NIPPONKOA INSURANCE CO., LTD.

ANNUAL REPORT 2007

NIPPONKOA INSURANCE

NIPPONKOA Insurance Co., Ltd. was established in April 2001 through a merger of The Nippon Fire & Marine Insurance Co., Ltd. (founded in 1892) and The Koa Fire & Marine Insurance Co., Ltd. (founded in 1918). Japan's third-oldest non-life insurance provider, the Company commands more than 9% of Japan's non-life insurance market, which ranks as one of the largest in the world, together with those of United States, Germany, and England.

In line with its fundamental philosophy of enhancing customer satisfaction, the Company, which is not affiliated with any financial group, has developed operations involving a wide range of customers—beyond the *keiretsu* (corporate group framework)—and established numerous strategic business alliances. NIPPONKOA's strength lies in its powerful sales network of highly capable professional sales agents and its extensive close ties with financial institutions, including nationwide and regional banks. At the same time, it has distinguished itself as a creative force in the industry by developing new products that reflect a solid understanding of changing lifestyles and customer needs.

Making full use of these unique features and competitive advantages, the Company will strive to deepen the trust of customers and meet the expectations of shareholders by expanding its operations and improving profitability. It will at the same time step up activities aimed at fulfilling its corporate social responsibilities in terms of compliance, environmental issues and other matters, and by actively disclosing corporate information.

Credit Ratings

NIPPONKOA has received the following ratings from credit rating agencies (as of July 31, 2007):

Standard & Poor's	A+
Moody's	A1
A.M. Best	A

Contents

Corporate Philosophy

With an independent spirit, guided by its liberal corporate culture, the NIPPONKOA Insurance Group will contribute to the development of an affluent and healthy society, through unremitting effort and innovative ideas that transform old ways of thinking.

Guiding Principles

1. We make our customers the starting point of all our corporate activities, thereby earning their full trust.
2. We work all-out to boost corporate value and promote disclosure, thereby meeting the expectations of our shareholders.
3. Guided by a high standard of corporate ethics, we promote sincere, fair and environmentally friendly corporate activities.
4. We foster a vigorous corporate setting in which individuals feel free to express their opinions and put them into practice.
5. Working together with our agents, we provide our customers with the highest level of comfort and satisfaction.

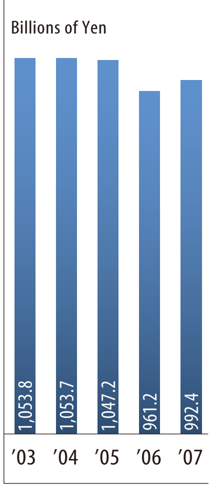
Consolidated Financial Highlights

NIPPONKOA INSURANCE CO., LTD. and consolidated subsidiaries   Years ended March 31

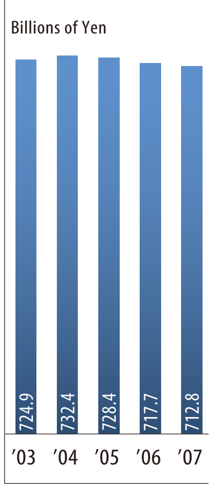
	Millions of Yen					Thousands of U.S. Dollars*1
	2007	2006	2005	2004	2003	**2007**
Operating income	**¥ 992,409**	¥ 961,233	¥1,047,293	¥1,053,793	¥1,053,827	**$ 8,406,685**
Net premiums written for non-life insurance	**712,862**	717,727	728,421	732,486	724,979	**6,038,652**
Life insurance premiums	**61,946**	61,048	58,124	54,864	45,559	**524,747**
Ordinary profit (loss)	**28,130**	24,486	21,634	49,390	(34,208)	**238,293**
Net income (loss)	**15,872**	10,670	13,467	19,319	(25,890)	**134,457**
Net income (loss) per share (in yen and U.S. dollars):						
Basic	**19.81**	13.08	16.35	23.18	(30.72)	**0.167**
Diluted*2	**19.79**	13.07	16.35	—	—	**0.167**
Total assets	**3,700,381**	3,759,621	3,422,186	3,432,069	3,217,703	**31,345,881**
Total net assets*3	**767,024**	791,328	582,408	598,360	444,144	**6,491,935**
Equity ratio	**20.7%**	21.0%	17.0%	17.4%	13.8%	
Return on equity (ROE)	**2.0%**	1.6%	2.3%	3.7%	-5.3%	
Net cash provided by (used in):						
operating activities	**(13,286)**	3,864	(22,283)	65,645	55,698	**(112,547)**
investing activities	**36,710**	22,052	23,836	(96,072)	(12,128)	**310,976**
financing activities	**(13,268)**	(15,800)	(12,987)	(11,998)	(14,604)	**(112,399)**
Cash and cash equivalents at end of year	**163,661**	152,733	141,861	153,399	196,689	**1,386,376**

*1: U.S. dollar amounts are translated from yen at the rate of ¥118.05 = US$1, the approximate rate prevailing at March 31, 2007.
*2: There were no potential common shares to be issued from the year ended March 31, 2003 to the year ended March 31, 2004.
*3: By adoption of the new accounting standard for presentation of net assets, minority interests, subscription rights to shares and net deferred gains on hedge accounting are included in total net assets for the year ended March 31, 2007.

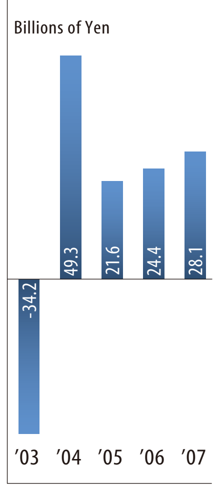
Operating income



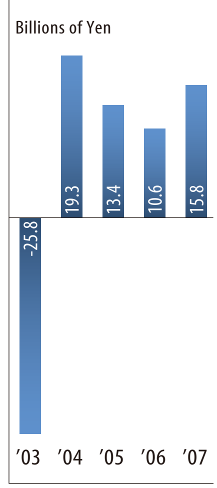
Net premiums written for non-life insurance



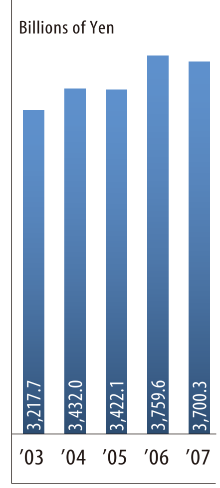
Ordinary profit (loss)



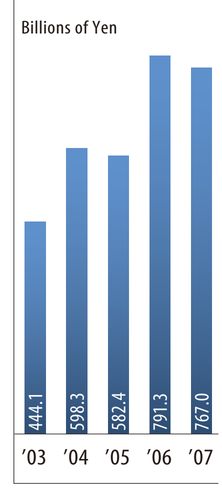
Net income (loss)



Total assets



Total net assets



To Our Shareholders

In recent years, the non-life insurance industry has seen ongoing progress in liberalization and deregulation, which has resulted in a strong rise in expectations regarding policyholder protection and greater convenience. In this environment, NIPPONKOA Insurance Co., Ltd. (hereinafter referred to as NIPPONKOA) has striven to provide an enhanced level of customer service. Regrettably, however, despite these efforts, the existence of a number of shortcomings in the Company's business operations has come to light. The problems have included instances of the Company failing to pay out incidental claims on insurance policies, cases of improper nonpayment of claims relating to third-sector insurance products, as well as cases of inappropriate calculation of premiums during fire insurance solicitation activities.

In March 2007, this situation led to the Company's receiving administrative orders from the Financial Services Agency in relation to the nonpayment of claims on third-sector products, thereby greatly undermining customer trust. We wish to offer our sincerest apologies to our customers and other stakeholders for the trouble caused as a result of our having received the administrative orders.

The Company recognizes the extremely serious nature of the administrative orders and the problems that led to their being issued. We are committed to ensuring that these problems are fully remedied and that there is no future recurrence. To this end, we are undertaking a complete overhaul of business operations from the point of view of our customers, as we aim to rebuild the trust of society through a fundamental improvement in our business approach.

Please refer to pages 05–10 for details of our "Plan for Rebuilding Customer Trust."

Left: Ken Matsuzawa
Chairman of the Board

Right: Makoto Hyodo
President & CEO

Overview of Fiscal 2006

Below is an overview of the Company's operating results for fiscal 2006, ended March 31, 2007. Unless otherwise stated, all figures in this section are provided on a non-consolidated basis.

Net premiums written in fiscal 2006 declined 0.7% year on year to ¥703.3 billion. In our mainstay voluntary automobile insurance business, the sales launch of our "Car BOX" product in September 2006 had a positive impact. However, such factors as a continued fall in the average premium per vehicle—reflecting an increase in the number of drivers eligible for a non-claims discount—led to a 0.7% decrease in premium income. Fire insurance decreased 1.6% and personal accident insurance declined 0.8%. The declines were mainly attributable to weakness in sales of savings-type policies resulting from low domestic interest rates. In compulsory automobile liability insurance, direct premiums written rose 0.4%, but reinsurance premiums written fell owing to the revision of the government's reinsurance scheme, resulting in a 3.2% decrease in net premiums written.

The loss ratio deteriorated 2.8 percentage points to 65.5%. This reflects both the fall in net premiums written and a large rise in net losses paid relating to natural disasters. The expense ratio improved 0.2 percentage point to 35.5%. Personnel expenses were flat, while non-personnel expenses declined, reflecting a decrease in expenses relating to IT infrastructure.

As a result, the underwriting balance (net premiums written less net losses paid and underwriting expenses) decreased ¥17.7 billion, to a loss of ¥6.5 billion. Furthermore, owing to the introduction of reserve funding rules based on statistical data analysis for incurred but not reported (IBNR) reserves, the IBNR reserves were increased by ¥20.7 billion. This rise in provisions to reserves for outstanding claims and underwriting reserves led to an underwriting loss of ¥35.7 billion, which is a decrease of ¥36.8 billion from the previous fiscal year.

In asset management, interest and dividend income rose ¥5.4 billion, mainly thanks to higher dividends received on shares held. Net gain on the sale of securities amounted to ¥47.0 billion, reflecting sales of relationship stocks during the fiscal year under review.

As a result of the above, ordinary profit decreased 8.4% to ¥24.5 billion, and net income increased 1.1% to ¥13.4 billion.

Medium-Term Business Plan

In April 2006, NIPPONKOA commenced a new medium-term business plan entitled ***"KAKUSHIN—New Challenges for the Future."*** Although we are dealing seriously with the recent administrative orders received by the Company as well as changes in the insurance business environment, we do not intend to alter our fundamental direction or the substance of our key strategies. Based on a medium-to-long-term vision, we are promoting the overhaul of our business structure and the establishment of core competencies, which will serve as a platform for expanding business while at the same time improve the expense ratio. To realize *KAKUSHIN*'s twin goals of premium growth and cost reduction, the NIPPONKOA Insurance Group is utilizing its full capabilities to implement each of the plan's measures.

Medium-to-Long-Term Vision

The following points summarize NIPPONKOA's medium-to-long-term vision.

- As a trusted group, we will be the chosen partner of customers, investors, sales agencies and a wide range of other stakeholders. Based on this position, we aim to constantly enhance corporate value.
- We will fully meet our corporate social responsibilities.
- We aim to become a group capable of achieving continuous and stable profitability, premised on expansion of the scale of our operations.

Outline of the Medium-Term Business Plan

Overhauling the business structure ☛ To achieve both an increase in the scale of its business and an improvement in its cost ratio, NIPPONKOA has adopted two key approaches. We are pursuing low-cost operations based on the utilization of IT, and selectively focusing resources on market segments with strong growth potential and superior return on investment.

Building core competencies ☛ We are developing core competencies, which will form the basis of the NIPPONKOA Insurance Group's competitive advantage. Under the *KAKUSHIN* plan, core competencies will be based on the following characteristics.

• An operating structure that is an efficient platform for the execution of the Group's strategy.
• A strong distribution network that excels in both marketing and operational capabilities.
• A product development system that provides attractive, "easy-to-understand" products in a timely manner.
• A sophisticated insurance underwriting and claims service that supports a low, stable loss rate.
• A high-performance asset management system that provides superior contribution to profitability.

Under the plan, the NIPPONKOA Insurance Group is working to bolster the scale of its business. To raise the efficiency of our sales network and ensure the maintenance of strict compliance standards at the sales front-line, we will continue promoting a shift to larger, more professional sales agencies. Another key to increasing scale is utilizing our long-standing partnerships with several leading life insurance companies and regional financial institutions, which will allow us to effectively leverage our status as an independent group. Furthermore, product development will be based on aspects that are user friendly, from the perspective of both customers and sales agencies, as new products are targeted at market segments offering strong growth potential.

In terms of improving the expense ratio, our results for fiscal 2006 reflected a certain level of success. However, we are committed to achieving further gains in the near future based on a range of measures.

In Conclusion

Fiscal 2007, ending March 31, 2008, is the second year of the *KAKUSHIN* (Reform, Core, Confidence) medium-term business plan. The receipt of the administrative orders in March 2007 is being treated with utmost seriousness, and we are implementing a broad array of measures that place customer views at the center of our efforts to enhance the quality of our service. In this way, we are preparing to realize our medium-to-long-term vision. To respond to future changes in the operating environment and enable rapid and flexible responses to customer needs, we will continue to decisively reform our business structure. It is crucial that we improve how we respond to our customers.

Together with our sales agency partners, we will strive to ensure that insurance solicitation activities are conducted in a fair and transparent manner, and work to fulfill our duty to make timely and appropriate payments on insurance claims. By so doing, we aim to make the NIPPONKOA Insurance Group a trusted name among our customers. We look forward to the continued support and understanding of our shareholders in these efforts.

August 2007

Ken Matsuzawa

Ken Matsuzawa
Chairman of the Board

Makoto Hyodo

Makoto Hyodo
President & CEO

Plan for Rebuilding Customer Trust

The NIPPONKOA Insurance Group acknowledges the extremely serious nature of the administrative orders it recently received from the Financial Services Agency, as well as all of the problems that led to the issuance of these orders. In response, we are carrying out a fundamental overhaul of the Company's governance systems and other internal structures. As a crucial step, we are listening closely and sincerely to the concerns of our customers, while thoroughly reexamining all of our operational processes—from initial product development right through to the payment of insurance claims. Furthermore, by building a positive feedback cycle for quality improvement, using the views of NIPPONKOA customers as the starting point, we are conscientiously striving to rebuild the trust of all our customers.

I. Strengthening Governance Systems

NIPPONKOA assigns highest management priority to implementation of our Management Improvement Plan. Systems are being put in place to ensure that operations are carried out in a fair and proper manner.

Establishment of Quality Control Department and Strengthening of the Customer Supporting Office

We have established the Quality Control Department to integrate all feedback received from customers, agencies and employees. Based on analysis of this information, the department makes directives and recommendations to Head Office divisions regarding consideration of improvement measures, and then oversees implementation of such measures. Within the Quality Control Department, we have set up the Customer Supporting Office as the main office responsible for accepting customer inquiries and coordinating customer consultations. The Customer Supporting Office has been strengthened through assignment of additional personnel since its initial establishment.

Strengthening of Internal Control Systems Relating to Product Development

To enhance coordination among departments responsible for product development and reinforce check functions, responsibility for managing and coordinating our Product Development Review Council has been shifted from the existing product development departments to the newly established Quality Control Department. Furthermore, the corporate officer in charge of the Quality Control Department has been given authority to cancel or postpone product development.

Strengthening and Expansion of the Functions of the Board of Directors

Important policy matters relating to product development and claims payment are now decided by the Board of Directors. Matters regarding Management Committee agenda items will also be clarified.

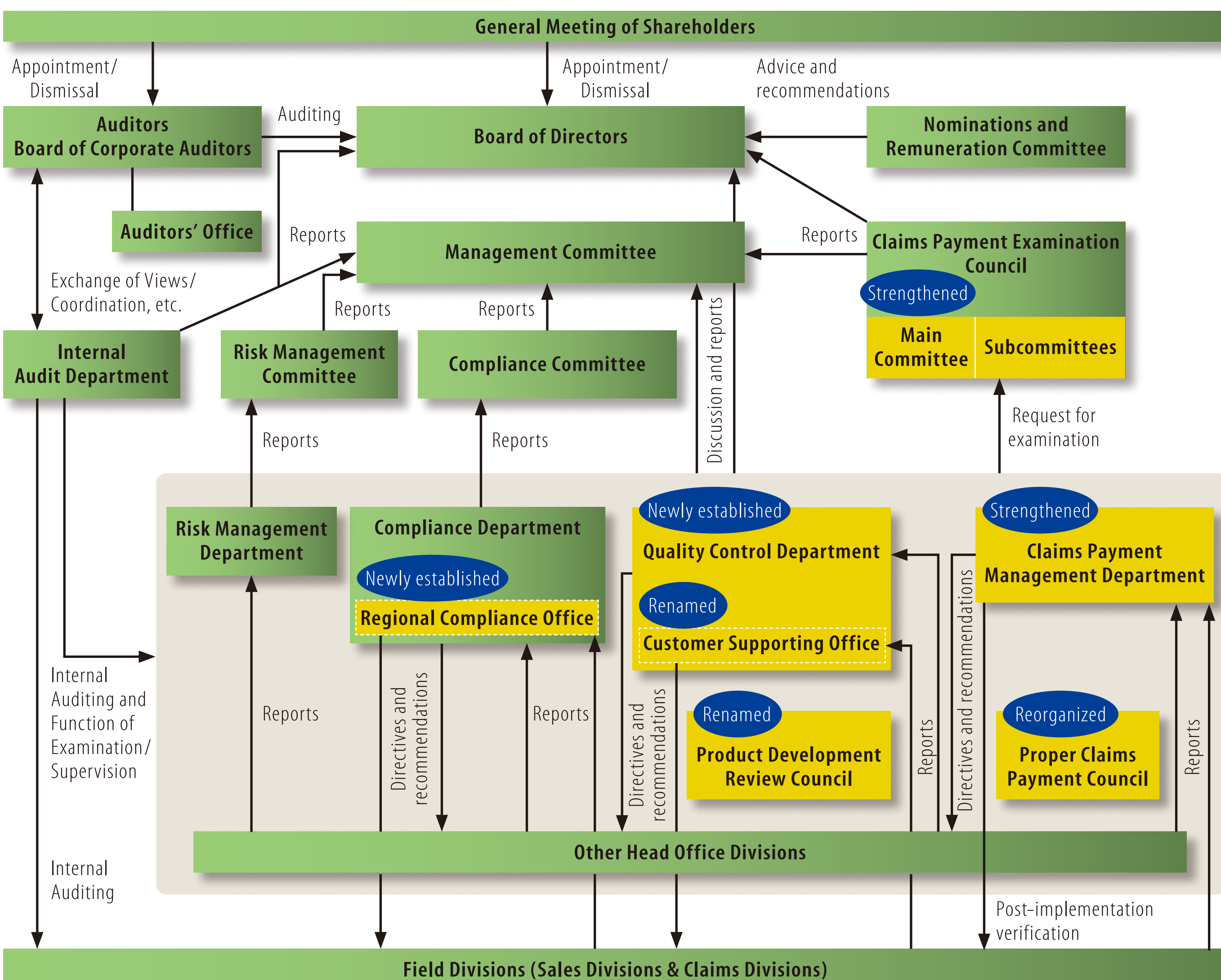
Reorganization of the Proper Claims Payment Committee

As part of our efforts to reinforce the system for managing insurance claims, we have reorganized the Proper Claims Payment Committee. To clarify authority and responsibility as well as accelerate reforms to the system, we have established the Proper Claims Payment Council, with the Claims Payment Management Department acting as the new council's secretariat.

