hedge Accounting is Not Applied

(1) Foreign currency-related instruments

		<i>(Yen in millions)</i>			
		<i>As of March 31, 2010</i>			
<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>	
Foreign exchange forwards					
Short					
USD	133,535	464	(3,434)	(3,434)	
EUR	22,342	–	60	60	
GBP	5,434	–	20	20	
AUD	13,777	–	(231)	(231)	
CAD	5,813	–	(578)	(578)	
JPY	1,341	–	53	53	
Long					
USD	50,212	–	1,350	1,350	
EUR	10,174	–	(187)	(187)	
GBP	281	–	6	6	
AUD	12,384	–	367	367	
Currency swaps					
Pay Foreign/ Rec. Yen					
USD	605,381	441,232	6,814	6,814	
EUR	9,535	8,033	940	940	
AUD	836	640	43	43	
Pay Yen/ Rec. Foreign					
USD	215,086	158,194	(10,350)	(10,350)	
EUR	6,291	6,291	(915)	(915)	
AUD	627	627	(39)	(39)	
Currency options					
Short					
Call					
USD	37,709	27,785			
	3,318	2,806	3,155	162	
AUD	95	–			
	0	–	0	0	
Put					
USD	46,504	35,314			
	3,169	2,752	5,212	(2,042)	
Long					
Call					
USD	55,389	48,619			
	4,138	3,737	4,837	699	
AUD	82	–			
	0	–	0	(0)	
Put					
USD	53,307	45,681			
	4,253	3,873	8,434	4,180	
Total		–	–	15,561	(3,079)

(Notes)

1. The fair value of foreign exchange forwards and currency swaps is calculated by discounting future cash flows to the present value based on the interest rate as of the closing date of the fiscal year.
2. The fair value of currency options is based on an option pricing model.
3. For currency options, option premiums are shown beneath the contract amount of the options.

(2) Interest rate-related instruments

		<i>(Yen in millions)</i>			
		<i>As of March 31, 2010</i>			
	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
Market transactions:	Interest rate futures				
	Short	26,713	–	(1)	(1)
	Long	13,711	–	3	3
Over-the-counter transactions:	Interest rate options				
	Short				
	Cap	49,957	34,912		
		734	607	107	626
	Swaption	17,000	16,000		
		445	445	741	(295)
	Long				
	Cap	14,600	4,500		
		135	36	0	(135)
	Swaption	21,154	19,000		
	397	394	375	(22)	
	Interest rate swaps				
	Rec. fix/Pay float	3,874,969	3,134,746	121,470	121,470
	Rec. float/Pay fix	4,152,353	3,204,860	(105,377)	(105,377)
	Rec. float/ Pay float	462,375	452,917	12,735	12,735
	Rec. fix/Pay fix	44,610	44,610	(589)	(589)
	Total	–	–	29,466	28,415

(Notes)

1. The fair value of the interest rate future at the closing date of the fiscal year is based on the closing price at major stock exchanges.
2. The fair value of interest rate option is based on an option pricing model.
3. For interest rate option, option premiums are shown beneath the contract amount of the options.
4. The fair value of the interest rate swap is calculated by discounting future cash flows to the present value based on the interest rate as of the closing date of the fiscal year.

(3) Equity-related instruments

		<i>(Yen in millions)</i>			
		<i>As of March 31, 2010</i>			
	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
Market transactions:	Equity index futures				
	Short	17,165	–	(434)	(434)
	Long	1,634	–	72	72
	Total	–	–	(361)	(361)

(Note)

The fair value of the equity index futures as of the closing date of the fiscal year is based on the quoted final price at major stock exchanges.

(4) Bond-related instruments

		<i>(Yen in millions)</i>			
		<i>As of March 31, 2010</i>			
	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
Market transactions:	Bond futures				
	Short	11,611	–	51	51
	Long	5,818	–	(56)	(56)
Over-the-counter transactions:	Bond over-the-counter-options				
	Short				
	Call	11,543	–		
		19	–	13	5
	Put	2,494	–		
		9	–	13	(4)
	Long				
	Call	2,494	–		
	7	–	3	(3)	
	Put	11,543	–		
		25	–	27	2
	Total	–	–	53	(4)

(Notes)

1. The fair value of the bond futures as of the closing date of the fiscal year is based on the closing price at major stock exchanges.
2. The fair value of the bond over-the-counter-options is calculated based on the price obtained from counter parties such as financial institutions.
3. For bond over-the-counter options, the option premiums are shown beneath the contract amount of the options.