Overhaul of Sales Policy for Third-Sector Insurance Products

After taking into account a range of factors, the Company made the decision to discontinue sales of long-term medical insurance policies as non-life insurance products from July 2007. Such factors included the fact that disclosures by the customer are of particular importance when dealing with third-sector insurance products. Furthermore, in the non-life insurance business, sales agencies have the right to accept customer disclosures and enter into contacts. Another relevant consideration was that it is possible to provide similar policies as life insurance products. For fixed-term products also, we have discontinued new sales apart from those to organizations.

■ ***Management Control System***



II. Strengthening of Insurance Claims Payment Management System

NIPPONKOA takes very seriously its failure to pay out incidental claims on insurance policies and improper nonpayment of claims relating to third-sector insurance products on many occasions, leading to the receipt of administrative orders from the Financial Services Agency. In light of this situation, the Company is striving to reform, strengthen and verify its claims payment management system. Furthermore, the Company is overhauling its system for ensuring proper explanations are provided to customers as well as its claims payment administrative processes and manuals. These measures are designed to ensure timely and fair payment of insurance claims.

Strengthening Functions of the Claims Payment Examination Council

In October 2006, to ensure proper payment of claims, the Company established the Claims Payment Examination Council comprising five learned individuals from outside the Company. In June 2007, the scope of cases to be examined by the council was expanded. To obtain verification of the adequacy of claims payment by outside experts, the Company newly established Third-Sector Claims Examination Sub-Group, which includes an attorney (physician), and the General Claims Examination Sub-Group.

Strengthening of the Claims Payment Management Function

In October 2006, as part of our efforts to completely eradicate the incidence of failure to pay claims, we established the Claims Payment Management Department. This department will carry out case reviews and verification of appropriateness of case handling, as well as reinforce checks on each of the claims assessment processes.

Complaint System for Cases Where Insurance Claims Are Declined

In June 2007, for cases where the Company has declined to pay out on an insurance claim, we have established a "Declined Claims Complaint Section," which receives customer appeals. At this new section, customer appeals may be discussed by telephone directly with an outside attorney's office, which can provide a direct response to customer concerns.

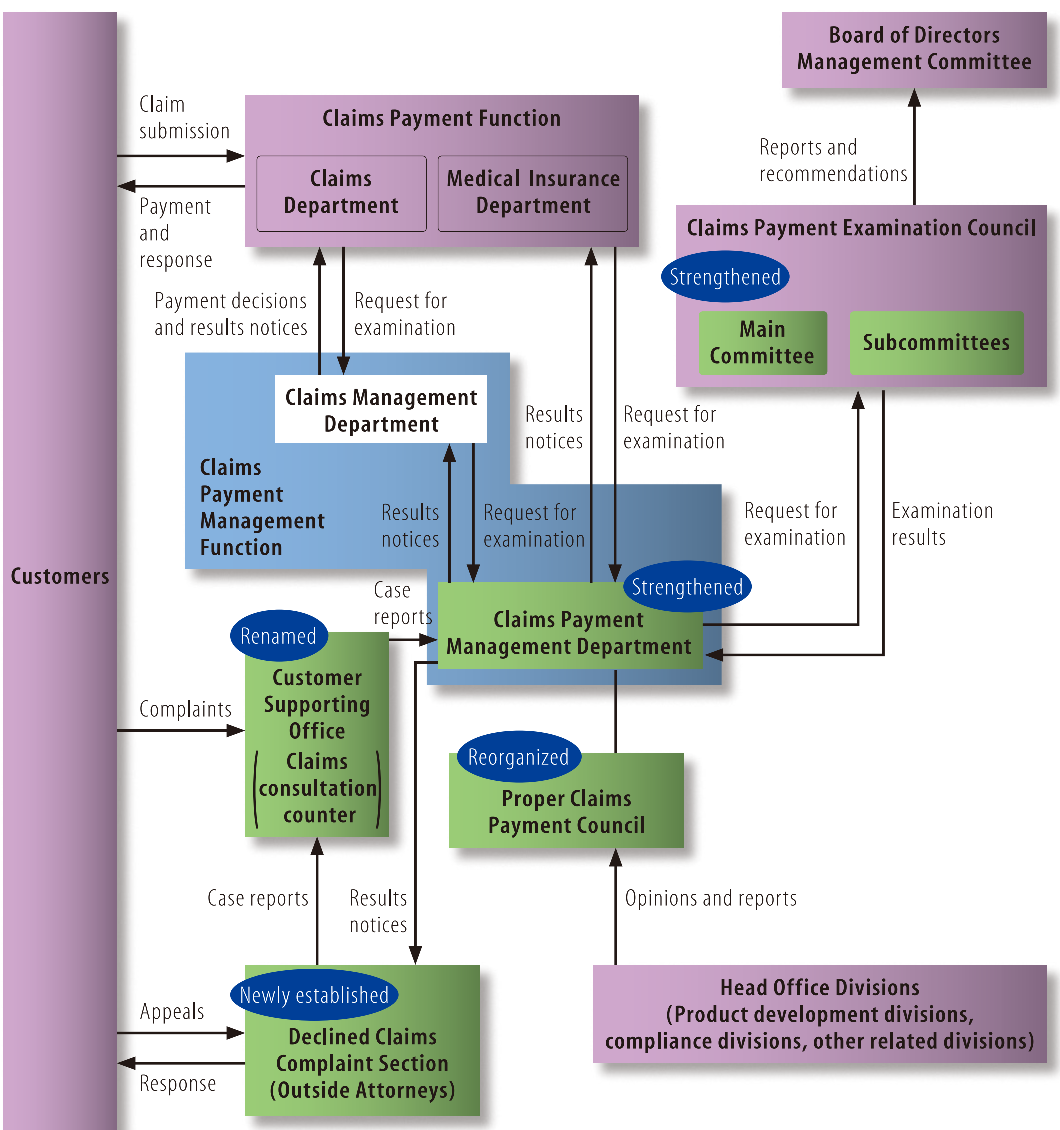
Strengthening of Departments Responsible for Claims Handling

To strengthen our system of claims handling—including through provision of timely and appropriate guidance to customers on how to make claims—we are substantially increasing the number of personnel assigned to claims handling-related departments.

III. Ensuring a Fair and Appropriate Insurance Solicitation Process

In the non-life insurance industry, the types of problems that generate a large number of complaints include improper nonpayment of claims, and discrepancies between customers' expectations regarding insurance products and the actual policy fine print. At root cause of many such cases are incorrect product explanations or inadequate explanations given to customers. NIPPONKOA is committed to providing customers with accurate and clear explanations of all key product features. Furthermore, we have introduced "New Sales and Soliciting Rules," under which sales staff must confirm each customer's intentions in purchasing the insurance product. These measures aim at ensuring a fair and appropriate solicitation process.

Overview of the Claims Payment Management System



Explanation of Important Product Features

Based on the Comprehensive Guidelines for Supervision of Insurance Companies, which were amended by the Financial Services Agency in April 2006, the Company has revised the written explanations it provides to customers regarding important features of its major personal insurance products. These explanations are now presented in two main parts: "Information necessary for the customer to adequately understand the insurance product (policy overview)" and "Information that should be supplied by the insurance company to adequately alert customers (warning information)." These changes are designed to ensure that insurance product explanations are user friendly.

Thorough Confirmation of Customer Intentions

In response to the ongoing problem of a large number of complaints related to solicitation for insurance products, the Financial Services Agency amended the Comprehensive Guidelines for Supervision of Insurance Companies, which took effect in April 2007. Under the new guidelines, when a party is soliciting or selling non-life insurance products, this party is required to confirm that the insurance product being bought properly meets the customer's needs based on suitability rules. The soliciting party must also provide the customer with a written form to confirm the customer's intentions.

Based on these guideline revisions, NIPPONKOA introduced an intention confirmation form for its major consumer-targeted insurance products. This is called the "Policy Content Confirmation Sheet." This system is designed to ensure that customer intentions are accurately confirmed.

Policy Content Checks

Policy content checks utilize the "Policy Content Confirmation Sheet" filled out by the customer when a policy is renewed, to confirm whether or not the policy bought by the customer has properly met the customer's intentions and needs, and whether or not the appropriate premiums have been applied.

Together with this, based on the "New Sales and Soliciting Rules," we carry out "confirmation of intentions and policy content checks for policy renewals." For new customers also, we carry out confirmation of intentions and policy content checks.

IV. Quality Improvement Utilizing Customer Views as the Starting Point

NIPPONKOA places the customer at the center of all its business activities. Consequently, we place highest management priority on living up to the trust placed in us by our customers. To ensure that this philosophy is thoroughly practiced, we listen sincerely to the views of our customers and utilize this information to improve our business operations and enhance our products and services.

Listening to Our Customers

Basic Philosophy ☛ Our customers lie at the heart of all of our activities. We listen sincerely to the views of our customers, and use this feedback as the basis for a quality-improvement cycle. By doing so, we aim to become a truly trusted company.

Code of Conduct ☛ Responding to our customers' views is our top priority. We respond rapidly and in good faith to realize early solutions to customer concerns through the efforts of our entire organization.

We work to raise the quality of the Company by proactively utilizing the views of our customers to enhance our products and services.

Our customer service counters are user friendly. We aim to maintain a high degree of transparency through timely and appropriate information disclosure.

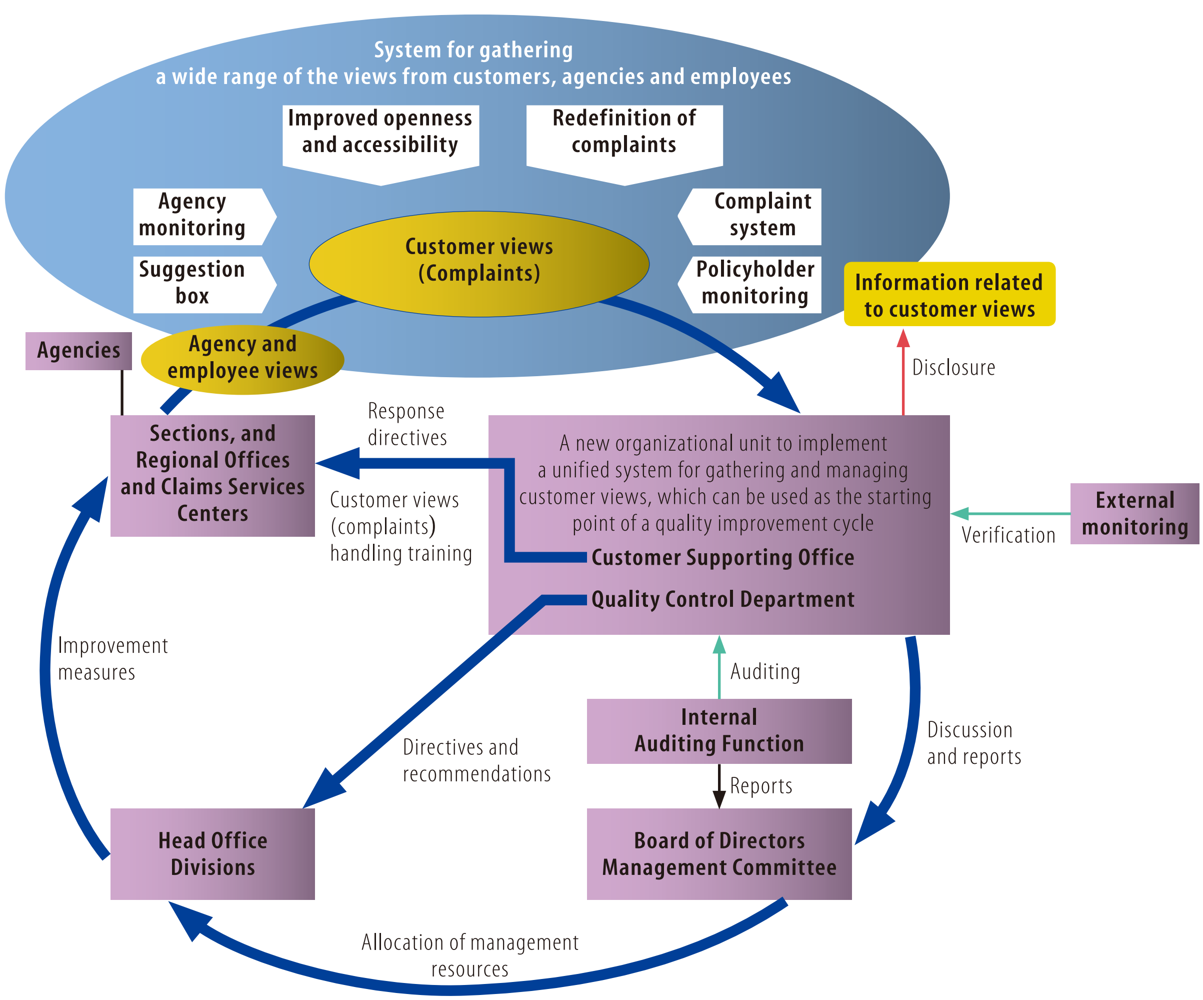
Personal information obtained from customers during the course of our operations is handled appropriately in accordance with NIPPONKOA's published "Personal Information Protection Policy."

Through the measures outlined above, NIPPONKOA provides customers with "security and peace of mind." We endeavor to raise the level of customer satisfaction.

Quality Improvement Cycle Utilizing Customer Views as the Starting Point

The following chart provides an overview of NIPPONKOA's quality-improvement cycle utilizing customer views as the starting point.

■ *Quality Improvement Cycle Starting with Customer Views*



Strategies in Focus

In "To Our Shareholders" we presented an overview of our three-year medium-term business plan, "KAKUSHIN— New Challenges for the Future," which began in fiscal 2006, and described the steps we are taking to restore the trust of our customers. In this section, we provide a more detailed description of our business strategies.

1. Increasing Premium Income

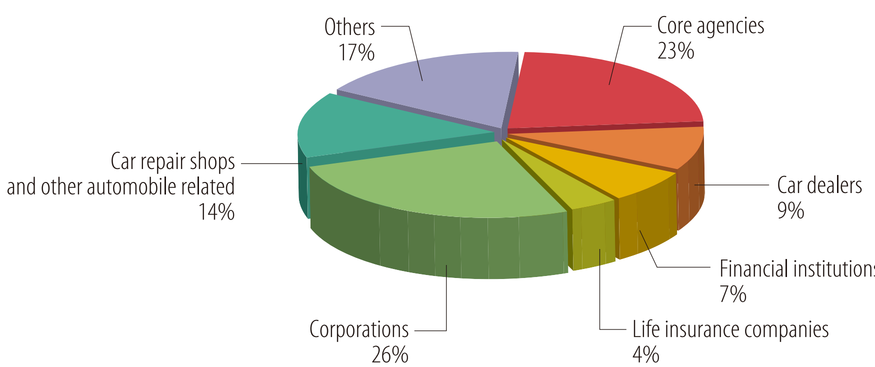
NIPPONKOA recognizes that boosting premium income is the key to improving profitability. Although net premiums written declined in fiscal 2006, our sales performance improved compared with the previous year, demonstrating that our recovery strategies are beginning to take effect. We will continue to implement these strategies in the coming year, with the aim of achieving growth in net premiums written during fiscal 2007.

(1) Maintaining a Diversified Sales Network

NIPPONKOA derives its premium income through a diverse network of sales channels. We believe that this diversity enhances our ability to cope with changes in the business environment while at the same time giving us steady access to a wide range of customers. In the future, we intend to maintain this diverse sales network as we seek to increase premium income.

Sales composition percentages for fiscal 2006 (ended March 2007) by distribution channel are shown in the following chart.

■ *Breakdown of Sales by Distribution Channel (As of Mar. 2007)*



Note: Sales composition percentages as of March 31, 2007 (excludes savings-type insurance).

(2) Major Initiatives

NIPPONKOA is focusing particular attention on the four sales channels shown on the right side of the above chart, based on considerations of marketing efficiency and growth potential: core agencies, car dealers, financial institutions, and life insurance companies (alliance partners). These are channels where we have a competitive edge, and where marketing efficiency is high because the amounts of premium income generated per agency are relatively large.

Core agencies are a group of approximately 2,500 specialized agencies throughout Japan with whom NIPPONKOA has established close relations over the years. These core agencies are very loyal to NIPPONKOA, and as insurance professionals their expertise in consulting sales helps provide strong support for our marketing initiatives.

NIPPONKOA has also adopted an agency trainee system. Under this system, candidate agents are hired as temporary employees, and are given training over a three-year period to enable them to establish new core agencies of their own. Starting in fiscal 2006, we have significantly expanded this trainee program with an eye to increasing the number of core agencies over the medium to long term.

Of all our sales channels in the automotive sector, which primarily handle automobile insurance, car dealers is by far our best marketing outlet in terms of both scale and efficiency. NIPPONKOA is not dependent on any particular carmaker, but rather maintains relationships with a wide range of car dealerships. Approximately 10% of our voluntary automobile insurance is sold through this channel.

Financial institutions is one channel where NIPPONKOA has a competitive advantage. We have built strong relationships with financial institutions throughout Japan, including major banks in all regions of the country. We have a great deal of expertise in setting up agency online systems at banks, and in training bank personnel to conduct insurance sales. Restrictions on the types of insurance products that can be sold through financial institutions are being lifted in stages, and we expect to see strong growth at financial institutions after the liberalization of the market in December 2007, when banks will be allowed to handle our mainstay voluntary automobile insurance products.

Our alliance partner channel, which involves cooperative marketing arrangements with life insurance companies, is distinctive about NIPPONKOA. We have had a cooperative selling agreement with Taiyo Life Insurance Company since March 2002, and with Meiji Yasuda Life Insurance Company since January 2004, under which sales personnel from both companies sell NIPPONKOA's non-life insurance products. NIPPONKOA is the only non-life insurance company in Japan to have succeeded in forming such marketing agreements with several major life insurance companies. This marketing approach holds much potential, and we expect strong growth from this channel in the future.

NIPPONKOA has been free to maintain close connections with major regional financial institutions, and has succeeded in establishing cooperative sales agreements with several life insurance companies primarily because we are an independent company and are not affiliated with any particular corporate group. We will continue to take advantage of our independent status to pursue a variety of other strategic alliances designed to increase premium income.

2. Expanding the Underwriting Balance

The profitability of NIPPONKOA's core insurance business is reflected primarily in its underwriting balance. To increase our underwriting balance, we are taking firm steps to improve both the loss ratio and the expense ratio.

(1) Ongoing Efforts to Improve the Loss Ratio

NIPPONKOA recognizes that its major challenge at present is to regain the trust of its customers by making absolutely certain that all insurance claims are paid in an appropriate and timely manner. Only after this has been accomplished can we turn our attention to achieving a low, stable loss ratio.

We have adopted a discreet underwriting policy that is designed to help us improve the quality of our insurance portfolio. Further, we are carefully appraising the value of each claim in an effort to maintain average payments per claim at stable levels. By means of modest but persistent efforts such as these, we are working to stabilize our loss ratio.

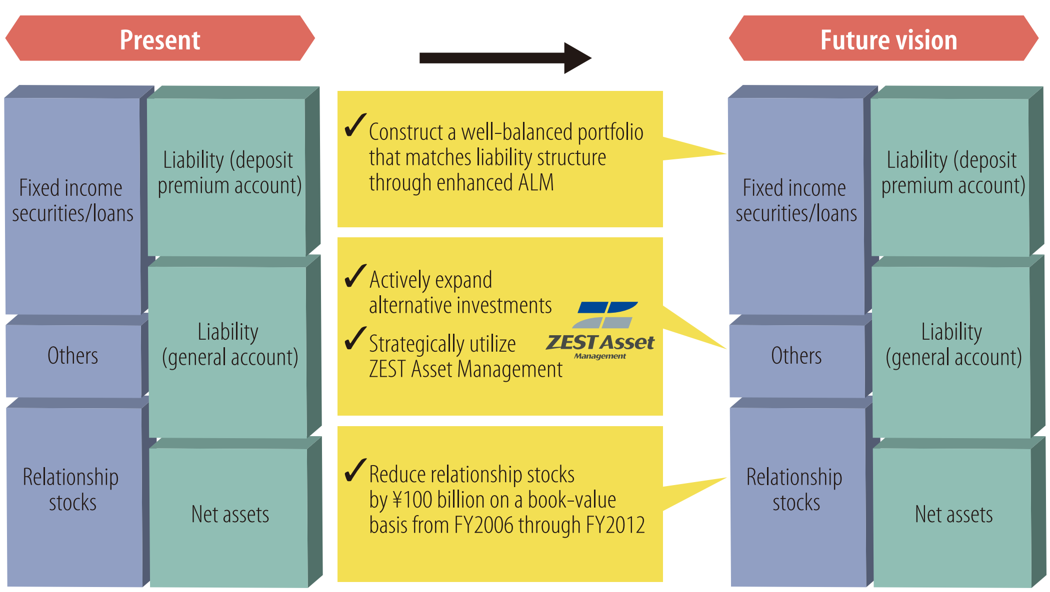
(2) Business Process Reform to Lower the Expense Ratio

NIPPONKOA invested ¥30 billion in IT over the three-year period from fiscal 2003 through fiscal 2005. Then, in May 2006, we brought into operation the largest call center in the industry. This basic infrastructure will allow us to increase the efficiency of our business processes, and lower our expense ratio.

The implementation of our trust-restoration strategies is expected to involve certain costs. Although these increased costs are likely to slow the pace of improvement in our expense ratio, lowering expense ratio remains one of the main goals of our *KAKUSHIN* medium-term business plan, and we will continue to move aggressively to achieve this objective.

3. Asset Management Strategies

To improve our return on risk, NIPPONKOA is placing priority on creating a more balanced portfolio, and on improving investment performance.



Note: The above illustration is a broad outline only and is not a description of the precise composition of assets.
Relationship stocks do not include subsidiary stocks.

(1) Balancing Our Portfolio

The main challenge we face in creating a more balanced portfolio is reducing our investments in relationship stocks. It has been a long-standing custom in Japan's non-life insurance industry to own large amounts of stock in client companies. In the past, this practice has helped us to cement relationships with the companies that we do business with, and the large unrealized gains on these stocks helped to reinforce our financial base. However, with the maturation of the Japanese economy, and liberalization of the insurance market, it has become increasingly important for us to control the risks associated with stock price fluctuations. To accomplish this, we intend to bring the balance of relationship stocks within shareholders' equity.

Another important challenge we face is the need to improve our asset and liability management (ALM) system. NIPPONKOA's policy is to optimize our risk-return balance through appropriate management of interest risk. For this reason, we are investing the proceeds from sales of relationship stocks primarily in fixed-income securities. This also helps us to secure and maintain the liquidity needed to cover insurance claim payments.

(2) Strengthening "Pure Investments"

As we move to create a more balanced portfolio by reducing our holdings of relationship stocks, we are investing the proceeds of these stock sales primarily in fixed-income securities. However, this strategy by itself could lead to a decline in profitability. For this reason, in addition to balancing its portfolio, NIPPONKOA is also taking steps to strengthen its "pure investments." These are assets acquired purely for investment purposes, with the goal of generating stable absolute returns over the long term.

Most of NIPPONKOA's assets come from non-refundable insurance premiums, so the cost of liability does not move in tandem with the market. We believe therefore that it is more appropriate to focus on absolute returns rather than index benchmarks in the management our pure investments. Further, because our portfolio contains large amounts of stocks and fixed income securities, we believe that we can increase the effectiveness of our asset management by incorporating assets with different risk characteristics. For these reasons, in recent years we have been focusing more attention on alternative investments. In March 2005, NIPPONKOA acquired a gatekeeper company for fund-of-hedge funds investments. In addition to improving our hedge fund investment performance, personnel exchanges with this subsidiary are helping us to upgrade our fund operation know how. Further, we have set up separate groups within the asset management department to focus on specific management strategies, and have established appropriate absolute targets for asset performance for each group.

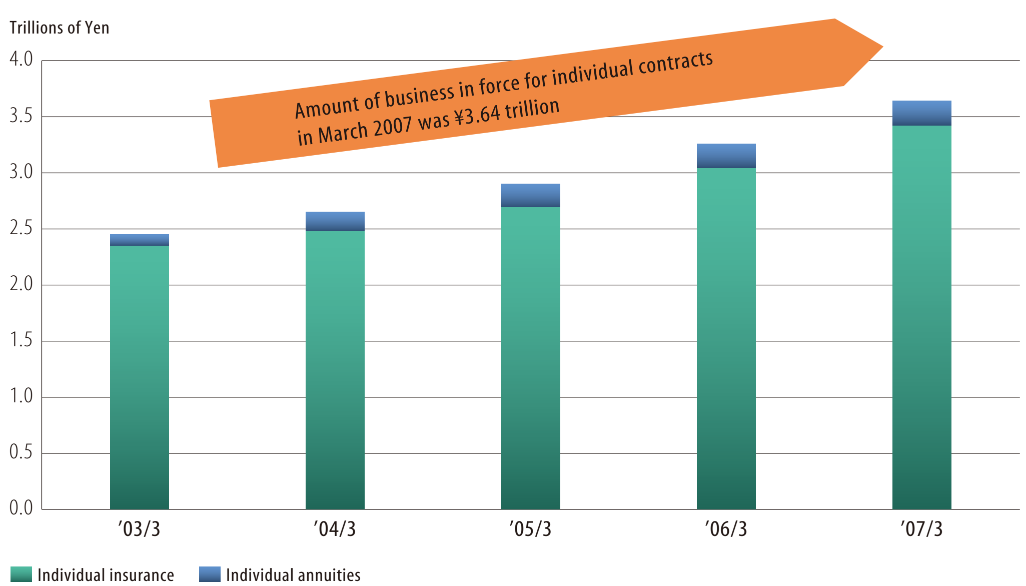
4. Life Insurance Business

NIPPONKOA considers life insurance and non-life insurance to be its two core businesses. The inclusion of life insurance not only allows us to offer a more expanded product line-up to better meet the needs of our customers, it also enhances the stability of our business management by complementing the more volatile non-life insurance business, which is susceptible to losses from natural disasters and other influences.

NIPPONKOA Life Insurance Co., Ltd. is a strategic subsidiary of the NIPPONKOA Insurance Group, with responsibility for its life insurance business. It first began operations in October 1996, and celebrated its 10th anniversary in October 2006. During this period, the scale of its business has steadily expanded both in terms of amount of business in force for individual contracts, and in terms of embedded value.

The strength of NIPPONKOA Life Insurance Company lies in its ability to carry out consulting sales through the network of core agencies of its parent company. These core agencies work hard every day to maintain excellent customer relations, so they represent a very powerful marketing force for our life insurance products as well.

Sales through financial institutions, including their affiliated agencies, is an area we intend to promote further in the future. This is an important marketing channel where we can exercise a competitive advantage, and we believe there is ample room for further growth both in corporate business and in life insurance products for retail customers.



5. Sonpo 24 Insurance Co., Ltd.

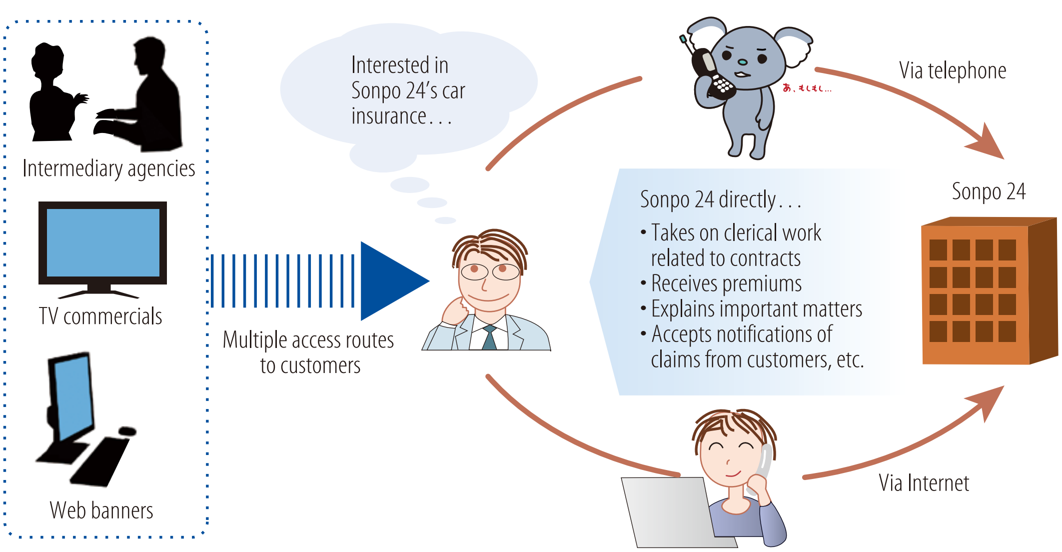
Sonpo 24 Insurance was added to the NIPPONKOA Insurance Group in July 2004 as a non-life insurance company specializing in direct sales of voluntary automobile insurance. Sonpo 24 provides straightforward voluntary automobile insurance coverage at competitive premiums and, coexisting with NIPPONKOA itself, helps to reinforce the Group's core non-life insurance business. NIPPONKOA is the only major non-life insurance group in Japan that has set up a direct sales channel in the form of a wholly owned subsidiary.

As a direct-sales insurance company, Sonpo 24 has two unique strengths. First, it can take advantage of NIPPONKOA's service network to provide high-quality claims-handling services. Second, in addition to television and Internet advertising, it has the ability to access customers through intermediary agencies.

These agencies collect a modest fee whenever they introduce a customer to Sonpo 24; Sonpo 24 handles all the explanations of important contract terms, finalization of contracts, and collection of premiums. This reduction in paperwork at the agency level is a special feature of Sonpo 24's business model.

The process of deregulation for insurance sales at banks is scheduled to be complete in December 2007, at which time financial institutions will be allowed to begin selling automobile insurance. Sonpo 24 plans to take advantage of its unique business model to aggressively expand its business in these new types of distribution channels.

Sonpo 24's Unique Business Model



6. Evaluating Risk and Ensuring Capital Adequacy

For a non-life insurance company, evaluating retained risk and monitoring the sufficiency of the solvency margin is a very effective means of maintaining soundness of the operation.

NIPPONKOA carries out integrated risk management using Dynamic Financial Analysis, a method that simulates various claim and asset management scenarios, and a number of other parameters, to predict possible changes in capital levels. Under this method, we define the amount of retained risk as equivalent to the total losses that would be incurred assuming a once-in-a-century worst-case scenario, and we assess our capital sufficiency on a regular basis.

The analysis of our solvency margin at the end of March 2007 confirmed that NIPPONKOA has sufficient capital to continue business operations with virtually no disruption, even if a once-in-a-century worst-case event were to occur during fiscal 2007. As a result, we believe that the Company has adequate capital to cover its retained risk.

To maintain a high degree of freedom in our capital management policies and strategic investments, NIPPONKOA will strive to increase profitability on the one hand, while at the same time reducing retained risk by trimming its holdings of relationship stocks and other high-risk assets.

7. Shareholder Returns

In this final section, we will discuss NIPPONKOA's policy on shareholder returns.

NIPPONKOA is committed to providing our shareholders with stable dividends. In fiscal 2006, our annual cash dividend per share was ¥7.5, and our dividend payout ratio was 44.8%.

In addition to the payment of cash dividends, NIPPONKOA for the past seven years has been carrying out a stock buyback program. As of the end of March 2007, a cumulative total of 77 million shares had been repurchased, and of these, 47 million shares had been retired. Moreover, the Board of Directors, at a meeting held on June 1, 2007, decided to further repurchase up to 34 million shares. This represents approximately 4% of the outstanding shares in the Company. This large-scale buyback of shares was made possible by the fact that we had sufficient capital as of March 2007, and because we had significantly reduced our risk exposure by further decreasing our holdings of relationship stocks during fiscal 2006.

We will continue in the future to provide appropriate, stable returns to our shareholders, while carefully monitoring our capital adequacy and profitability.

■ Shareholder Return Indices

	FY2003	FY2004	FY2005	FY2006
Dividend per Share	¥7.5	¥7.5	¥7.5	¥7.5
Dividend Payout Ratio	39.4%	42.4%	46.0%	44.8%
Total Payout Ratio	77.3%	87.6%	118.1%	97.0%
Dividend on Equity	1.0%	1.1%	0.8%	0.8%
Total Payout on Equity	2.0%	2.2%	2.0%	1.7%

Note: Total payout ratio is the sum of dividend and share buyback divided by net income.

Corporate Social Responsibility

The NIPPONKOA Insurance Group places the highest priority on fulfilling its corporate social responsibility (CSR). In pursuing this fundamental objective, NIPPONKOA aims to contribute to the development of a healthy and prosperous society through its insurance business. Based on a philosophy of serving the needs of a wide range of stakeholders and contributing to the realization of a sustainable society for the benefit of future generations, NIPPONKOA is working to further strengthen its CSR-related systems and programs. This includes bolstering corporate governance systems, putting in place structures to ensure the maintenance of stringent compliance standards, and taking a proactive approach to environmental issues.

Corporate Governance

NIPPONKOA places the customer at the center of all its business activities. As well as pursuing even more rigorous compliance standards, the Group is undertaking measures to enhance its risk management systems and improve customer satisfaction. By fulfilling our role as a good corporate citizen, we aim to become the trusted first choice of all our stakeholders. To realize this goal, NIPPONKOA is building management structures as outlined below.

NIPPONKOA's corporate governance systems are summarized as follows.

The Board of Directors comprises up to 15 members, including directors appointed from outside the Company. In principle, the Board of Directors holds regular meetings twice a month, facilitating timely debate based on the diverse views of an appropriate number of members. Furthermore, to clarify management responsibility, the term of appointment for directors is set at one year.

The Company has adopted a system of corporate officers. Under the leadership of the chief executive officer, the corporate officers are responsible for the execution of the Company's operations, while the Board of Directors is charged with supervising and monitoring the corporate officers' execution of duties. By separating the roles of the corporate officers and the Board of Directors, the Company aims to expedite decision-making and clarify management authority and responsibilities. In addition, a Management Committee—comprising the chief executive officer, corporate officers in charge of operations, executive directors and others—convenes weekly.

The Company has adopted the corporate auditor and Board of Corporate Auditors system. A maximum of five corporate auditors may be appointed, with at least half of these being independent corporate auditors appointed from outside the Company.

The Company has established a Nominations and Remuneration Committee as an advisory body to the Board of Directors. The majority of its members are drawn from outside the Company. The Committee deliberates on matters relating to the selection and remuneration of officers of the Company and its domestic insurance subsidiaries, and provides advice and recommendations to the Board of Directors.

Remuneration for directors and corporate officers comprises three components—basic remuneration, business performance-based remuneration and remuneration in the form of the Company's stock. The stock-based remuneration is effected through the granting of "stock options for the purpose of remuneration." The exercise date of these stock options is set to fall after the director or corporate officer has completed his or her term of office.

In accordance with its Information Disclosure Rules, the Company has established the Corporate Information Disclosure Committee. Based on this system, a Company promotes the appropriate disclosure of timely, accurate and fair corporate information.

Compliance

The Japanese financial sector has undergone a major transformation over the past decade through market liberalization policies and a series of deregulatory measures. In the new liberalized operating environment, financial institutions are expected to maintain rigorous standards in accordance with the principles of accountability and responsibility. Regrettably, despite such expectations, certain actions of the Company have undermined the trust placed in it by customers and society. These actions have included cases in which the Company failed to pay out fringe claims on insurance policies and cases of improper nonpayment of claims relating to third-sector insurance products. This situation has resulted in the Company receiving administrative orders from the Financial Services Agency. In light of these problems, the Company is committed to further reinforcing the importance of compliance as the foundation of all its business operations. In addition, the Company is revamping its operations to ensure that its methods of soliciting of insurance products are appropriate and to reinforce payment systems for claims on insurance policies. Through these efforts, the Company is striving to rebuild the trust of its customers and society.