(5) Credit-related instruments

		<i>(Yen in millions)</i>			
		<i>As of March 31, 2010</i>			
	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
Over-the-counter transactions:	Credit derivatives				
	Sell protection	398,908	220,721	(12,295)	(12,295)
	Buy protection	42,118	40,821	389	389
	Total	–	–	(11,905)	(11,905)

(Notes)

The fair value of the credit derivative as of the closing date of the fiscal year is calculated based on the internal pricing model.

(6) Commodity-related instruments

		<i>(Yen in millions)</i>			
		<i>As of March 31, 2010</i>			
	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
Over-the-counter transactions:	Commodity swaps				
	Rec. fixed price/ Pay commodity indices	20,351	20,351	(8,393)	(8,393)
	Rec. Commodity indices/ Pay fixed price	22,046	22,046	7,152	7,152
	Rec. Commodity indices/ Pay variable indices	8,664	8,664	(414)	(414)
	Total	–	–	(1,656)	(1,656)

(Note)

The fair value of the commodity swaps as of the closing date of the fiscal year is calculated based on the internal pricing model.

(7) Others

		<i>(Yen in millions)</i>			
		<i>As of March 31, 2010</i>			
	<i>Type</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>	<i>Unrealized gains/ (losses)</i>
Over-the-counter transactions:	Natural disaster derivatives				
	Short	9,583	321		
		285	12	264	21
	Long	28,953	–		
		4,939	–	2,777	(2,162)
	Weather derivatives				
	Short	16	–		
		0	–	0	(0)
	Others				
	Short	123	123		
		6	6	6	–
	Total	–	–	3,048	(2,140)

(Notes)

1. The fair value of natural disaster derivatives is calculated based on the internal pricing model on fair value and options premiums.
2. The fair value of weather derivatives is calculated based on the weather condition, term of the contract and components of other contracts relating to the weather derivatives.
3. The fair value of other derivatives is calculated based on options premiums.
4. The option premiums of natural disaster derivatives, weather derivatives and other options are shown beneath the contract amount of the options.

2. Derivatives Transaction to Which Hedge Accounting is Applied

(1) Foreign currency-related instruments

(Yen in millions)

<i>As of March 31, 2010</i>					
	<i>Type</i>	<i>Object</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>
Deferred hedge	Currency swaps				
	Pay Yen/ Rec. Foreign USD	Borrowing	5,000	5,000	(46)
Fair value hedge	Foreign exchange forwards				
	Short				
	USD	Other securities	101,921	–	(2,660)
	EUR		65,592	–	(576)
	GBP		7,893	–	154
Matching treatment (forward transaction, etc.)	Currency swaps				
	Pay Foreign/ Rec. Yen				
	USD	Other securities	20,393	20,393	2,968
	EUR		5,890	2,030	828
	AUD		16,824	16,824	(427)
	Foreign exchange forwards				
	Short				
	USD	Cash and bank deposits	20,003	–	(Note 2)
	AUD		5,005	–	
	Total		–	–	239

(Notes)

- The fair value of currency swaps and foreign exchange forwards is calculated by discounting future cash flows to the present value based on the interest rate as of the closing date of the fiscal year.
- “Financial instruments” includes the fair value of transfer contracts such as currency forward contracts that are integrated with the deposits for which they are a hedge.

(2) Interest rate-related instruments

(Yen in millions)

<i>As of March 31, 2010</i>					
	<i>Type</i>	<i>Object</i>	<i>Contract amount, etc.</i>	<i>Over 1 year</i>	<i>Fair value</i>
Deferred hedge	Interest rate swap				
	Rec. fix/Pay float	Insurance liabilities	378,600	378,600	20,138
	Total		–	–	20,138

(Note)

The fair value of the interest rate swap is calculated by discounting future cash flows to the present value based on the interest rate as of the closing date of the fiscal year.

Retirement Benefits

1. Outline of the Retirement and Severance Benefit Plans

The Company and one domestic consolidated subsidiary have an unfunded lump-sum payment retirement plan covering substantially all employees. The Company has a corporate pension fund system and an approved retirement annuity plan.

The benefits of the corporate pension fund system and lump-sum payment retirement plan under the Company's plans are mainly based on the points which each employee acquired through service. The payment amounts of the lump-sum payment plan under the domestic consolidated subsidiary's plans are determined by reference to salary upon retirement, length of service and reason for retirement.

Additionally, some of overseas subsidiaries also have such retirement plans.