To bolster its compliance systems, the Company has established a Compliance Committee and Compliance Department. It has also established regional compliance offices—reporting directly to the Compliance Department—at each of its regional headquarters. These measures are designed to improve the system of checks and balances by granting the Compliance Department the authority to conduct investigations into alleged impropriety and issue directives for remedial action to department and branch managers. Furthermore, the head of each front-line organizational unit dealing with customers (division, branch, department and claims services center managers) has been given responsibility for compliance as a means of building a clear and strong compliance structure.

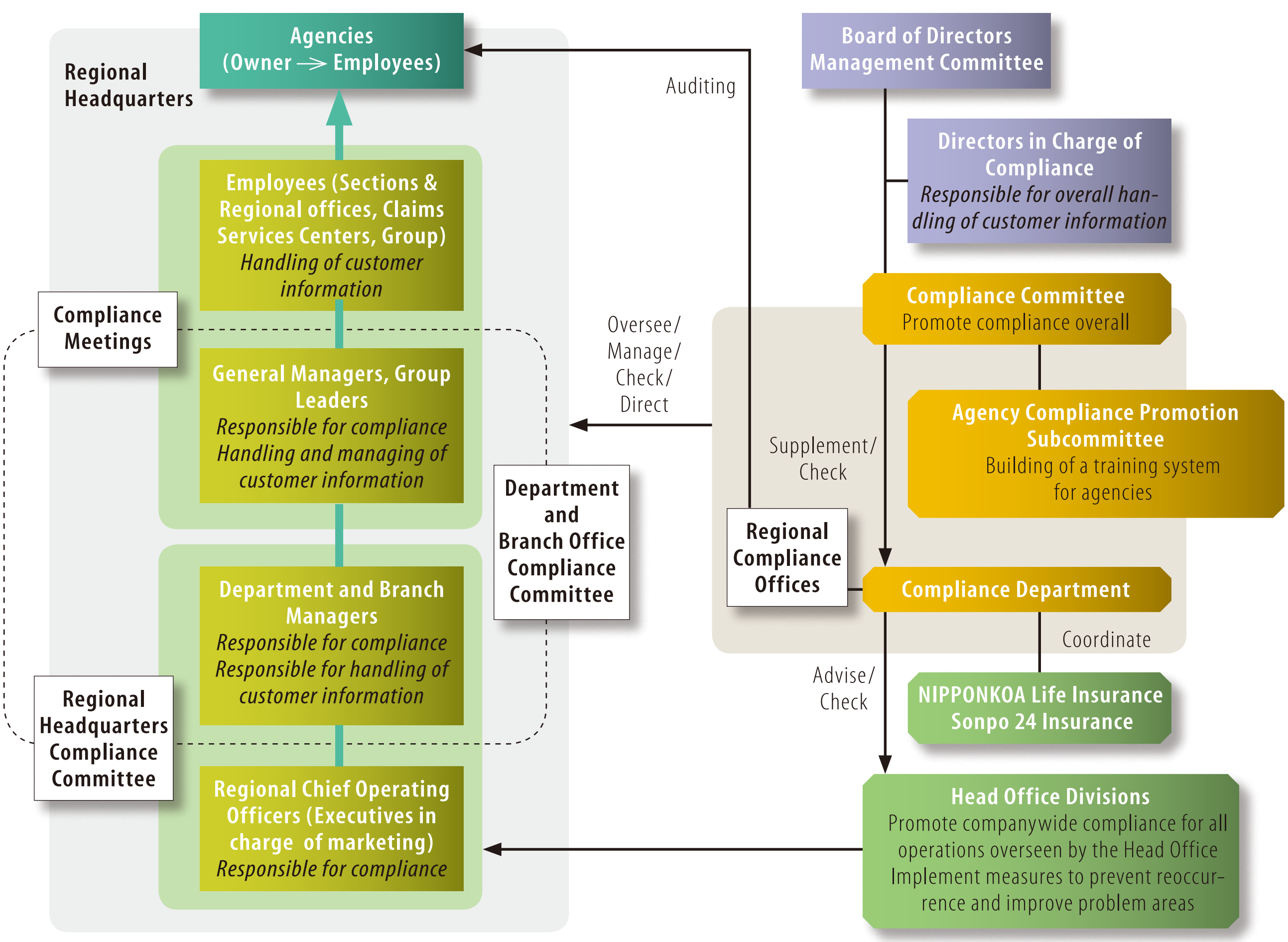
A Compliance Program Aimed at Restoring the Confidence of Our Customers

The Company is formulating its compliance program as a practical plan based on its fundamental compliance policy. As a means of restoring the confidence of its customers, the Company has instituted a specific policy called "Listening to Our Customers." This policy aims to build a positive feedback loop for quality improvement, using the views of NIPPONKOA customers as the starting point. Other specific measures include providing explanations to customers regarding important features of insurance products and the introduction of "New Sales and Soliciting Rules," which require sales staff to ascertain whether or not the insurance policy being sold and the conditions therein are as the customer intended. With regard to solicitation of insurance products, to ensure clear explanations are provided to customers and appropriate solicitation practices are followed, the Company conducts regular reviews and upgrades of its insurance solicitation system. Inspections cover such areas as the Company's training and supervision of sales agencies regarding product content, the appropriateness of solicitation materials and the solicitation practices of sales agencies.

The Company has also moved to reinforce its checking functions through such measures as strengthening coordination among departments responsible for product development and revision (product development departments, policy management departments, claims-handling departments and information systems departments), and introduction of system support for claims processing and payment operations.

For a complete overview of measures being undertaken by the Company to restore customer trust, please refer to "Plan for Rebuilding Customer Trust," on pages 05-10 of this report.

Compliance Structure



Risk Management

As financial services become more deregulated and globalized, the diversity and complexity of risks faced by financial institutions are also increasing. NIPPONKOA recognizes that robust management of more diverse and complex risks, sound business operations and steady earnings growth are essential to gain the broad trust of markets and customers. The following basic policies have been adopted to strengthen and enhance risk management.

Remain fully alert to the possibility that changes in the insurance business environment may lead to emergence of new operational risks. Conduct risk management as a means of dealing with such changes rapidly and effectively.

Accurately identify each type of risk and fully analyze and evaluate these risks. Develop and utilize rational methods for quantifying risk as much as possible.

From the standpoint of maintaining efficient and effective operations, work to mitigate risk and prevent generation and escalation of losses arising from occurrence of a risk event.

From the standpoint of securing and expanding profit opportunities, where it is necessary to intentionally incur risk, contain risk within acceptable levels.

Take proactive measures to mitigate risks that may have a direct negative impact on customers, to gain and maintain the trust of customers.

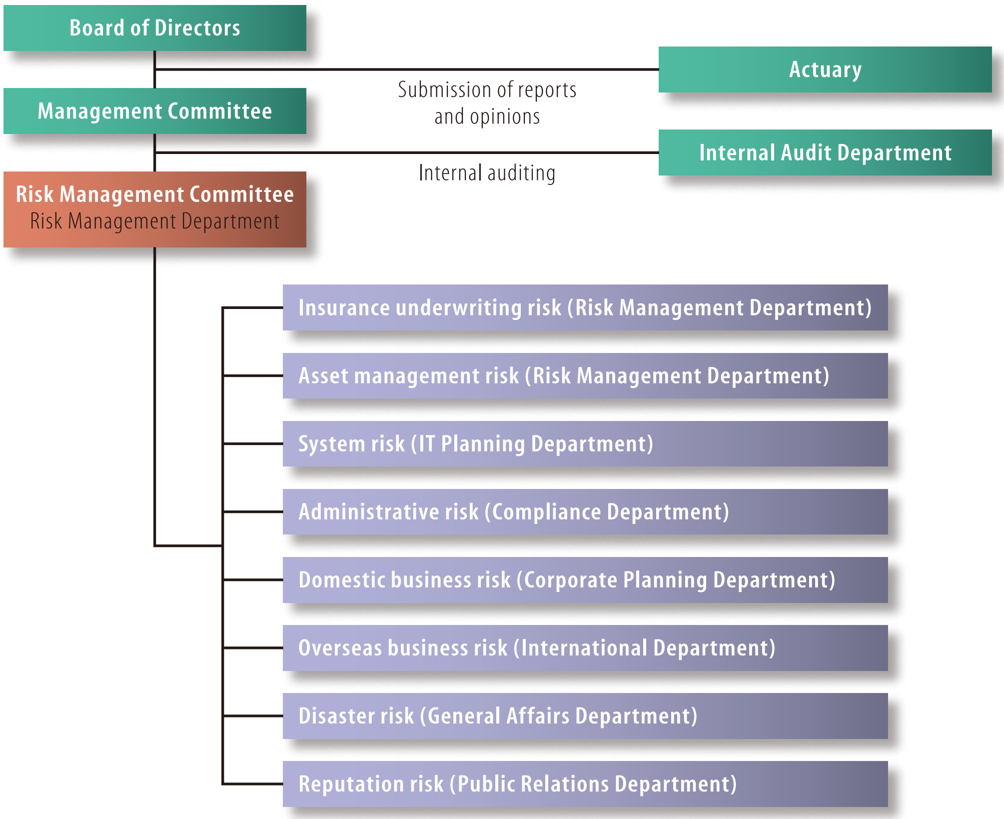
Integrated Risk Management across the Entire Organization

NIPPONKOA classifies the risks it must manage in the course of its business operations into eight categories: insurance underwriting risk; asset management risk; system risk; administrative risk; domestic business risk; overseas business risk; disaster risk; and reputation risk. For operations that involve exposure to each of these risk categories, departments work to identify, analyze, evaluate and manage all such risks.

The risk management status of each operating department is controlled using an integrated approach across the entire organization by the Risk Management Committee. This multilevel framework facilitates what is known as "integrated risk management." In adopting this approach, NIPPONKOA is building a risk management system directly linked to management decision-making and working to further strengthen its risk management functions.

NIPPONKOA employs Dynamic Financial Analysis (DFA) model* to quantify risk and to conduct stress tests assuming specific stress events, such as natural disasters. The Company is also focusing on the use of more sophisticated methods of profitability control along with integrated risk management, which contributes to the maintenance of sound management as well as the effective and efficient allocation of resources.

* DFA model: An analytical tool that simulates cash flow under many different scenarios. It takes into account the dynamic risk–return relationship across all the Company's operations, including insurance underwriting and asset management.



Protecting the Environment and Contributing to the Community

In its Guiding Principles, NIPPONKOA has affirmed its commitment to carrying out its business activities in an environment-friendly way, and places great importance on fulfilling its social responsibilities as an insurance company. To help protect the natural environment and work toward sustainability, the Company undertook the following environmental initiatives and social contribution activities.

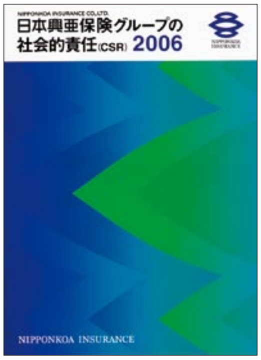
Initiatives to Address Environmental Issues

NIPPONKOA has designed and implemented an environmental management system (EMS) based on the ISO 14001 standard. The Company received ISO 14001 certification for its head office site in June 2002, and subsequently expanded the scope of certification to cover all domestic offices, subsidiaries and affiliates.

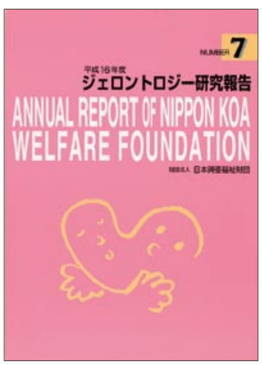
NIPPONKOA is proactively working to reduce environmental burden. As part of these efforts NIPPONKOA has joined the United Nations Environmental Program Finance Initiative (UNEP FI), and also participates in "Team –6%," a national project being promoted by the Japanese government. Under the Kyoto Protocol, Japan agreed to reduce its greenhouse-gas emissions by 6%.

Since 1998, NIPPONKOA has managed its 5.1-hectare (12.7-acre) NIPPONKOA Forest in the foothills of Mt. Yatsugatake in Nagano Prefecture. Under a program for forest

Environmental Risk Review



CSR Report



Gerontology Research Report

preservation administered by Japan's Forestry Agency, the project is growing Japanese larch and various hardwood species over a 34-year period, after which the profits generated by harvesting the trees will be shared between NIPPONKOA and the government and used to support further forest development initiatives.

From fiscal 2006, NIPPONKOA has published further details and results of these initiatives in its CSR Report, which provides a general introduction to the Company's environmental initiatives, as well as a range of other CSR activities.

Contributing to the Community

NIPPONKOA Omoiyari Club is a voluntary organization founded in 1996 by directors and employees of NIPPONKOA. Members of the club contribute a portion of their monthly salary to the club's funds, which are used to make donations to charitable organizations working in such fields as social welfare, environmental preservation and international aid. The Company makes matching donations to the chosen charities, meaning both employees and the Company are able to work hand-in-hand for the benefit of the community.

The NIPPONKOA Welfare Foundation, established in 1991, offers support to families caring for elderly members with senile dementia, provides scholarships for students who plan to become care workers, and aids gerontology research.

NIPPONKOA also supports art exhibitions, concerts and other cultural events in accordance with its corporate philosophy of contributing to the development of a rich and healthy society. NIPPONKOA was a sponsor of the "Modern Paradise" exhibition held at the National Museum of Modern Art, Tokyo, from August to October 2006.

The "Lady Go!" Project

The "Lady Go!" project is a companywide effort to create a workplace that all employees, regardless of gender, find rewarding, and which allows them to perform to the best of their abilities. The role companies must play as members of society in addressing the issue of a declining birthrate—an issue affecting all of society—is becoming crucial. In line with this thinking, NIPPONKOA is promoting and implementing a variety of initiatives that support both work and child rearing. These initiatives aim to foster a work environment that allows employees to prioritize child rearing, maintain a comfortable balance between family life and work, and return to their career after a period of raising a family full-time.

NIPPONKOA's proactive stance in addressing the declining birthrate and the tangible results of its efforts relating to this issue gained official recognition in April 2007. The Company received certification as a "Standards-compliant General Employer" under the Law for Measures to Support the Development of the Next Generation.

Overview of Operations

Main Products and Services

NIPPONKOA develops and offers insurance products and services that immediately respond to a wide variety of customer needs. This section introduces the main products and services in this lineup.

"Car BOX" Voluntary Automobile Insurance

"Car BOX" is the mainstay voluntary automobile insurance product for individual customers, developed from the concept of "everything necessary in an optimal form," and strongly reflecting the viewpoints of customers and agents. It provides full compensation for automobile accidents, including a new personal injury insurance to pay for hospitalization or outpatient treatment. Customers who choose a cashless payment method, such as through bank transfer or payment at a convenience store, for their initial premium are eligible for an "Internet Discount" on premiums if they opt to view coverage clauses and details of their policies through NIPPONKOA's website instead of having a paper policy issued.

NIPPONKOA's 24-hour support service provides towing in case of an accident or breakdown, as well as help with flat tires, running out of gas or other car troubles, to provide its customers with comprehensive support for anything automotive.

Car BOX

"Full House" Comprehensive Home Insurance

"Full House" provides coverage for damage to a customer's home due to fire and other types of accidents. The product is tailored to fit neatly with each customer's home, with coverage for temporary housing and other expenses as well repair costs. Customers can also choose to include a clause giving them access to our out-of-court settlement negotiation service should they be sued for damages arising from injury to a third party.

Customers can also use our home consultation service, offering referrals to contractors for home repair and a broad range of other specialist advice, such as about law and tax.

Full House

"Anshin BOX" Comprehensive Personal Accident Insurance

"Anshin BOX" is insurance for customers seeking full injury coverage, allowing customers to freely design their own insurance package with a variety of clauses, such as a lump-sum payment upon hospitalization or discharge from hospital. By incorporating "order-made" clauses that allow changes to the standard provisions to suit customer needs, the product becomes much easier for customers to understand. With "Anshin BOX" NIPPONKOA offers a variety of sales plans tailored to match the lifestyles, generation, or family structure of its customers, including simple coverage, as well as coverage specific for women or active seniors.

Anshin BOX

Business Master

Comprehensive Liability Insurance

"Business Master" Corporate Operations Insurance

"Business Master" is insurance for companies engaged in a wide range of industries, including manufacturing, wholesale, retail, restaurants and services. It provides full coverage for a variety of risks related to business activities, from damage to equipment or products, to work stoppage losses, liability for compensation, and injury to directors and employees, with economical premiums.

Companies also have access to our corporate consultation services, which provide advice and other forms of support for legal, tax or pension matters related to business.

"Comprehensive Liability Insurance" for Litigation Risk

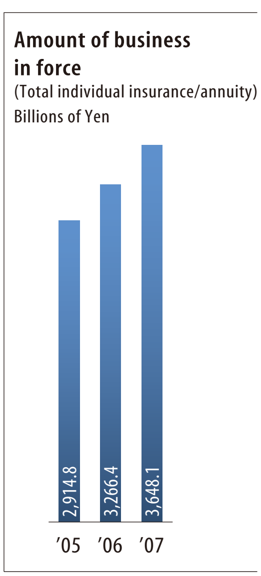
"Comprehensive Liability Insurance" is a product for companies in a wide range of industries, including manufacturing, sales, restaurants and services. It combines into one package such various liability risks as risk of injury or damage to third parties caused by defects in business facilities or business errors, or risks stemming from defects in manufactured products, simplifying insurance arrangements and ensuring that there are no holes in a company's coverage.

NIPPONKOA also offers "Nexport," a comprehensive liability insurance package for individual business owners, and small and medium-sized companies.

NIPPONKOA also offers numerous other products and services for both individuals and corporations.

Group Strategies

NIPPONKOA focuses on both life and non-life insurance in Japan in its efforts to ensure continued business expansion and greater earnings capacity for the entire NIPPONKOA Insurance Group. Part of this effort revolves around two strategic subsidiaries, and mutual cooperation between them. NIPPONKOA Life Insurance Co., Ltd. handles the life insurance business, which stands alongside non-life as one of our core businesses, while Sonpo 24 Insurance Co., Ltd. sells voluntary automobile insurance through a new business model utilizing intermediary agencies.



NIPPONKOA Life Insurance Co., Ltd.

NIPPONKOA Life Insurance has actively increased its amount of business in force by cooperating with NIPPONKOA to pursue cross-selling across this partner's non-life sales network, building new direct sales structures and developing new products, as it seeks to enhance the ability of the entire group to generate stable earnings. At the same time, along with its efforts to improve customer

NIPPONKOA LIFE

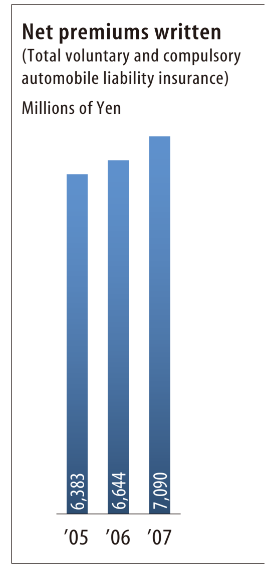
satisfaction, NIPPONKOA Life Insurance is strengthening its efforts with regard to CSR, compliance and risk management for all operations, earning the trust of customers.

Sonpo 24 Insurance Co., Ltd.

Sonpo 24 is a strategic subsidiary that seeks to expand the NIPPONKOA Insurance Group's share of voluntary automobile insurance, and develop new markets. It employs a unique business model utilizing independent intermediary agencies, mass media and the Internet to conduct direct sales of voluntary automobile insurance with straightforward coverage at a reasonable price. Sonpo 24 also works with NIPPONKOA to share expertise from various perspectives in such areas as customer service and personnel utilization, combining their various features and functions to create new levels of corporate value for the entire group.

自動車保険、かしこく選べば。
そんぽ24

Hana Koala *is a trademark of Sonpo 24*



Related Business Operations

NIPPONKOA also actively pursues businesses that supplement and strengthen the insurance business, such as defined contribution pension plans, investment trust fund sales and investment advising. Initiatives in business fields able to generate synergies allow NIPPONKOA to respond to the varied needs of its customers.

Defined Contribution Pension Plans

NIPPONKOA offers a comprehensive service for defined contribution (DC) pension plans (Japanese versions of the 401(k) plans in the United States), that includes consulting on introducing the new system, administration and management, as well as investment education for employees. The "NIPPONKOA DC Economy Plan," launched in June 2003, provides support to small and medium-sized companies for the introduction of 401(k) plans. It offers a framework that allows numerous companies to participate under a single agreement, thereby reducing costs and simplifying administrative procedures, and has been well received by clients. Our pension administration business has also steadily expanded, with a large increase in allied financial institutions, and proactive sales of the "Cooperation DC Plan."

Investment Trust Fund Sales

NIPPONKOA began selling investment trust funds in April 2001. In January 2003, we also began selling a savings-type trust fund, in which an investment trust fund is purchased automatically through regular withdrawals of ¥10,000 or more directly from the customer's bank account. This service has been well received for the way it allows lower purchase amounts, levels out price fluctuation risk and reduces account transfer cost for payments. We will continue to promote trust fund sales, focusing on savings-type trust funds as mainstay products.

ZEST Asset Management Limited

NIPPONKOA's subsidiary ZEST Asset Management responds to the needs of institutional investors seeking absolute returns regardless of market fluctuations, and increases the added value of the NIPPONKOA Insurance Group by offering information on hedge funds and other alternative investments. In addition, personnel exchanges with ZEST Asset Management, which has advanced expertise in selecting hedge fund managers, enhances asset management capabilities at NIPPONKOA, and helps make it a key company in commissioned investment management for the NIPPONKOA Insurance Group.

Better Customer Service with Call Centers

Call centers are one of the points linking NIPPONKOA with its customers, and an important division for implementing a variety of services that enhance customer convenience. Information services for administrative procedures and other inquiries regarding insurance policies are provided by Omiya Customer Center (Saitama City, Saitama Prefecture) and Akita Customer Center in Customer Relations Factory (Akita City, Akita Prefecture). Accident response services are provided by Tokyo Center (Bunkyo Ward, Tokyo) run by our subsidiary NIPPONKOA Hotline24 Co., Ltd., and the Akita Customer Center.

NIPPONKOA plans to further strengthen service offerings of its call centers to improve customer satisfaction. Internally, we will also promote use of the call centers to strengthen the back-up structure for sales offices and claims services centers.

Customer Relations Factory in Akita City, Akita Prefecture

International Operations

With increasing globalization of the economy, Japanese companies are very actively moving into overseas markets, increasing the need for insurance services overseas. In response to this situation, NIPPONKOA has developed various measures for each of the world's major regions, strengthening our ability to take advantage of overseas opportunities.

Basic Policies Related to Overseas Strategy

Strengthening Services for Policyholders Moving into Overseas Markets

To provide various services locally to our corporate policyholders who have moved into overseas markets, NIPPONKOA is strengthening its services and support organization in each region in line with client needs through alliances with leading local insurance companies, together with optimal placement of representative offices, overseas branches, subsidiaries, and affiliates.

Development of Low-Cost Operations

One important task is raising profitability with development of overseas business. To this end, we strive to develop low-cost operations by continually improving our loss ratio and expense ratio at each overseas base.

Thorough Risk Management and Compliance

To further enhance overseas risk management and compliance, we are pursuing various policies to strengthen internal control, together with strictly enforcing management measures at each business base to a degree equal to that of our domestic management system.

Overseas Service Organization

NIPPONKOA has constructed an extensive overseas network, establishing insurance underwriting firms and companies providing insurance-related services in the major bases, along with setting up 26 representative offices in 16 countries throughout the world.

In fiscal 2006, we concluded comprehensive business collaboration agreements with Ingosstrakh Insurance Company of the Russian Federation, Vietnam Insurance Corporation of the Socialist Republic of Vietnam, and Abu Dhabi National Insurance Company of the United Arab Emirates to strengthen our overseas service structure.

In addition, we established a new representative office in New Delhi, India in June 2007.

Service Organizations by Region

Service Organization in Europe

NIPPONKOA Insurance Company (Europe) Limited, our wholly owned subsidiary headquartered in London, has operating licenses in the main European countries and provides services such as underwriting and accident claims settlement. In Central and Eastern Europe, the Company has established alliances with foremost local insurance companies and uses leading European specialists in areas like risk consulting and assessment, enabling it to provide complete services. In March 2006, it received an Insurer Financial Strength Rating of “A” from Standard & Poor’s.

Service Organization in the United States

Underwriting Agencies
United States: The Travelers Marine Corporation
Guam (United States): Nanbo Guam, Ltd.
Canada: St. Paul Fire and Marine Insurance Company, Canada

NIPPONKOA has had a collaborative agreement for over 30 years with The Travelers Companies, Inc., a comprehensive property and casualty insurance firm with the second largest market share in the United States. Our partner provides high-level services on a nation-wide scale, starting with casualty insurance services and sophisticated risk control services.

Service Organization in China

In China, Japanese companies, one after the other, have moved into this huge market with the development of a favorable investment environment, starting with the legal system, since China’s participation in the World Trade Organization (WTO). NIPPONKOA has established representative offices in Beijing, Shanghai, Dalian, Qingdao, Suzhou, and Shenzhen to develop our service organization in China.

In addition, we are preparing to open a sales base to start our own underwriting business.

Service Organization in Asia and Oceania

Underwriting Agencies
Australia: CGU Insurance Limited
Singapore: NIPPONKOA Management Service (Singapore) Private Limited

● Representative Office
● Overseas Subsidiary or Affiliate

The NIPPONKOA Singapore Branch and NIPPONKOA Insurance Company (Asia) Limited, our subsidiary headquartered in Hong Kong, are our two major self-operated bases in the Asian region. Furthermore, we operate PT Asuransi Permata Nipponkoa Indonesia under joint management with a local banking company. Moreover, we have strong partnerships with blue-chip insurance companies such as Lonpac Insurance Bhd of Malaysia, CGU Insurance Limited of Australia, Pioneer Insurance & Surety Corporation of the Philippines, Fubon Insurance Company Limited of Taiwan, Siam Commercial Samaggi Insurance Public Company Limited and The Navakij Insurance Public Company Limited of Thailand to provide services to our customers.

Reinsurance

Reinsurance is one of the essential parts of the Company’s operations and is an important aspect of the business dealings with both domestic and overseas partners. NIPPONKOA has developed solid, long-term relationships with fellow insurance companies, allowing it to effectively diversify risks and provide reinsurance as needed. As for assumed business, we strive to be prudent and selective in our underwriting by focusing on the transparency of the risks involved.

Financial Review

This section presents the operating results of the NIPPONKOA Insurance Group for fiscal 2006 (April 1, 2006–March 31, 2007), focusing on the parent company NIPPONKOA Insurance Co., Ltd., and the principal consolidated subsidiaries NIPPONKOA Life Insurance Co., Ltd. and Sonpo 24 Insurance Co., Ltd.

The translation of yen amounts into U.S. dollar amounts are included solely for convenience and have been made, as a matter of arithmetical computation only, at ¥118.05=U.S.$1, the approximate rate prevailing at March 31, 2007.

1. Key Indicators

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Nonconsolidated basis:			
Parent company			
Net premiums written	**¥703,371**	¥708,319	**$5,958,248**
Loss ratio*1	**65.5 %**	62.7 %	**65.5 %**
Expense ratio*2	**35.5 %**	35.7 %	**35.5 %**
Underwriting profit (loss)	**(35,747)**	1,108	**(302,820)**
Ordinary profit	**24,538**	26,798	**207,864**
Net income	**13,425**	13,273	**113,727**
Life insurance subsidiary			
Ordinary profit	**1,413**	1,104	**11,970**
Net income	**31**	63	**267**
Consolidated basis:			
Ordinary profit	**¥ 28,130**	¥ 24,486	**$ 238,293**
Net income	**15,872**	10,670	**134,457**

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

2. Net Premiums Written

Net premiums written in fiscal 2006 are as follows.

Premiums for fire insurance declined 1.6% year on year due to a decrease in net premiums for long-term fire policies, and lackluster results from savings-type policies stemming from low interest rates.

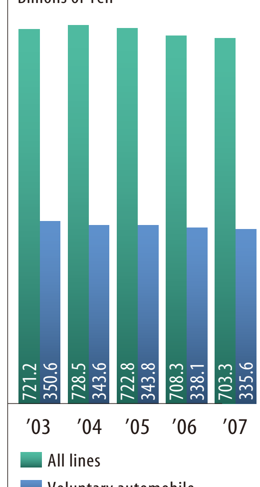
Voluntary automobile insurance, which accounts for approximately half of total premium income, declined 0.7% year on year. Although the number of contracts increased, the average premium per vehicle decreased due to discounts given to drivers with excellent records.

Premiums for personal accident insurance declined 0.8% due to sluggish sales of savings-type policies stemming from low interest rates.

Premium income for the “other” line rose 2.5% from a year earlier due to strong sales of general liability insurance, etc., while marine insurance premium was up 7.0%, reflecting the impact of brisk foreign trade.

As a result, net premiums written for all lines decreased 0.7% on a nonconsolidated basis, and 0.7% on a consolidated basis.

Trend in net premiums written
(Parent company)
Billions of Yen



Net Premiums Written

	2007 Amount	2007 Change	2007 % change	2006 Amount	2007 Amount
	Millions of Yen				Thousands of U.S. Dollars
Nonconsolidated basis (Parent company):					
Fire	**¥104,351**	**¥(1,736)**	**(1.6)%**	¥106,088	**$ 883,961**
Marine	**19,241**	**1,250**	**7.0 %**	17,990	**162,991**
Personal accident	**59,293**	**(463)**	**(0.8)%**	59,756	**502,277**
Voluntary automobile	**335,636**	**(2,480)**	**(0.7)%**	338,116	**2,843,172**
Compulsory automobile liability	**103,735**	**(3,482)**	**(3.2)%**	107,218	**878,744**
Other	**81,112**	**1,963**	**2.5 %**	79,148	**687,100**
All lines	**¥703,371**	**¥(4,948)**	**(0.7)%**	¥708,319	**$5,958,248**
Consolidated basis:					
All lines	**¥712,862**	**¥(4,864)**	**(0.7)%**	¥717,727	**$6,038,652**

3. Net Losses Paid

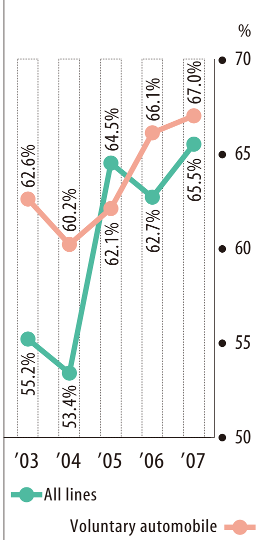
Net losses paid rose substantially in fiscal 2006, due to the impact from such natural disasters as Typhoon No. 13, which caused damage on a scale that made it the sixth worst in the history of the Japanese non-life insurance market. Net losses paid as a result of natural disasters that incurred in fiscal 2006 amounted to ¥15.0 billion, compared with ¥9.7 billion a year earlier. Fire insurance was mostly impacted by the increase in natural disaster losses, as its loss ratio worsened 9.7 percentage points to 56.2%.

In other categories, the loss ratio increased for personal accident insurance, voluntary automobile insurance, and “other” insurance. Payments rose in all of these categories due to the increase in the number of contracts in fiscal 2005 and prior fiscal years. In particular, in fiscal 2004 NIPPONKOA recorded a 4% increase in the number of vehicles insured with voluntary automobile insurance, and since claim payments for serious accidents usually take more time to be settled, the net losses paid increased during fiscal 2006. The worsening loss ratio in these categories, therefore, is attributable mainly to the time lag.

The loss ratio for compulsory automobile liability insurance also deteriorated as a result of the termination of reinsurance to the government following a revision to the reinsurance system.

Consequently, the overall loss ratio for all lines increased 2.8 percentage points to 65.5%.

Trend in loss ratio
(Parent company)



Net Losses Paid

	2007 Amount	2007 Change	2007 Loss ratio	2006 Amount	2006 Loss ratio	2007 Amount
	Millions of Yen					Thousands of U.S. Dollars
Nonconsolidated basis (Parent company):						
Fire	**¥ 54,708**	**¥9,156**	**56.2 %**	¥ 45,551	46.5 %	**$ 463,433**
Marine	**8,108**	**(438)**	**43.2 %**	8,546	48.6 %	**68,687**
Personal accident	**29,090**	**3,582**	**54.1 %**	25,507	47.2 %	**246,425**
Voluntary automobile	**205,899**	**742**	**67.0 %**	205,156	66.1 %	**1,744,170**
Compulsory automobile liability	**76,559**	**1,044**	**79.2 %**	75,515	75.8 %	**648,538**
Other	**50,254**	**1,524**	**67.2 %**	48,730	66.9 %	**425,704**
All lines	**¥424,621**	**¥15,613**	**65.5 %**	¥409,007	62.7 %	**$3,596,959**
Consolidated basis:						
All lines	**¥429,284**	**¥15,511**		¥413,773		**$3,636,466**

4. Expenses

NIPPONKOA is working to improve its expense ratio, one of the priority issues in its medium-term business plan.

Personnel expenses were on par with those of the previous fiscal year, while non-personnel expenses decreased ¥1.4 billion year on year, due mainly to lower large-scale investments in IT compared to fiscal 2005.

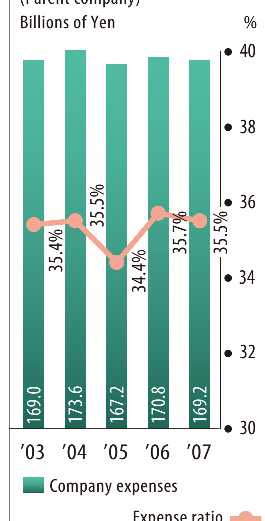
As a result, Company expenses decreased ¥1.6 billion from the previous fiscal year, with the expense ratio improving 0.2 percentage point to 35.5%.

■ *Expenses*

	Millions of Yen					Thousands of U.S. Dollars
	2007			2006		2007
	Amount	Change	% of net premiums written	Amount	% of net premiums written	Amount
Nonconsolidated basis (Parent company):						
Underwriting costs and expenses:						
Net commissions and brokerage	**¥122,434**	**¥(1,438)**	**17.4 %**	¥123,873	17.5 %	**$1,037,143**
Operating and administrative expenses on underwriting	**126,972**	**(2,241)**	**18.1 %**	129,213	18.2 %	**1,075,580**
Total	**¥249,407**	**¥(3,680)**	**35.5 %**	¥253,087	35.7 %	**$2,112,724**
Company expenses*[1]:						
Personnel expenses	**¥ 88,481**	**¥ 161**	**12.6 %**	¥ 88,319	12.5 %	**$ 749,524**
Non-personnel expenses	**72,012**	**(1,421)**	**10.2 %**	73,433	10.4 %	**610,013**
Contributions	**477**	**(24)**	**0.1 %**	501	0.1 %	**4,043**
Taxes	**8,242**	**(377)**	**1.2 %**	8,619	1.2 %	**69,819**
Total	**¥169,212**	**¥(1,661)**	**24.1 %**	¥170,873	24.1 %	**$1,433,399**
Consolidated basis:						
Company expenses*[1] (Total)	**¥186,088**	**¥ 373**	**26.1 %**	¥185,715	25.9 %	**$1,576,355**

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

Company expenses and expense ratio
(Parent company)

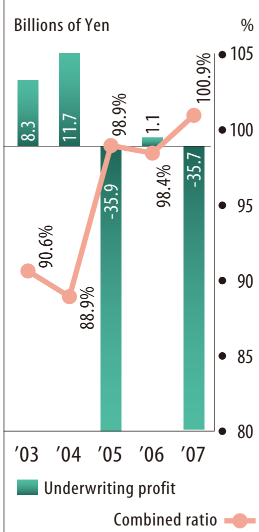


5. Underwriting Profit (Parent Company)

As a result of the above, the underwriting balance (net premiums written minus net losses paid less the sum of loss adjustment expenses and underwriting costs and expenses) decreased ¥17.7 billion from the previous fiscal year to a deficit of ¥6.5 billion.

NIPPONKOA recorded an underwriting loss of ¥35.7 billion, which is a decrease of ¥36.8 billion from the previous fiscal year. Because the reserves for outstanding claims were substantially increased as a result of a change in the calculation method for IBNR (incurred but not reported) reserves in accordance with revisions to applicable laws, the decrease in underwriting profit was larger than that in the underwriting balance.