2. Breakdown of Retirement Benefit Liabilities

	<i>As of March 31,</i>	
	<u>2011</u>	<u>2010</u>
	<i>(Yen in millions)</i>	
a. Retirement benefit liabilities	(362,215)	(359,075)
b. Pension assets	150,289	148,664
c. Unaccrued retirement benefit liabilities (a+b)	(211,925)	(210,411)
d. Unrecognized actuarial difference	66,051	72,197
e. Unrecognized prior service costs	(16,222)	(18,904)
f. Net amount in the consolidated balance sheets (c+d+e)	(162,097)	(157,118)
g. Prepaid pension expenses	252	170
h. Reserve for retirement benefits (f-g)	(162,349)	(157,288)

(Notes)

As of March 31, 2011

(No change)

As of March 31, 2010

The subsidiaries excluding the Company adopt the simple method in calculation of retirement benefit liabilities.

3. Breakdown of Retirement Expenses

	<i>Year ended March 31,</i>	
	<u>2011</u>	<u>2010</u>
	<i>(Yen in millions)</i>	
a. Service cost	14,803	14,268
b. Interest cost	7,009	6,806
c. Expected investment income	(3,414)	(3,355)
d. Actuarial differences accounted for as expense	9,010	9,000
e. Amortization of prior service cost accounted for as expense	(2,681)	(2,681)
f. Retirement benefit expenses (a+b+c+d+e)	24,727	24,038
g. Amount transferred to the defined contribution pension plan	1,839	1,754
h. Total (f+g)	26,566	25,793

(Notes)

Year ended March 31, 2011

(No change)

Year ended March 31, 2010

1. Employee contributions to the corporate pension fund are deducted from "a. service cost".
2. Retirement expenses for companies using simple method are recorded as "a. service cost".

4. Accounting for Retirement Benefit Liabilities

The factors which are the bases of the calculation of Retirement benefit liabilities under the principle method adopted by the Company are as follows:

	<i>Year ended March 31, 2011</i>	<i>Year ended March 31, 2010</i>
a. Distribution method for estimated retirement benefits	(No change)	The lump-sum retirement benefit system and the contributory pension fund system mainly employ the point standard.
b. Discount rate	(No change)	2.0%
c. Expected rate of return on investments	2.3%	2.4%
d. Years to amortize prior service costs	(No change)	14 (Expenses are accounted for using the straight-line method over a certain number of years and within the average remaining work period of employees at the time of occurrence)
e. Years to amortize actuarial differences	(No change)	14 (Expenses are accounted for in the following fiscal year using the straight-line method over a certain number of years and within the average remaining work period of employees at the time of occurrence)

Stock Options

(A) For the year ended March 31, 2011

	<i>(Yen in millions)</i>
1. The account title and the amount related to stock options;	
Loss adjustment expenses	93
Underwriting and general administrative expenses	233
Total	<u>326</u>

2. Outline of stock options

Tokio Marine Holdings, which is the parent of the Company, granted stock options the type of which is stock-linked compensation to the Company's directors, corporate auditors and officers. The Company recorded the amount born by it accrued up to March 31, 2011 as remuneration expenses.

(B) For the year ended March 31, 2010

	<i>(Yen in millions)</i>
1. The account title and the amount related to stock options;	
Loss adjustment expenses	77
Underwriting and general administrative expenses	212
Total	<u>290</u>

Asset Retirement Obligations

For the year ended March 31, 2011

Asset retirement obligations recorded on the consolidated balance sheet

1. Outline of the Asset Retirement Obligations

The company has recorded asset retirement obligations to restore leased property to its original state at the point of terminating the leasehold in some cases of the leasehold properties. Furthermore, the company has recorded asset retirement obligations to decontaminate the harmful materials in some cases of Company-owned properties.

2. Measurement of Asset Retirement Obligations

The Company adopts the estimate useful life of 18 years to 50 years, and the discount rate of 1.4% to 2.3% in calculation of asset retirement obligations.

3. Changes of Asset Retirement Obligations for the year ended March 31, 2011

	<i>(Yen in millions)</i>
Beginning balance(*)	3,696
Additions by acquisitions.....	217
Unwinding of discount.....	61
Decrease by fulfill obligations	(491)
Ending balance.....	<u>3,484</u>

(*) Beginning balance is the balance as at April 1, 2010 incurred because the company has applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008) from the fiscal year ended March 31, 2011.