Results of underwriting
(Parent company)



Underwriting Balance/Underwriting Profit

Millions of Yen

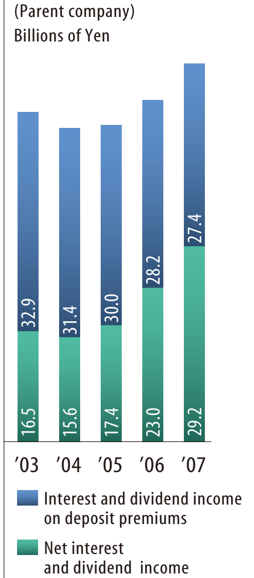
	2007		2006	
	Amount	**% of net premiums written**	Amount	% of net premiums written
Nonconsolidated basis (Parent company):				
Net premiums written	**¥703,371**	**100.0 %**	¥708,319	100.0 %
Less: Net losses paid & Loss adjustment expenses	**460,506**	**65.5 %**	444,001	62.7 %
Less: Underwriting costs and expenses	**249,407**	**35.5 %**	253,087	35.7 %
Underwriting balance	**¥ (6,542)**	**(0.9)%**	¥ 11,230	1.6 %
Underwriting profit (loss)	**¥ (35,747)**	**(5.1)%**	¥ 1,108	0.2 %

Underwriting Funds as of March 31, 2007

Millions of Yen

	Underwriting reserves (total)		Of which premium reserve		Of which catastrophe reserve		Reserve for outstanding claims	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change
Nonconsolidated basis (Parent company):								
Fire	¥ 464,630	¥ 15,443	¥363,268	¥11,080	¥101,361	¥ 4,363	¥ 30,248	¥(2,138)
Marine	24,611	2,378	7,559	1,552	17,051	825	9,690	1,074
Personal accident	63,040	818	30,229	(338)	32,811	1,156	15,918	2,331
Voluntary automobile	133,931	(14,970)	95,661	(1,525)	38,270	(13,444)	124,635	14,082
Compulsory automobile liability	197,554	9,001	197,554	9,001	—	—	27,662	(599)
Other	122,017	(1,062)	80,817	425	41,200	1,487	59,699	11,220
All lines	¥1,005,784	¥ 11,609	¥775,089	¥20,196	¥230,695	¥ (8,586)	¥267,854	¥25,971
Reserve for deposit premiums on savings-type policies	1,112,657	(78,948)						
Total	¥2,118,442	¥(67,338)						

Breakdown of interest and dividend income
(Parent company)



6. Investment Income

The parent company's interest and dividend income increased ¥5.4 billion in fiscal 2006 to ¥56.6 billion.

Interest and dividend income on deposit premiums of savings-type policies (to be returned to the policyholders upon maturity), decreased ¥0.8 billion. As a result, net interest and dividend income increased ¥6.2 billion year on year to ¥29.2 billion (nonconsolidated basis).

Interest and Dividend Income

	Millions of Yen				Thousands of U.S. Dollars
	2007			2006	**2007**
	Amount	**Change**	**% change**	Amount	**Amount**
Nonconsolidated basis (Parent company):					
Interest and dividend income	**¥56,693**	**¥ 5,413**	**10.6 %**	¥51,279	**$480,251**
Less: Interest and dividend income on deposit premiums	**27,407**	**(831)**	**(2.9)%**	28,238	**232,170**
Net interest and dividend income	**¥29,286**	**¥ 6,245**	**27.1 %**	¥23,041	**$248,081**
Consolidated basis:					
Interest and dividend income	**¥62,414**	**¥ 6,353**	**11.3 %**	¥56,061	**$528,712**

7. Realized Gains/Losses on Securities, and Revaluation Loss on Securities

Net gain on the sale of securities (sales gains less sales losses) rose ¥38.5 billion in fiscal 2006 to ¥47.0 billion, with realized gains including redemption profit on securities up ¥38.4 billion from a year earlier to ¥47.4 billion (all figures are for the parent company).

The primary reason for this rise is that the Company sold a larger amount of relationship stocks in fiscal 2006, ¥17.6 billion in book value, compared to ¥5.5 billion in book value sold in fiscal 2005.

Revaluation loss on securities at the parent company amounted to ¥1.8 billion.

■ *Realized Gains/Losses on Securities*

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Nonconsolidated basis (Parent company):			
Net gain (loss) on sale of securities:			
Domestic bonds	**¥ (243)**	¥ 321	**$ (2,059)**
Domestic equities	**43,432**	7,301	**367,916**
Foreign securities, etc.	**3,861**	892	**32,712**
Total	**47,051**	8,515	**398,569**
Redemption profit on securities	**417**	489	**3,535**
Realized gains	**¥47,468**	¥9,005	**$402,104**
Consolidated basis:			
Net gain on sale of securities	**47,063**	8,597	**398,677**
Redemption profit on securities	**417**	364	**3,535**
Realized gains	**¥47,481**	¥8,962	**$402,213**

■ *Revaluation Loss on Securities*

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Nonconsolidated basis (Parent company):			
Domestic bonds	**¥ —**	¥—	**$ —**
Domestic equities	**1,796**	840	**15,216**
Foreign securities, etc.	**93**	9	**790**
Total	**¥1,889**	¥849	**$16,007**
Consolidated basis:			
Total	**¥1,904**	¥849	**$16,130**

8. Profit and Losses

As a result of the above, profit and losses for fiscal 2006 were as given in the following table.

Consolidated net income for fiscal 2006 is greater than that for nonconsolidated net income, different from the result in the previous fiscal year. This is because the reserve for investment losses in shares of subsidiaries such as Sonpo 24, which has been recorded under the parent company in fiscal 2006, has been eliminated from consolidation.

Summary of Profit and Losses

		Millions of Yen		Thousands of U.S. Dollars
		2007	2006	**2007**
		Amount	Amount	**Amount**
Nonconsolidated basis (Parent company):				
Underwriting:				
Underwriting profit (loss)	(1)	**¥(35,747)**	¥ 1,108	**$(302,820)**
Miscellaneous income (expenses) related to underwriting	(2)	**(1,254)**	(613)	**(10,623)**
Total of underwriting	(1)+(2)=(A)	**(37,002)**	494	**(313,444)**
Investment, etc.:				
Investment profit (loss):				
Net interest and dividend income	(3a)	**29,286**	23,041	**248,081**
Net gain on sale of securities	(3b)	**47,051**	8,515	**398,569**
Less: Revaluation loss on securities	(3c)	**1,889**	849	**16,007**
Redemption profit on securities	(3d)	**417**	489	**3,535**
Gain on money held in trust	(3e)	**287**	7,100	**2,434**
Gain (loss) on derivative financial instruments	(3f)	**(2,162)**	(7,355)	**(18,322)**
Other investment income (loss)*1	(3g)	**(5,216)**	291	**(44,188)**
Total of the above	(3)	**67,772**	31,232	**574,101**
Less: Investment expenses, etc.	(4)	**6,354**	6,666	**53,832**
Other ordinary income	(5)	**122**	1,738	**1,039**
Total of investments, etc.	(3)-(4)+(5)=(B)	**61,540**	26,304	**521,308**
Ordinary profit	(A)+(B)	**24,538**	26,798	**207,864**
Special income (loss)		**(4,757)**	(8,623)	**(40,300)**
Less: Income taxes, including deferred tax		**6,355**	4,902	**53,836**
Net income		**¥ 13,425**	¥13,273	**$ 113,727**
Consolidated basis:				
Ordinary profit		**28,130**	24,486	**238,293**
Net income		**¥ 15,872**	¥10,670	**$ 134,457**

*1: Other investment income (loss) is composed of the following items:
Gain (loss) on foreign exchange - Addition to reserve for investment losses + Other investment profit (loss)

9. Financial Base

In terms of financial base, NIPPONKOA maintained the soundness of its assets during fiscal 2006, with unrealized gain on domestic equities of ¥720.6 billion at March 31, 2007, and unrealized gain on all securities of ¥737.7 billion (both on a nonconsolidated basis).

Unrealized Gain on Available-for-Sale Securities as of March 31, 2007

	Millions of Yen			Thousands of U.S. Dollars		
	Cost (a)	Value shown on balance sheet (b)	**Unrealized gain (before tax) (b – a)**	Cost (a)	Value shown on balance sheet (b)	**Unrealized gain (before tax) (b – a)**
Nonconsolidated basis (Parent company):						
Domestic bonds	¥1,069,800	¥1,068,134	**¥ (1,666)**	$ 9,062,268	$ 9,048,152	**$ (14,115)**
Domestic equities	369,556	1,090,193	**720,636**	3,130,510	9,235,013	**6,104,502**
Foreign securities, etc.	339,437	358,217	**18,780**	2,875,370	3,034,457	**159,087**
Total of securities	¥1,778,795	¥2,516,545	**¥737,750**	$15,068,149	$21,317,623	**$6,249,473**
Consolidated basis:						
Total of securities	¥1,881,842	¥2,629,580	**¥747,738**	$15,941,061	$22,275,144	**$6,334,082**

The solvency margin ratio is one of the measures by which the regulatory authorities assess the financial soundness of insurance companies. A company's financial position is considered adequate if this ratio exceeds 200%. NIPPONKOA has a ratio of 1,023.1%, and thus enjoys a very sound financial position.

Solvency Margin Ratio

	Millions of Yen
	2007
Nonconsolidated basis (Parent company):	
Solvency margin	
Total net assets*1	**280,529**
Reserve for price fluctuations	**18,040**
Catastrophe reserve	**274,772**
Reserve for doubtful accounts (general)	**280**
Unrealized gain or loss on available-for-sale securities (before tax effect deduction)	**663,952**
Unrealized gain or loss on land	**11,927**
Subordinated debts	**—**
Deduction items	**19,663**
Other items	**73,431**
A. Total amount of solvency margin	**¥1,303,272**
Risks	
Ordinary insurance risks (R_1)	**42,611**
Assumed interest rate risks (R_2)	**2,020**
Asset management risks (R_3)	**134,155**
Business management risks (R_4)	**5,703**
Major catastrophe risks (R_5)	**106,365**
B. Total amount of risks: $\sqrt{R_1^2+(R_2+R_3)^2} + R_4+R_5$	**¥ 254,756**
Solvency margin ratio: A / (B x 1/2) x 100	**1,023.1 %**

*1: Excluding predetermined outflows from the Company, deferred assets, valuation and translation adjustments and other.

10. Balance Sheet, Investment Assets

The following is a summary of the nonconsolidated balance sheets.

Overview of Balance Sheet

	Millions of Yen				Thousands of U.S. Dollars
	2007		2006		2007
	Amount	Proportion	Amount	Proportion	Amount
Nonconsolidated basis (Parent company):					
Total assets:	**¥3,393,056**	**100.0 %**	¥3,477,787	100.0 %	**$28,742,534**
Liabilities:					
Reserve for outstanding claims	**267,854**	**7.9 %**	241,883	7.0 %	**2,268,992**
Underwriting reserves:					
Premium reserve	**775,089**	**22.8 %**	754,893	21.7 %	**6,565,774**
Catastrophe reserve	**230,695**	**6.8 %**	239,282	6.9 %	**1,954,215**
Reserve for deposit premiums on savings-type policies	**1,112,657**	**32.8 %**	1,191,606	34.3 %	**9,425,311**
Total (Underwriting reserves)	**2,118,442**	**62.4 %**	2,185,781	62.8 %	**17,945,301**
Others	**245,475**	**7.2 %**	260,771	7.5 %	**2,079,423**
Total liabilities	**¥2,631,773**	**77.6 %**	¥2,688,436	77.3 %	**$22,293,716**
Shareholders' equity	**¥ 761,282**	**22.4 %**	¥789,351	22.7 %	**$ 6,448,817**

Investment assets, which account for a large percentage of total assets, are presented in the following table. NIPPONKOA categorizes investment assets into Deposit Premium Account, General Account (Pure Investment Assets), and General Account (Other Assets).

Balance of Assets by Investment Category as of March 31, 2007

	Deposit premium account	General account: Pure investment	General account: Other investment	Millions of Yen Total: Amount	Millions of Yen Total: Proportion	Thousands of U.S. Dollars Total: Amount
Nonconsolidated basis (Parent company):						
Securities:						
Domestic equities	¥ —	¥ 7,390	¥1,150,606	¥1,157,997	35.7 %	$ 9,809,384
Yen denominated-securities, excluding equities:						
Public and corporate bonds	807,685	363,347	1,770	1,172,803	36.2 %	9,934,799
Others	10,800	44,654	17,400	72,855	2.2 %	617,154
Total	818,485	408,001	19,171	1,245,658	38.4 %	10,551,954
Foreign currency denominated-securities:						
Public and corporate bonds	27,544	174,651	—	202,195	6.2 %	1,712,797
Others	—	30,717	19,672	50,389	1.6 %	426,850
Total	27,544	205,368	19,672	252,585	7.8 %	2,139,648
Total of securities	846,029	620,760	1,189,451	2,656,241	82.0 %	22,500,987
Monetary receivables bought	25,005	3,097	—	28,102	0.9 %	238,056
Money in trust	—	52,886	50	52,936	1.6 %	448,420
Loans	175,368	—	64,031	239,400	7.4 %	2,027,955
Bank deposits	2,031	19,011	77,024	98,067	3.0 %	830,725
Call loans	11,000	33,000	—	44,000	1.4 %	372,723
Land and buildings	—	—	121,465	121,465	3.7 %	1,028,932
Investments assets (total)	¥1,059,434	¥728,755	¥1,452,022	¥3,240,212	100.0 %	$27,447,800
Total assets				¥3,393,056		$28,742,534

11. Life Insurance

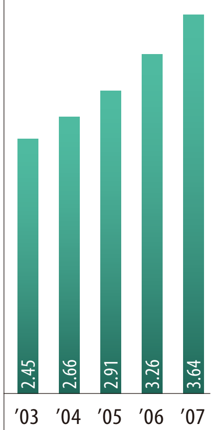
Our life insurance business was launched in 1996 with the establishment of a subsidiary, and since that time NIPPONKOA Life Insurance Co., Ltd. has worked steadily to raise its amount of business in force. Business has expanded steadily as a result, with the amount of business in force for individual insurance at the end of March 2007 up ¥381.6 billion from the previous fiscal year to ¥3,648 billion.

Ordinary profit was only ¥1.4 billion, but this figure was held down by accelerated provisioning for the policy reserves to reach the level calculated by the standard method* prescribed by the Financial Services Agency. Ordinary profit and net income, before reflecting the additional portion of the provision for policy reserves in order to achieve the FSA standard, were ¥3.9 billion, and ¥2.5 billion, respectively.

Embedded value increased ¥6.9 billion year on year to ¥77.6 billion.

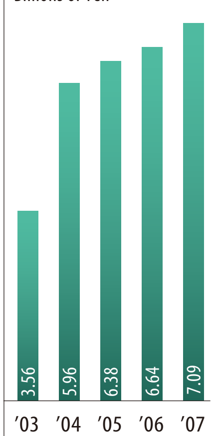
Accordingly, the profitability of our life insurance business continues to increase. NIPPONKOA will work to further raise profitability by increasing the amount of business in force, with the aim of the business contributing to consolidated earnings as soon as possible.

Amount of business in force
(Individual life insurance/annuity)
Trillions of Yen



Net premiums written

Billions of Yen



***Standard method for calculating policy reserve:**
The Financial Services Agency in Japan requires insurance companies to set aside funds for standard policy reserves that are considered necessary from the standpoint of assuring the soundness of an insurance company's financial position and for the protection of policyholders. The reserve is calculated based on the net level premium method using prescribed values for the expected mortality rate and assumed interest rate.

Life Insurance Business

	Millions of Yen				Thousands of U.S. Dollars
	2007			2006	2007
	Amount	Change	% change	Amount	Amount
Life insurance subsidiary:					
Amount of business in force at term-end					
Individual insurance, individual annuity	¥3,648,103	¥381,623	11.7 %	¥3,266,479	$30,903,038
Premium and other receipts	79,796	3,048	4.0 %	76,748	675,954
Investment income	5,689	775	15.8 %	4,914	48,199
Ordinary profit	1,413	309	28.0 %	1,104	11,970
Net income (loss)	¥ 31	¥ (32)	(50.5)%	¥ 63	$ 267

Embedded Value (Life insurance subsidiary)

	Billions of Yen			Millions of U.S. Dollars
	2007	2006	Change	2007
Embedded value:				
Adjusted book value	30.4	30.2	0.2	257.5
Existing business value	47.2	40.5	6.7	399.8
Total	¥77.6	¥70.7	¥ 6.9	$657.3
EV of new business	¥ 3.7	¥ 4.8	¥(1.1)	$ 31.3

12. Sonpo 24

The final section in this financial review covers Sonpo 24 Insurance Co., Ltd., NIPPONKOA's strategic subsidiary.

Specializing in automobile insurance, Sonpo 24 is a subsidiary acquired by NIPPONKOA in July 2004. Its sales are conducted by telephone and over the Internet. One of the features of Sonpo 24's business is that it attracts customers through intermediary agencies, in addition to television and Internet advertising.

Net premiums written increased ¥0.4 billion (up 6.7%) from the previous fiscal year to ¥7.0 billion. The loss ratio was flat, while the expense ratio improved 12.7 percentage points, resulting in a ¥0.4 billion narrowing of the subsidiary's net loss to ¥2.9 billion.

Sonpo 24 has continually run a deficit since the company is still in its infancy. But we plan to grow this business using the unique business model of selling through intermediary agencies.

Sonpo 24:

	Millions of Yen				Thousands of U.S. Dollars
	2007			2006	2007
	Amount	Change	% change	Amount	Amount
Sonpo 24:					
Net premiums written	¥ 7,090	¥445	6.7 %	¥ 6,644	$ 60,059
Loss ratio*1	68.0 %	—	—	68.0 %	68.0 %
Expense ratio*2	66.8 %	(12.7)%	(16.0)%	79.5 %	66.8 %
Ordinary profit (loss)	(2,944)	439	(13.0)%	(3,384)	(24,945)
Net income (loss)	¥(2,958)	¥442	(13.0)%	¥(3,400)	$(25,058)

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

INFORMATION ON RISKS AND UNCERTAINTIES RELATED TO OPERATIONS

This information is required by the amended Japanese disclosure rule to be mentioned in financial reports in Japan.
Matters relating to future developments in this section are based on the Company's best judgment as of June 28, 2007, when the financial report was submitted to the Ministry of Finance of Japan.