Investment Property

(A) For the year ended March 31, 2011

- The Company and some of the consolidated subsidiaries own office buildings and land mainly in Tokyo, Osaka and Nagoya, of which some properties are leased. The carrying amount, changes in carrying amount and the fair value of these investment properties are as follows:

<i>Carrying amount shown on consolidated balance sheets</i>			
<i>As of March 31, 2010</i>	<i>Changes for the year ended March 31, 2011</i>	<i>As of March 31, 2011</i>	<i>Fair value as of March 31, 2011</i>
<i>(Yen in millions)</i>			
104,355	(9,379)	94,975	156,870

(Notes)

- Carrying amount is the amount that the accumulated depreciation and the accumulated impairment losses are deducted from the cost of acquisition.
 - Changes for the year include increase of 5,485 million yen due to repairs, and decrease of 8,074 million yen due to disposals and 3,956 million yen due to impairment.
 - Fair value as of March 31, 2011 is primarily based on appraisals by qualified external valuers.
- Income and expenses related to investment property are as follows:

<i>Rental income</i>	<i>Direct operating expenses</i>	<i>Net income</i>	<i>Other</i>
<i>(Yen in millions)</i>			
10,647	10,347	300	(2,788)

(Note)

Rental income is included in "Interest and dividends". Direct operating expenses such as depreciation, repair, insurance costs and taxes are included in "Underwriting and general administrative expenses". Other, such as gains and losses on disposal by sales and impairment losses, is included in "Extraordinary gains" or "Extraordinary losses".

(B) For the year ended March 31, 2010

- The Company and some of the consolidated subsidiaries own office buildings and land mainly in Tokyo, Osaka and Nagoya, of which some properties are leased. The carrying amount, changes in carrying amount and the fair value of these investment properties are as follows:

<i>Carrying amount shown on consolidated balance sheets</i>			
<i>As of March 31, 2009</i>	<i>Changes for the year ended March 31, 2010</i>	<i>As of March 31, 2010</i>	<i>Fair value as of March 31, 2010</i>
<i>(Yen in millions)</i>			
102,528	1,826	104,355	172,525

(Notes)

- Carrying amount is the amount that the accumulated depreciation and the accumulated impairment losses are deducted from the cost of acquisition. The estimated cost for demolition of fixed assets is not deducted from carrying amount because "Reserve for retirement of fixed assets" are separately recognized.
- Changes for the year are mainly due to increases in transfers from owner-occupied property (8,743 million yen) and decreases in disposals (6,847 million yen).
- Fair value as of March 31, 2010 is primarily based on appraisals by qualified external valuers.

2. Income and expenses related to investment property are as follows:

<u>Rental income</u>	<u>Direct operating expenses</u>	<u>Net income</u>	<u>Other</u>
<i>(Yen in millions)</i>			
11,089	9,735	1,354	(940)

(Note)

Rental income is included in "Interest and dividends". Direct operating expenses such as depreciation, repair, insurance costs and taxes are included in "Underwriting and general administrative expenses". Other, such as gains and losses on disposal by sales and impairment losses, is included in "Extraordinary gains" or "Extraordinary losses".

(Additional information)

The company has applied "Accounting Standard for Disclosure about Fair Value of Investment Property and Rental Property" (ASBJ Statement No.20, November 28, 2008) and "Guidance on Accounting Standard for Disclosure about Fair Value of Investment Property and Rental Property" (ASBJ Guidance No.23, November 28, 2008) from the fiscal year ended March 31, 2010.

Segment Information

For the year ended March 31,2011

1. Outline of reportable segments

The Company, as an insurance company that plays a central part in the business of Tokio Marine group, formulates the corporate strategy based on surrounding business environment, and promotes the business activities. The Company classified its operation into three segments following the corporate strategies of the parent company, Tokio Marine Holdings: "Domestic property and casualty insurance"; "Overseas insurance"; and "Finance and other".

"Domestic property and casualty insurance" primarily comprises underwriting property and casualty insurance in Japan and related investments. "Overseas insurance" primarily comprises underwriting of insurance overseas and related investments. In "Finance and other", the main businesses are investment advisory, investment trusts services and derivatives services.

2. Measurement of ordinary income, profit/loss, assets, liabilities, and other items by reportable segments

The accounting treatment for reported operating segments is the same as described in "Basis of consolidated financial statements". Segment profit is based on ordinary profit. Ordinary income from transactions with other operating segments is based on prevailing market prices.

3. Ordinary income, profit/loss, assets, liabilities and other items by reportable segments

	<i>Reportable segments</i>				<i>Adjustments (Note 1)</i>	<i>Amounts shown on the consolidated financial statements (Note 2)</i>
	<i>Domestic property and casualty insurance</i>	<i>Overseas insurance</i>	<i>Finance and other</i>	<i>Total</i>		
	<i>(Yen in millions)</i>					
Ordinary income						
Ordinary income from external customers.....	2,260,230	453,878	14,118	2,728,226	(31,757)	2,696,469
Ordinary income from transactions with other operating segments	840	57	495	1,393	(1,393)	-
Total.....	2,261,070	453,936	14,613	2,729,619	(33,150)	2,696,469
Segment profit.....	118,949	10,884	1,705	131,539	(1,653)	129,886
Segment assets.....	7,720,588	1,785,501	319,281	9,825,371	(8,749)	9,816,621
Other items						
Depreciation	17,068	10,850	114	28,034	-	28,034
Amortization of goodwill	-	16,129	-	16,129	-	16,129
Amortization of negative goodwill.....	-	918	31	950	-	950
Interest and dividends	109,174	36,581	158	145,914	(2)	145,912
Interest paid.....	2,992	193	550	3,735	(1)	3,733
Equity in earnings of affiliates	-	1,329	-	1,329	-	1,329
Investments in affiliates accounted for by the equity method.....	-	12,942	-	12,942	-	12,942
Increase in tangible and intangible fixed assets	21,531	6,593	78	28,203	-	28,203

(Notes)

1. Descriptions of "Adjustments" are as follows;

(1) The major component of "Adjustments" for "Ordinary income from external customers" amounted to -31,757 million yen is the transfer of "provision for underwriting reserves" of 30,103 million yen.

This item is included in "Ordinary expenses" of "Overseas insurance" segment, while in the consolidated statement of income this amount is included in "reversal of underwriting reserves" within "Ordinary income".

(2) "Adjustments" for "Segment profit" of -1,653 million yen is the elimination of inter-segment transactions.

(3) "Adjustments" for "Segment assets" of -8,749 million yen is the elimination of inter-segment transactions.

(4) "Adjustments" for "Other items" is the elimination of inter-segment transactions.

2. "Segment profit" is reconciled to "ordinary profit" in the consolidated statement of income.

Related Information

For the year ended March 31,2011

1. Information about products and services

	<i>Property and casualty insurance</i>	<i>Life insurance</i>	<i>Others</i>	<i>Subtotal</i>	<i>Adjustments</i>	<i>Total</i>
		<i>(Yen in millions)</i>				
Ordinary income from external customers	2,652,056	49,537	14,118	2,715,712	(19,242)	2,696,469

(Note)

The major component of "Adjustments" is the transfer of "provision / reversal of underwriting reserves" in the consolidated statements of income.

2. Information about geographic areas

(1) Ordinary income

<u>Japan</u>	<u>Overseas</u>	<u>Subtotal</u>	<u>Adjustments</u>	<u>Total</u>
<i>(Yen in millions)</i>				
2,232,926	498,405	2,731,332	(34,862)	2,696,469

(Notes)

1. "Ordinary income" is classified into country or region based on the locations of customers.
2. The major component of "Adjustments" for "Ordinary income" is the transfer of "provision / reversal of underwriting reserves" in the consolidated statements of income.

(2) Tangible fixed assets

Geographic information is omitted because tangible fixed assets located in Japan constitute more than 90 percent of total tangible fixed assets in the consolidated balance sheets.

3. Information about major customers

None.

Information Related to Impairment Losses on Fixed Assets by Reportable Segments

For the year ended March 31,2011

	<u>Domestic property and casualty insurance</u>	<u>Overseas insurance</u>	<u>Finance and other</u>	<u>Total</u>
	<i>(Yen in millions)</i>			
Impairment losses.....	4,436	-	-	4,436

Information Related to Amortization of Goodwill and Balance of Goodwill by Reportable Segments

For the year ended March 31, 2011

	<u>Domestic property and casualty insurance</u>	<u>Overseas insurance</u>	<u>Finance and other</u>	<u>Total</u>
	<i>(Yen in millions)</i>			
(Goodwill)				
Amortization.....	-	16,129	-	16,129
Balance as of March 31, 2011	-	254,763	-	254,763
(Negative Goodwill)				
Amortization.....	-	918	31	950
Balance as of March 31, 2011	-	14,677	413	15,091

Regional Segments

For the year ended March 31, 2011

	<u>Japan</u>	<u>Americas</u>	<u>Others</u>	<u>Total</u>	<u>Elimination</u>	<u>Consolidated</u>
	<i>(Yen in millions)</i>					
I Ordinary income and ordinary profit						
Ordinary income						
(1) Ordinary income from transactions with external customers	2,304,103	247,360	179,905	2,731,370	(34,900)	2,696,469
(2) Ordinary income arising from inter-segment transactions	472	7	52	531	(531)	-
Total	<u>2,304,576</u>	<u>247,367</u>	<u>179,958</u>	<u>2,731,902</u>	<u>(35,432)</u>	<u>2,696,469</u>
Ordinary expenses	<u>2,181,534</u>	<u>240,697</u>	<u>178,130</u>	<u>2,600,362</u>	<u>(33,779)</u>	<u>2,566,582</u>
Ordinary profit	<u>123,041</u>	<u>6,670</u>	<u>1,827</u>	<u>131,539</u>	<u>(1,653)</u>	<u>129,886</u>
II Assets	<u>7,912,046</u>	<u>1,252,905</u>	<u>658,325</u>	<u>9,823,278</u>	<u>(6,656)</u>	<u>9,816,621</u>