Of the items contained in this annual report pertaining to operating and financial conditions, those that are considered to have an important influence on investor decision-making are listed below. The Company is aware of these risks and intends to make every reasonable effort to avoid exposure to them, and shall take appropriate steps to deal with any such events should they occur.

Matters relating to future developments in this section are based on the Company's best judgment as of June 28, 2007, when the financial report was submitted to the Ministry of Finance of Japan.

(1) State of the Japanese economy

Most of the NIPPONKOA Insurance Group's insurance business is based in Japan, and with regard to asset management, the majority of Group assets is invested in Japanese equities, bonds, and loans. As a result, the financial condition and business performance of the Group will be strongly influenced by the state of the Japanese economy.

(2) Intensified competition in the non-life insurance industry

Competition in the non-life insurance industry in Japan has intensified significantly due to the effects of wide ranging deregulation. These effects include large-scale mergers, the opening of the industry to new competitors, a rush to develop new products, downward pressure on premium rates, and the establishment of new marketing channels through banks and other businesses. In this business environment, the financial condition and business performance of the NIPPONKOA Insurance Group may be affected if it is unable to remain competitive or loses a significant portion of its market share, etc.

(3) Downgrading of financial rating

Credit ratings play an important role as indicators of the financial stability of an insurance company. NIPPONKOA is evaluated by credit rating agencies, however these agencies may review their ratings on the basis not only of our business performance, but also the economic environment and other factors. If the Company's financial rating should be downgraded, this could affect the Company's marketing as well as a variety of its other business activities.

(4) Risk accompanying changes in relevant laws, regulations, accounting systems, etc.

The NIPPONKOA Insurance Group conducts its insurance business under the conditions and limitations imposed by the Insurance Business Law, regulations imposed by the relevant authorities and others, appropriate accounting systems, and so on. As a result, should these laws, regulations or systems change in the future, such changes could affect the Group's business operation, business performance, and so on.

(5) Natural disasters

The NIPPONKOA Insurance Group is exposed to a heavy potential loss should it incur large losses to settle insurance claims for damages caused by natural disasters such as earthquakes, typhoons, floods, etc. The Company maintains a catastrophe reserve for such eventualities, and also purchases reinsurance coverage to help cover such losses, but depending on the scale of the natural disaster, the Group's financial condition and business performance could be seriously affected by such an event.

(6) Risk of damages in excesses of normal predictions for insurance underwriting

The NIPPONKOA Insurance Group maintains an insurance contract reserve to cover future liabilities, but should events occur that were not foreseeable at the time, and generate damages that exceed normal predictions, the Group's financial condition and business performance could be affected.

(7) Reinsurance risk

The NIPPONKOA Insurance Group works to diversify its underwriting risk by means of reinsurance; however, rapid changes in the insurance and reinsurance markets, sharp rises in reinsurance premiums, or other factors could make it impossible to obtain adequate reinsurance coverage. Moreover, the bankruptcy or other failure of one or more of our reinsurers could make it impossible to recover part or all of the amount being reinsured. Events such as these could affect the Company's financial condition and business performance.

(8) Overseas operations

Overseas insurance markets include inherent insurance risks that do not exist in the Japanese market, so the business environment overseas differs from that in Japan. Moreover, the assets held by overseas offices are affected by the economic conditions of the country in which they are located. Further, in some countries and regions where business operations have been established, there may be country risks that could hinder business operations, such as political or social disorder resulting from terrorism or riots, sudden changes in relevant laws and regulations, or other risks.

It is possible that the Company's overseas operations could suffer unforeseen damages as a result of such events, and these could affect the NIPPONKOA Insurance Group's financial condition and business performance.

(9) Life insurance and other businesses

The NIPPONKOA Insurance Group is investing substantially to establish subsidiaries for a life insurance business, mail-order non-life insurance, and other operations in Japan. The markets in which the Company is developing these businesses are extremely competitive, with companies that have already established solid business foundations. There is a possibility that the NIPPONKOA Insurance Group will be unable to gain earnings as expected.

(10) Risk of stock price volatility

The NIPPONKOA Insurance Group holds a large amount of marketable securities as assets. Stock markets are subject to considerable fluctuations, and in such cases changes in stock prices may have a major effect on the Group's financial condition and business performance.

(11) Interest rate risk

Part of the assets of the NIPPONKOA Insurance Group consists of bonds and loans. When interest rates rise, there is a risk that the price of bonds may fall, and when interest rates fall, there is a risk of a decline in interest income.

Moreover, with regard to savings-type insurance and life insurance products (products which guarantee the customer a fixed yield), the Company is exposed to a possible loss if the actual yield is less than the originally guaranteed yield. In this way, changes in interest rates may have an effect on the Group's business performance.

(12) Liquidity risk

If it should become difficult to manage cash flow due to the occurrence of a major disaster, or if there is a sudden increase in payouts as the result of a sharp rise in insurance contract cancellations, or if the Company is forced to sell assets or raise funds when the markets are disrupted or under other adverse conditions, the NIPPONKOA Insurance Group's financial condition and business performance may be affected.

(13) Credit risk

The NIPPONKOA Insurance Group holds as assets equities, bonds, loans, etc. However, if the companies that have issued these securities and/or bonds, the parties responsible for repayment of those loans should go bankrupt, or other events occur, it is conceivable that the equities and bonds of such companies could fall in value, and that collection of principal and interest could prove impossible. Such losses could affect the Group's financial condition and business performance.

(14) Risk associated with exchange rate fluctuations

The NIPPONKOA Insurance Group conducts business transactions in foreign currencies such as U.S. dollars and euros. These transactions generate earnings and expenses, as well as assets and liabilities that are denominated in foreign currencies. These are all exposed to risks associated with exchange rate fluctuations that could affect the Group's financial condition and business performance.

(15) Retirement benefit liabilities

Regarding retirement benefit liabilities and expenses, the NIPPONKOA Insurance Group makes estimates of future liabilities over the long term, based on forecast values and other basic rates. Consequently, changes in the business environment or conditions underlying the assumptions for those forecast values could significantly affect future liabilities, and have a major impact on the financial position and/or business performance of the NIPPONKOA Insurance Group.

(16) Legal risk

The NIPPONKOA Insurance Group, in the course of its business operations, is subject in Japan to general laws regulating corporate management, such as the company and anti-trust laws, as well as to financial laws and regulations such as the Insurance Business Law. Overseas, the Company is subject to the relevant laws and regulations of each country or region. The Company has implemented a compliance program and utilizes the services of in-house lawyers to ensure that it remains in compliance with all relevant laws.

Nevertheless, in the event of a legal dispute arising from failure to comply with these laws and regulations, or from other causes, there is a possibility that lawsuits will be brought against the NIPPONKOA Insurance Group, and that depending on the extent of that lawsuit, the Group's operational management and/or business performance may be affected.

(17) Major disaster risk

There is a possibility that damage resulting from major disasters such as earthquakes, typhoons, floods, etc. may damage the NIPPONKOA Insurance Group's offices and/or systems, impairing its ability to continue normal operations. Depending on the extent of such damage, the Group's operational management and/or business performance may be affected.

(18) Leaks of customer-related data

The NIPPONKOA Insurance Group handles a great deal of customer-related data, including both personal and company-related information. The Group exercises great care in the management of this information; however, in the unlikely event that a significant leak of such data should occur, not only would our customers suffer serious inconvenience, there is also a danger that the Company's social reputation and trust could be seriously damaged. Such an event could have a serious impact on the Group's operational management and/or business performance.

(19) Other risks

System breakdowns, clerical or operational errors, or employee fraud could become obstacles hindering business operations, and could cause customers to lose their trust and confidence in the Company, and there is a danger that this could produce financial losses. Moreover, if such events should result in the imposition of administrative sanctions by the relevant authorities, there is a possibility that business operations or performance could be affected.

In fact, the Financial Services Agency on March 14, 2007 ordered NIPPONKOA to temporarily suspend some of its business operations and to improve its business practices due to the failure on the part of NIPPONKOA to properly honor legitimate insurance claims related to its third-sector insurance products. Based on this business improvement order, the Company has drawn up an "Operational Improvement Plan" which was submitted to the Financial Services Agency on April 13, 2007, and the necessary reforms are now being implemented.

Financial Section

Consolidated Balance Sheets

NIPPONKOA INSURANCE CO., LTD. and consolidated subsidiaries As of March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	**2007**
Assets:			
Cash and bank deposits (Note 8)	**¥ 134,633**	¥ 166,498	**$ 1,140,481**
Call loans	**44,000**	3,000	**372,723**
Monetary receivables bought	**28,102**	25,646	**238,056**
Money in trust (Note 3)	**86,397**	95,439	**731,876**
Investments in securities (Notes 1(e), 3 and 8)	**2,863,645**	2,869,252	**24,257,906**
Loans (Note 5)	**248,080**	290,721	**2,101,490**
Property and equipment (Notes 1(h), 7 and 8):	**270,057**	280,950	**2,287,655**
Less accumulated depreciation	**139,345**	143,430	**1,180,389**
Property and equipment, net	**130,712**	137,519	**1,107,265**
Other assets	**167,728**	176,209	**1,420,826**
Deferred tax assets (Notes 1(p) and 10)	**38**	67	**327**
Reserve for doubtful accounts (Note 1(j))	**(2,959)**	(4,734)	**(25,073)**
Total assets	**¥3,700,381**	¥3,759,621	**$31,345,881**
Liabilities:			
Underwriting fund:			
Outstanding claims (Note 1(k))	**¥ 275,260**	¥ 250,354	**$ 2,331,732**
Underwriting reserves (Note 1(l))	**2,402,243**	2,428,508	**20,349,371**
	2,677,504	2,678,862	**22,681,104**
Income taxes payable	**8,144**	2,006	**68,992**
Reserve for employees' retirement benefits (Notes 1(m) and 11)	**38,532**	39,660	**326,408**
Reserve for price fluctuations (Note 1(o))	**18,371**	15,712	**155,626**
Other liabilities (Note 8)	**77,527**	99,172	**656,732**
Deferred tax liabilities (Notes 1(p) and 10)	**112,543**	131,518	**953,354**
Negative goodwill (Notes 1(s) and 1(v))	**733**	1,026	**6,211**
Total liabilities	**2,933,357**	2,967,960	**24,848,429**
Minority interests	**—**	332	**—**
Shareholders' equity:			
Common stock:			
Authorized 1,479,966,089 shares as of March 31, 2006; issued 833,743,118 shares as of March 31, 2006	**—**	91,249	**—**
Capital surplus	**—**	46,705	**—**
Retained earnings	**—**	167,780	**—**
Net unrealized gain on available-for-sale securities (Note 1(e))	**—**	509,540	**—**
Foreign currency translation adjustments (Note 1(c))	**—**	(2,330)	**—**
Treasury stock:			
30,558,262 shares as of March 31, 2006	**—**	(21,616)	**—**
Total shareholders' equity	**—**	791,328	**—**
Total liabilities, minority interests and shareholders' equity	**—**	¥3,759,621	**—**
Net assets (Note 1(t))**:**			
Common stock:			
Authorized 1,500,000,000 shares as of March 31, 2007; issued 826,743,118 shares as of March 31, 2007 (Note 13)	**91,249**	—	**772,970**
Capital surplus	**46,702**	—	**395,612**
Retained earnings	**172,244**	—	**1,459,081**
Treasury stock:			
30,554,148 shares as of March 31, 2007	**(23,318)**	—	**(197,530)**
Total shareholders' equity	**286,877**	—	**2,430,134**
Net unrealized gain on available-for-sale securities (Note 1(e))	**480,712**	—	**4,072,105**
Net deferred gains on hedge accounting	**87**	—	**737**
Foreign currency translation adjustments (Note 1(c))	**(1,303)**	—	**(11,042)**
Total valuation and translation adjustments	**479,495**	—	**4,061,801**
Subscription rights to shares (Notes 14 and 15)	**268**	—	**2,278**
Minority interests	**382**	—	**3,237**
Total net assets	**767,024**	—	**6,497,451**
Total liabilities and net assets	**¥3,700,381**	—	**$31,345,881**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

NIPPONKOA INSURANCE CO., LTD. and consolidated subsidiaries   For the years ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2007	2006	2005	**2007**
Operating income:				
Net premiums written for non-life insurance	**¥712,862**	¥717,727	¥ 728,421	**$6,038,652**
Life insurance premiums	**61,946**	61,048	58,124	**524,747**
Reversal of underwriting reserves (Note 1(l))	**25,095**	14,809	9,894	**212,583**
Deposit premiums from policyholders	**82,608**	99,957	143,669	**699,776**
Investment income (Note 6)	**62,414**	56,061	51,278	**528,712**
Net realized gains on securities	**47,481**	8,962	55,904	**402,213**
Other operating income, net	**—**	2,667	—	**—**
	992,409	961,233	1,047,293	**8,406,685**
Operating costs and expenses:				
Net losses paid for non-life insurance	**429,284**	413,773	432,404	**3,636,466**
Life insurance losses	**9,806**	7,795	7,302	**83,073**
Provision for outstanding claims (Note 1(k))	**24,967**	3,635	24,055	**211,503**
Loss adjustment expenses	**36,650**	35,916	37,979	**310,468**
Net commissions and brokerage expenses	**128,190**	129,780	132,088	**1,085,901**
Operating and administrative expenses	**149,437**	149,798	140,050	**1,265,886**
Maturity refunds and dividends to policyholders	**183,203**	195,197	245,135	**1,551,913**
Revaluation loss on securities	**1,904**	849	704	**16,130**
Other operating costs and expenses, net	**832**	—	5,938	**7,048**
	964,278	936,746	1,025,658	**8,168,392**
Ordinary profit (Notes 1(n) and 1(u))	**28,130**	24,486	21,634	**238,293**
Special items:				
Impairment losses (Note 12)	**(396)**	(6,138)	—	**(3,357)**
Reversal of (provision for) price fluctuation reserve (Note 1(o))	**(2,659)**	(2,705)	(5,089)	**(22,528)**
Other special gains (losses), net (Note 11)	**(1,767)**	154	7,159	**(14,975)**
Income before income taxes and minority interests	**23,306**	15,797	23,704	**197,431**
Income taxes:				
Current	**10,309**	3,113	6,820	**87,332**
Deferred (Notes 1 (p) and 10)	**(2,932)**	1,985	3,386	**(24,840)**
Minority interests	**57**	29	30	**482**
Net income	**¥ 15,872**	¥ 10,670	¥ 13,467	**$ 134,457**

	Yen			U.S. Dollars (Note 2)
	2007	2006	2005	**2007**
Net income (loss) per share (Notes 1(q) and 17):				
Basic	**¥19.81**	¥13.08	¥16.35	**$0.167**
Diluted	**19.79**	13.07	16.35	**0.167**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity and Changes in Net Assets

NIPPONKOA INSURANCE CO., LTD. and consolidated subsidiaries   For the years ended March 31, 2007, 2006 and 2005

Millions of Yen

	Thousands of common shares	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance as of March 31, 2004	833,743	¥91,249	¥46,702	¥156,143	¥313,151	¥(3,540)	¥ (5,345)
Net income	—	—	—	13,467	—	—	—
Cash dividends	—	—	—	(6,175)	—	—	—
Bonuses to directors	—	—	—	(30)	—	—	—
Other items	—	—	1	(218)	—	—	—
Change of unrealized gain on available-for-sale securities	—	—	—	—	(16,506)	—	—
Transfer to foreign currency translation adjustment	—	—	—	—	—	146	—
Increase in treasury stock, net	—	—	—	—	—	—	(6,637)
Balance as of March 31, 2005	833,743	91,249	46,703	163,187	296,644	(3,393)	(11,982)
Net income	—	—	—	10,670	—	—	—
Cash dividends	—	—	—	(6,099)	—	—	—
Bonuses to directors	—	—	—	(44)	—	—	—
Other items	—	—	1	67	—	—	—
Change of unrealized gain on available-for-sale securities	—	—	—	—	212,895	—	—
Transfer to foreign currency translation adjustment	—	—	—	—	—	1,063	—
Increase in treasury stock, net	—	—	—	—	—	—	(9,633)
Balance as of March 31, 2006	833,743	¥91,249	¥46,705	¥167,780	¥509,540	¥(2,330)	¥(21,616)

Millions of Yen

		Shareholders' equity				Valuation and translation adjustments					
	Thousands of common shares	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gain on available-for-sale securities	Net deferred gains (losses) on hedge accounting	Foreign currency translation adjustments	Subscription rights to shares (Note 14)	Minority interests	Total net assets
Balance as of March 31, 2006	833,743	¥ 91,249	¥ 46,705	¥ 167,780	¥ (21,616)	¥ 509,540	—	¥ (2,330)	—	¥ 332	¥ 791,660
Change during this period	—	—	—	—	—	—	—	—	—	—	**0**
Cash dividends*	—	—	—	**(6,023)**	—	—	—	—	—	—	**(6,023)**
Bonuses to directors*	—	—	—	**(66)**	—	—	—	—	—	—	**(66)**
Net income	—	—	—	**15,872**	—	—	—	—	—	—	**15,872**
Increase in treasury stock, net	**(7,000)**	—	**(46)**	—	**(7,044)**	—	—	—	—	—	**(7,091)**
Other items	—	—	**43**	**(5,318)**	**5,342**	—	—	—	—	—	**67**
Net change of items other than shareholders' equity	—	—	—	—	—	**(28,828)**	**¥87**	**1,027**	**¥268**	**49**	**(27,395)**
Balance as of March 31, 2007	**826,743**	**¥91,249**	**¥46,702**	**¥172,244**	**¥(23,318)**	**¥480,712**	**¥87**	**¥(1,303)**	**¥268**	**¥382**	**¥767,024**

Thousands of U.S. Dollars (Note 2)

		Shareholders' equity				Valuation and translation adjustments					
	Thousands of common shares	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gain on available-for-sale securities	Net deferred gains (losses) on hedge accounting	Foreign currency translation adjustments	Subscription rights to shares (Note 14)	Minority interests	Total net assets
Balance as of March 31, 2006	833,743	$ 772,970	$ 395,638	$ 1,421,268	$ (183,111)	$ 4,316,311	—	$ (19,744)	—	$ 2,815	$ 6,706,147
Change during this period											
Cash dividends*	—	—	—	**(51,028)**	—	—	—	—	—	—	**(51,028)**
Bonuses to directors*	—	—	—	**(565)**	—	—	—	—	—	—	**(565)**
Net income	—	—	—	**134,457**	—	—	—	—	—	—	**134,457**
Increase in treasury stock, net	**(7,000)**	—	**(397)**	—	**(59,673)**	—	—	—	—	—	**(60,070)**
Other items	—	—	**371**	**(45,050)**	**45,254**	—	—	—	—	—	**575**
Net change of items other than shareholders' equity	—	—	—	—	—	**(244,205)**	**$737**	**8,702**	**$2,278**	**421**	**(232,064)**
Balance as of March 31, 2007	**826,743**	**$772,970**	**$395,612**	**$1,459,081**	**$(197,530)**	**$4,072,105**	**$737**	**$(11,042)**	**$2,278**	**$3,237**	**$6,497,451**

* This refers to an item of appropriation of retained earnings proposed at the regular shareholders' meeting held in June 2006.