(Notes)

- Countries and regions are classified into groups based on geographic proximity.
- Major countries and regions included in each group are as follows:
 - Americas: North America and Bermuda
 - Others: United Kingdom, Singapore and Malaysia
- The major component of "Elimination" for "Ordinary income from transactions with external customers" is due to transfer amount of 23,477 million yen from "Provision for underwriting reserves", which is included in ordinary expenses relating to "Others" segment, to "Reversal of underwriting reserves" in "Ordinary income" in the consolidated statements of income.

Overseas Sales

For the year ended March 31, 2011

	<u>Americas</u>	<u>Others</u>	<u>Total</u>
	<i>(Yen in millions)</i>		
I Overseas sales	300,386	196,895	497,282
II Consolidated ordinary income	-	-	2,696,469
III Ratio of I to II %	11.1	7.3	18.4

(Notes)

- Countries and regions are classified into groups based on geographic proximity.
- Major countries and regions included in each group are as follows:
 - Americas: North America and Bermuda
 - Others: United Kingdom, Singapore and Malaysia
- "Overseas sales" consists of the sum of overseas sales of the Company and ordinary income of overseas consolidated subsidiaries.

Operating Segments

For the year ended March 31, 2010

	<i>Property and casualty</i>	<i>Life</i>	<i>Others</i>	<i>Subtotal</i>	<i>Elimination</i>	<i>Consolidated</i>
	<i>(Yen in millions)</i>					
I Ordinary income and profit/loss						
Ordinary income						
(1) Ordinary income from transactions with external customers	2,617,785	46,081	16,189	2,680,055	(22,538)	2,657,517
(2) Ordinary income arising from inter-segment transactions	403	16	498	919	(919)	-
Total	2,618,188	46,097	16,688	2,680,974	(23,457)	2,657,517
Ordinary expenses	2,409,872	33,371	21,021	2,464,265	(23,955)	2,440,310
Ordinary profit/loss.....	208,316	12,726	(4,333)	216,709	498	217,207
II Assets / Depreciation / Impairment losses on fixed assets and Capital expenditure						
Assets	10,291,257	286,991	368,029	10,946,278	(7,524)	10,938,754
Depreciation	53,453	203	134	53,791	-	53,791
Impairment losses on fixed assets	8,862	-	17	8,879	-	8,879
Capital expenditure	27,690	73	425	28,189	-	28,189

(Notes)

1. The segments are classified based on the characteristics of operations of the Company and its consolidated subsidiaries.
2. Major operations of each segment are as follows:
 - (1) Property and casualty: Underwriting property and casualty insurance and related investment activities
 - (2) Life: Underwriting life insurance and related investment activities
 - (3) Others: Investment advisory, investment trusts business and derivatives business
3. The major component of "Elimination" for "Ordinary income from transactions with external customers" is due to transfer amount of 9,658 million yen from "Losses on derivatives", which is included in ordinary expenses relating to "Others" segment, to "Gains on derivatives" in "Ordinary income" in the consolidated statements of income.

Regional Segments

For the year ended March 31, 2010

	<u>Japan</u>	<u>Americas</u>	<u>Others</u>	<u>Total</u>	<u>Elimination</u>	<u>Consolidated</u>
	<i>(Yen in millions)</i>					
I Ordinary income and ordinary profit						
Ordinary income						
(1) Ordinary income from transactions with external customers	2,263,631	266,403	191,334	2,721,369	(63,851)	2,657,517
(2) Ordinary income arising from inter-segment transactions	483	45	60	589	(589)	-
Total	<u>2,264,114</u>	<u>266,449</u>	<u>191,394</u>	<u>2,721,958</u>	<u>(64,440)</u>	<u>2,657,517</u>
Ordinary expenses	<u>2,117,177</u>	<u>234,969</u>	<u>153,101</u>	<u>2,505,249</u>	<u>(64,939)</u>	<u>2,440,310</u>
Ordinary profit	<u>146,936</u>	<u>31,479</u>	<u>38,293</u>	<u>216,709</u>	<u>498</u>	<u>217,207</u>
II Assets	<u>8,951,685</u>	<u>1,346,642</u>	<u>650,040</u>	<u>10,948,368</u>	<u>(9,614)</u>	<u>10,938,754</u>

(Notes)

- Countries and regions are classified into groups based on geographic proximity.
- Major countries and regions included in each group are as follows:
 - Americas: North America and Bermuda
 - Others: United Kingdom, Singapore and Malaysia
- The major component of "Elimination" for "Ordinary income from transactions with external customers" is due to transfer amount of 23,946 million yen from "Provision for outstanding claims", which is included in ordinary expenses relating to "Americas" segment, to "Reversal of outstanding claims" in "Ordinary income" in the consolidated statements of income.

Overseas Sales

For the year ended March 31, 2010

	<u>Americas</u>	<u>Others</u>	<u>Total</u>
	<i>(Yen in millions)</i>		
I Overseas sales	325,215	201,094	526,310
II Consolidated ordinary income	-	-	2,657,517
III Ratio of I to II %	12.2	7.6	19.8

(Notes)

- Countries and regions are classified into groups based on geographic proximity.
- Major countries and regions included in each group are as follows:
 - Americas: North America and Bermuda
 - Others: United Kingdom, Singapore and Malaysia
- "Overseas sales" consists of the sum of overseas sales of the Company and ordinary income of overseas consolidated subsidiaries.

Related Party Transactions

(A) For the year ended March 31, 2011

1. Related party transactions
There are no material transactions to be disclosed.
2. Notes on the parent company and important related parties.
 - (1) Parent information
Tokio Marine Holdings, Inc. (listed on the Tokyo Stock Exchange and Osaka Stock Exchange)
 - (2) Summarized financial information of important related parties
There are no material transactions to be disclosed.

(B) For the year ended March 31, 2010

1. Related party transactions
There are no material transactions to be disclosed.
2. Notes on the parent company and important related parties.
 - (1) Parent information
Tokio Marine Holdings, Inc. (listed on the Tokyo Stock Exchange and Osaka Stock Exchange)
 - (2) Summarized financial information of important related parties
There are no material transactions to be disclosed.

Per Share Information

	<i>For the year ended March 31, 2011</i>		<i>For the year ended March 31, 2010</i>
Net assets per share	¥1,065.30	Net assets per share	¥1,268.52
Net income per share – Basic	¥49.64	Net income per share – Basic	¥92.44

(Notes)

1. Net income per share adjusted for dilution is not presented because the securities which would have dilutive effect have not been issued.
2. The calculation of Net income per share is based on the following figures:

	<i>For the year ended March 31, 2011</i>	<i>For the year ended March 31, 2010</i>
Net income	¥ 76,941 million	¥ 143,256 million
Net income not attributable to shareholder of common stock	–	–
Net income attributable to common stock	¥ 76,941 million	¥ 143,256 million
Average number of shares of common stock	1,549,692 thousand shares	1,549,692 thousand shares

Subsequent Events

(A) For the year ended March 31, 2011

As of August 11, 2011, the Company had a definitive agreement with CNA Financial Corporation to acquire 50% of the outstanding shares of First Insurance Company of Hawaii, Ltd. (“FICOH”), which CNA Financial Corporation, a major insurance group in the U.S., owned through its subsidiary, The Continental Insurance Company.

Currently FICOH is an affiliate of the Company accounted for by the equity method, 50% of the outstanding shares are owned by the Company. After the additional acquisition, the Company's ownership will be 100%, and FICOH will become the Company's consolidated subsidiary. The additional acquisition is subject to regulatory approvals in Japan and in the U.S.

a. Purpose of the share acquisition

FICOH's competitive advantages include an established brand with high name recognition, while Tokio Marine Group's advantages include a superior credit rating, large underwriting capacity and back-office tasks support capabilities. These strengths will aid the Company's pursuit of further growth in the profit and scale of its insurance businesses in the U.S.

b. Overview of the target company

- Name of the company: First Insurance Company of Hawaii, Ltd.
- Headquarters: Honolulu, Hawaii, U.S.A.
- Business operations: Property and casualty insurance business
- Gross written premiums (for the fiscal year ended December 31, 2010): USD 135 million (JPY 10,542 million)
- Total assets (as of December 31, 2010): USD 680 million (JPY 52,980 million)

c. Share acquisition price

The share acquisition price is expected to be USD 165 million (JPY 12,845 million)

d. Financing

The acquisition will be financed through the Company's cash on hand.

e. Timeline for completion of the share acquisition

The share acquisition is expected to be completed in November 2011.

(Note) JPY amounts in parentheses are calculated using the exchange rate as of the end of July 2011.

(B) For the year ended March 31, 2010

No significant subsequent events.

V Related Information to the Consolidated Financial Statements

a. Bonds

<i>Issue</i>	<i>Series</i>	<i>Issue Date</i>	<i>Amount outstanding 31 Mar 2010 (Yen in millions)</i>	<i>Amount outstanding 31 Mar 2011 (Yen in millions)</i>	<i>Coupon (%)</i>	<i>Collateral</i>	<i>Maturity</i>
Tokio Marine & Nichido	3 Unsecured	20 Sep 00	20,000 [20,000]	–	2.14	None	20 Sep 10
	4 Unsecured	20 Sep 00	10,000	10,000	2.78	None	18 Sep 20
Kiln Group Limited	Subordinated Bond in USD	11 Oct 06	5,871	5,219	3.40	None	11 Oct 36
		– 20 Nov 06	(\$64,520,000)	(\$64,793,000)			– 20 Nov 36
Tokio Marine Financial Solutions Ltd.	Straight Bond	4 Oct 05	1,800	200	0.61	None	29 Jan 10
		– 30 Jul 08	–	–	– 1.15		– 19 Jan 21
-	Power Reverse Dual Currency Note	18 Aug 03	27,350	25,450	0.00	None	12 Jan 10
		– 23 Apr 09	– [100]	–	– 7.73		– 5 Jul 38
-	Nikkei Average Linked Note	6 Feb 06	6,200	6,200	0.00	None	13 Sep 27
		– 4 Feb 08	–	–	– 0.10		– 4 Feb 38
-	CMS Floater Note	20 Oct 04	16,540	3,490	1.05	None	14 Jan 10
		– 19 Sep 06	– [400]	–	– 4.07		– 13 Jan 26
-	Reverse Floater Note	23 Mar 05	10,000	500	0.53	None	21 Jan 10
		– 15 Feb 06	–	–	– 2.67		– 21 Oct 25
-	FX Linked Digital Coupon Note	1 Dec 04	1,250	1,250	0.10	None	2 Dec 24
		– 23 Oct 06	–	–	– 10.00		– 24 Oct 36
-	Snow Ball Note	16 Jun 05	14,200	9,050	0.00	None	27 Jan 10
		– 26 Oct 06	–	–	– 5.48		– 28 Sep 26
-	FX Linked Coupon Note	12 Jul 05	64,510	63,220	0.00	None	26 Feb 10
		– 23 Oct 08	–	–	– 7.00		– 22 Oct 38
-	Credit Linked Note	14 Jul 08	1,100	500	0.77	None	29 Sep 10
		– 30 Jul 08	– [600]	– [500]	– 1.27		– 28 Sep 11
Total			178,821 [21,100]	125,079 [500]	–	–	–

(Notes)

- The figures shown in the parentheses () are the principal amount in foreign currencies.
- The figures shown in the brackets [] are the principal amount to mature within 1 year.
- Principal amounts to mature within 5 years of March 31, 2011 are as follows:

<i>Within 1 year</i>	<i>Over 1 to 2 years</i>	<i>Over 2 to 3 years</i>	<i>Over 3 to 4 years</i>	<i>Over 4 to 5 years</i>
500	–	–	–	600
<i>(Yen in millions)</i>				

b. Borrowings

<i>Type</i>	<i>Amount outstanding 31 Mar 2010</i>	<i>Amount outstanding 31 Mar 2011</i>	<i>Average Interest rate</i>	<i>Maturity</i>
	<i>(Yen in millions)</i>			
Short term borrowings	524	–	–	–
Long term borrowings to be repaid within 1 year	2	38,501	0.5%	–
Obligations under lease transactions to be repaid within 1 year	2,229	1,648	5.6%	–
Long term borrowings other than above	217,037	61,015	0.6%	31 Mar 13 to 20 Mar 29
Obligations under lease transactions other than above.....	2,453	2,115	5.6%	30 Apr 12 to 31 Mar 15
Total	222,247	103,280	–	–

(Notes)

1. Average interest rate is calculated based on the interest rate as of the end of this fiscal year and principal amount outstanding.
2. The amount of borrowings and lease obligations above is included in “Other liabilities” of the consolidated balance sheets.
3. Principal amounts of long term borrowings and lease obligations (other than that which is to be repaid within 1 year) to be repaid within 5 years are as follows;

	<i>Over 1 to 2 years</i>	<i>Over 2 to 3 years</i>	<i>Over 3 to 4 years</i>	<i>Over 4 to 5 years</i>
Long term borrowings.....	1	55,001	1	1,001
Lease obligations.....	1,226	749	339	–

c. Asset retirement obligations

No significant information of asset retirement obligations.

(2) Others:

None

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