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

NIPPONKOA INSURANCE CO., LTD. and consolidated subsidiaries For the years ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2007	2006	2005	**2007**
Cash flows from operating activities:				
Income before income taxes	**¥ 23,306**	¥ 15,797	¥ 23,704	**$ 197,431**
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:				
Depreciation	**7,033**	7,324	7,773	**59,579**
Impairment losses	**396**	6,138	—	**3,357**
Increase (decrease) in reserve for employees' retirement benefits	**(1,128)**	1,084	(8,877)	**(9,558)**
Increase in reserve for outstanding claims	**24,598**	3,676	23,913	**208,377**
Increase (decrease) in underwriting reserves	**(26,284)**	(15,670)	(10,411)	**(222,659)**
Interest charges	**66**	57	56	**559**
Interest and dividend income	**(62,414)**	(56,061)	(51,278)	**(528,712)**
Net loss (gain) on investments and loans	**(43,118)**	(12,148)	(55,630)	**(365,259)**
Net loss on sale of property and equipment	**1,778**	(154)	1,594	**15,064**
Decrease (increase) in other current assets	**3,787**	8,889	(2,117)	**32,080**
Increase (decrease) in other current liabilities	**(307)**	382	(2,706)	**(2,602)**
Other, net	**(7,422)**	(7,123)	6,307	**(62,876)**
Sub-total	**(79,709)**	(47,807)	(67,672)	**(675,220)**
Interest and dividend received	**65,387**	58,580	55,577	**553,898**
Interest paid	**(66)**	(57)	(56)	**(560)**
Income taxes paid	**1,102**	(6,851)	(10,132)	**9,335**
Net cash provided by (used in) operating activities	**(13,286)**	3,864	(22,283)	**(112,547)**
Cash flows from investing activities:				
Purchases of monetary receivables bought	**(4,230)**	(16,250)	(13,615)	**(35,835)**
Proceeds from sales or maturity of monetary receivables bought	**6,766**	7,103	9,418	**57,322**
Increase in money in trust	**(10,776)**	(30,770)	(14,151)	**(91,283)**
Decrease in money in trust	**16,853**	6,661	9,232	**142,765**
Purchases of investments in securities	**(784,130)**	(631,432)	(807,810)	**(6,642,360)**
Proceeds from sales or maturity of investments in securities	**795,494**	602,261	813,840	**6,738,627**
Loans made	**(64,047)**	(64,908)	(62,245)	**(542,544)**
Collection of loans	**105,352**	131,858	82,088	**892,436**
Increase in cash received under securities lending transactions	**(19,461)**	19,461	—	**(164,858)**
Acquisition of property and equipment	**(4,952)**	(9,427)	(6,519)	**(41,948)**
Proceeds from sales of property and equipment	**2,765**	3,308	6,408	**23,423**
Net decrease in short-term investments	**(2,923)**	4,186	5,664	**(24,760)**
Acquisition of shares in a subsidiary that accompany changes in the scope of consolidation	**—**	—	1,524	**—**
Other, net	**0**	—	—	**(6)**
Net cash provided by investing activities	**36,710**	22,052	23,836	**310,976**
Cash flows from financing activities:				
Dividends paid	**(6,023)**	(6,099)	(6,175)	**(51,028)**
Treasury stock acquired	**(7,092)**	(9,636)	(6,643)	**(60,083)**
Sales of treasury stock	**1**	3	7	**12**
Dividends paid to minority interests	**(8)**	(6)	(5)	**(75)**
Other, net	**(144)**	(61)	(170)	**(1,225)**
Net cash used in financing activities	**(13,268)**	(15,800)	(12,987)	**(112,399)**
Effect of exchange rate changes on cash and cash equivalents	**772**	755	(103)	**6,540**
Net increase (decrease) in cash and cash equivalents	**10,927**	10,871	(11,537)	**92,569**
Cash and cash equivalents at beginning of year	**152,733**	141,861	153,399	**1,293,806**
Cash and cash equivalents at end of year (Notes 1(d) and 16)	**¥163,661**	¥152,733	¥141,861	**$1,386,376**

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presenting Consolidated Financial Statements

NIPPONKOA Insurance Co., Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their accounting records and prepare their financial statements in Japan using guidance applicable to insurance companies. The accounts are consolidated on the basis of Japanese generally accepted statutory accounting principles and practices. Foreign subsidiaries maintain their books of account in conformity with those of their country of domicile. The accompanying consolidated financial statements have been prepared by the Company as required by the Securities Exchange Law, and accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan.

As permitted by the Securities Exchange Law in Japan, amounts of less than one million yen and one thousand dollars have been omitted. Accordingly, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

(b) Principles of Consolidation

The consolidated financial statements include accounts of the Company and its significant subsidiaries (collectively "the Companies"). Consolidated foreign subsidiaries are included on the basis of fiscal years ending on December 31, since the difference in the fiscal year ends does not exceed three months.

As for major transactions occurring between the fiscal year ends of the consolidated foreign subsidiaries and the Company, necessary adjustments are made upon consolidation.

The consolidated subsidiaries of the Company are NIPPONKOA Life Insurance Company Limited, Sonpo24 Insurance Company Limited ("SONPO24"), Nippon Insurance Company of Europe Limited, NIPPONKOA Insurance Company (Europe) Limited, NIPPONKOA Insurance Company of America, NIPPONKOA Insurance Company (Asia) Limited and NIPPONKOA Management Services (Europe) Limited.

All other subsidiaries of the Company are not consolidated as their total assets, sales, net income and retained earnings in the aggregate are considered immaterial.

The equity method of accounting for investments in common shares of unconsolidated subsidiaries and affiliates has also not been applied because the net income and retained earnings in the aggregate are considered immaterial.

(c) Foreign Currency Translation

1) Foreign currency accounts:
The Company and its consolidated domestic subsidiaries translate short-term and long-term receivables and payables denominated in foreign currencies into Japanese yen at the exchange rate as of each balance sheet date. The foreign exchange gains and losses from translation are charged to the statements of income to the extent that they are not hedged by forward foreign exchange contracts.

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

2) Foreign currency financial statements of consolidated subsidiaries:
The balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the year-end exchange rate except for shareholders' equity, which is translated at historical exchange rates. All revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the year-end exchange rate. Differences arising from such translation are shown in a separate component of net assets for 2007 or shareholders' equity for 2006.

(d) Cash Equivalents

Cash equivalents in the consolidated statements of cash flows are short-term, highly liquid investments with an original maturity of three months or less, and subject to insignificant risk of changes in value.

(e) Investments in Securities

Accounting standards and methods for valuation of investments in securities held by the Company and its consolidated domestic subsidiaries are as follows:

i) Held-to-maturity bonds are carried at amortized cost.
ii) Stocks of subsidiaries and affiliates are carried at cost determined by the moving-average method.
iii) Marketable securities classified as available-for-sale are recorded according to their mark-to-market values based on the prices prevailing in the market on the balance sheet date. The unrealized gains/losses, net of tax, on the available-for-sale securities are recognized as a component of net assets for 2007 or shareholders' equity for 2006. Cost for sale is calculated by the moving-average method.
iv) Non-marketable securities classified as available-for-sale are recorded at cost determined by the moving-average method or amortized cost method.

Securities included in money in trust that are designated for trading purposes are valued by the market value method, and the difference between carrying value and market value is charged or credited to net income. Securities included in money in trust designated as available-for-sale purpose are accounted for as described above for this method.

(f) Derivatives

Based on the Company's accounting standard for derivatives, all derivatives that do not qualify for hedge accounting are recognized as either assets or liabilities and measured at fair value with unrealized gains and losses recognized in the consolidated statements of income.

(g) Hedge Accounting

The deferral hedge accounting method is applied to hedging transactions where interest rate swaps are used to hedge cash flow fluctuation risk due to interest rate fluctuations on bonds and loans. They are also used to hedge interest rate fluctuation risk related to long term insurance contracts based on "The accounting and auditing treatment on the application of the financial products accounting standard to the insurance Industry" (Japanese Institute of Certified Public Accountants Industry Audit Practice Committee Report No. 26, hereafter Industry Audit Practice Committee Report No. 26). For certain transactions fulfilling the required conditions for the application of the exceptional treatment for interest rate swaps, this treatment is applied.

The fair value hedge accounting method is applied to foreign exchange forward contracts and currency option transactions in order to reduce the risk of foreign exchange rate fluctuation on foreign currency denominated assets. Where certain transactions fulfill the required conditions for the application of assignment accounting, this accounting is applied to such transactions.

Hedge effectiveness is judged by comparing the accumulated fluctuation of the market value or cash flows between each hedged item and the related hedging instrument for the period from the commencement of the hedge to the period end. However, effectiveness tests are not required where sufficient correlation exists between hedging instrument and hedged item.

Where JICPA Industry Audit Practice Committee Report No. 26 applies, hedge effectiveness is determined by monitoring fluctuations in the interest rate which affect both the calculation of the theoretical price of the hedged item (Insurance liabilities) grouped by their remaining life and the hedging instrument (Interest rate swap).

(h) Property and Equipment

Property and equipment are primarily recorded at cost less accumulated depreciation. The Company and its consolidated domestic subsidiaries compute depreciation of property and equipment by the declining-balance method based on estimated useful lives. The Company adopted the straight-line method to depreciate buildings (except for their attached facilities) acquired on and after April 1, 1998. The foreign subsidiaries of the Company compute depreciation of equipment by the straight-line method.

(i) Leases

Finance leases, other than those which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by a method similar to that used for ordinary operating leases.

(j) Reserve for Doubtful Accounts

A reserve for doubtful accounts is provided under the application of standards for asset self-assessment and standards for write-offs and provisions as follows:

For loans to borrowers that are bankrupt, under special liquidation procedures, barred from bill clearing transactions, or that are otherwise in a state of legal or virtual bankruptcy, a reserve is provided in the amount equivalent to such loans net of the expected realizable collateral value and the estimated recoverable guarantee value.

For loans to borrowers that are found to be facing a material risk of going into bankruptcy in the future, a reserve is provided in the amount equivalent to such loans net of the expected realizable collateral value and the estimated recoverable guarantee value, with further adjustments made as deemed necessary under consideration of such borrowers' overall repayment capabilities.

For all other loans, a reserve is provided based on the actual default ratios derived from the defaults observed during certain past periods.

Furthermore, the divisions in charge of respective portfolios of assets evaluate the entire loan portfolio according to asset self-assessment standards, and the internal independent inspection department audits the results of the divisional assessments. The provisions made as described above are based on those audit findings.

(k) Reserve for Outstanding Claims

In accordance with the regulations of the Insurance Business Law in Japan, the Company and its domestic consolidated subsidiaries have established a reserve for outstanding claims in amounts estimated to be sufficient, in the opinion of management, to discharge claims incurred and reported. The Company and its domestic consolidated subsidiaries also have a provision for losses incurred but not reported at the balance sheet date.

(l) Underwriting Reserves

Non-life insurance

Pursuant to the provisions of the Insurance Business Law and related rules and regulations in Japan, the Company and SONPO24 are required to maintain underwriting reserves in amounts determined as follows:

1) Premium reserve

Insurance other than compulsory automobile insurance and earthquake insurance

The greater of the unearned premiums or the underwriting balance at the end of the year for policies written during the year, for each line of insurance and type of policy.

Compulsory automobile insurance

Accumulated total sum of premiums written less claims incurred plus related net investment income less contributions to the Japan Red Cross Society and other Japanese institutions. Insurance companies are not permitted to recognize any profit or loss from underwriting compulsory automobile liability insurance.

Earthquake insurance

Accumulated total amounts of the underwriting balance and related net investment income.

In addition to the above, in order to provide for any extraordinary risks which might arise from a catastrophe, the Company is required to maintain a contingency reserve, at an amount determined based on net premiums written, that varies by line of business.

2) Deposits by policyholders

The Company maintains reserves for the deposit portion of premiums, and investment income on such portion, both of which are refundable to policyholders under the contract.

Life insurance

Pursuant to the provisions of the Insurance Business Law and related rules and regulations in Japan, NIPPONKOA Life Insurance Company Limited is required to maintain premium reserves in amounts determined on the basis that future policy benefits for life insurance contracts are calculated pursuant to the five-year zillmerized reserve method in large part.

(m) Reserve for Employees' Retirement Benefits

A reserve for employees' retirement benefits is provided on the basis of estimated amounts of retirement benefit obligation and plan assets at the balance sheet date.

Prior service cost is amortized by the straight-line method for certain periods which shall not exceed the average remaining period of employees' service.

Any actuarial difference incurred in each year is amortized from the following year by the straight-line method for periods which shall not exceed the average remaining period of employees' service.

The reserve for retirement benefits to directors and corporate auditors is booked based on the internal corporate policy and is included in the reserve for employee's retirement benefits. The amounts at March 31, 2007 and 2006 were ¥1,857 million ($15,731 thousand) and ¥2,285 million, respectively.

(n) Accounting Standard for Bonuses to Directors

Effective from this fiscal year, "Accounting Standard for Directors' Bonus" (ASBJ Statement No. 4) is applied. As a result, ordinary profit and income before income taxes were lower by ¥46 million ($395 thousand), respectively than would have been the case had the previous method had been applied.

(o) Reserve for Price Fluctuations

In accordance with Article 115 of the Insurance Business Law in Japan, the Company and its domestic consolidated subsidiaries must set aside a reserve of an amount calculated at rates varying according to the kind of asset, unless permission is granted by the Commissioner of the Financial Services Agency, for possible loss from price fluctuation of certain assets. Additionally, the Company may reduce this reserve for net losses resulting from reappraisals and sales of designated assets or from other investment activities, and if permission is granted by the Commissioner of the Financial Services Agency, for any other reason.

(p) Income Tax

The provision for income tax is computed based on pretax income, adjusted for permanent differences, included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. These deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

(q) Amounts per Share of Common Stock

Basic and diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during each fiscal year.

Diluted net income per share reflects the potential dilution that could occur if outstanding stock options were exercised.

(r) Valuation of Assets and Liabilities of Consolidated Subsidiaries

Regardless of the Company's investment ratio, all of the consolidated subsidiaries' assets and liabilities were valued at fair value as of the respective acquisition dates.

(s) Amortization of Goodwill

The difference between cost and fair value of net assets acquired for SONPO24 is being amortized over 5 years by the straight-line method and the difference for other subsidiaries is charged or credited to income in the year of acquisition.

(t) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective from this fiscal year, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8) are applied. The amount that corresponds to former shareholders' equity would have been ¥766,285 million ($6,491,197 thousand) had the previous presentation method been applied. Net assets in the balance sheet for the current fiscal year have been prepared in accordance with the revised regulations on consolidated Financial Statements and the revised Enforcement Regulations of the Insurance Business Law as the regulations on consolidated Financial Statements and the Enforcement Regulations of the Insurance Business Law were revised.

(u) Accounting Standard for Share-Based Payment

Effective from this fiscal year, "Accounting Standard for Share-based Payment" (ASBJ Statement No. 8) and "Guidance on Accounting Standard for Share-based Payment" (ASBJ Guidance No. 11) are applied. As a result, ordinary profit and income before income taxes were lower by ¥268 million ($2,278 thousand) respectively than would have been the case had the previous method had been applied.

(v) Change of Presentation (Consolidated Balance Sheets)

Effective from this fiscal year, the format of the balance sheet has been changed due to the revision of the Enforcement Regulations of the Insurance Business Law. The major content of the revision is as follows: "Consolidation account adjustment" presented in the previous period is presented as "Negative goodwill" in the current period.

2. U.S. DOLLAR AMOUNTS

The translations of Japanese Yen amounts into U.S. Dollar amounts are included solely for convenience and have been made, as a matter of arithmetical computation only, at ¥118.05=US$1, the approximate rate prevailing at March 31, 2007. The translations should not be construed as representations that the Japanese Yen have been or could be readily converted, realized or settled in U.S. Dollars at that or any other rates.

3. INVESTMENTS IN SECURITIES

1) The components of investments in securities as of March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	**2007**
Domestic securities:			
Bonds	**¥1,318,589**	¥1,190,190	**$11,169,750**
Equity securities	**1,122,663**	1,196,003	**9,510,063**
Foreign securities	**398,206**	453,057	**3,373,205**
Other securities	**24,186**	30,001	**204,886**
Total	**¥2,863,645**	¥2,869,252	**$24,257,906**

Securities carried at ¥68,277 million ($578,374 thousand) and ¥76,744 million as of March 31, 2007 and 2006, respectively, were on loan under securities lending agreements.

Securities held in non-consolidated subsidiaries and affiliates were ¥2,306 million ($19,538 thousand) and ¥2,306 million as of March 31, 2007 and 2006, respectively.

Information regarding each category of the securities classified as held-to-maturity and available-for-sale whose fair value is readily determinable as of March 31, 2007 and 2006 was as follows:

	Millions of Yen			
March 31, 2007	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Bonds	¥ 152,287	¥ 1,730	¥ 5,503	¥ 148,514
Foreign securities	—	—	—	—
Available-for-sale*:				
Bonds	1,163,742	7,408	6,848	1,164,301
Equity securities	372,955	728,761	359	1,101,358
Foreign securities	340,218	20,831	2,393	358,655
Other securities	4,926	339	—	5,265
Total	¥2,034,129	¥759,070	¥15,104	¥2,778,095

	Millions of Yen			
March 31, 2006	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Bonds	¥ 133,321	¥ 2,371	¥ 5,061	¥ 130,630
Foreign securities	200	8	—	208
Available-for-sale*:				
Bonds	1,064,576	6,931	17,038	1,054,469
Equity securities	387,481	785,942	792	1,172,631
Foreign securities	404,998	19,029	2,948	421,080
Other securities**	8,044	3,356	4	11,396
Total	¥1,998,623	¥817,639	¥25,846	¥2,790,416

March 31, 2007	Thousand of U.S. Dollars (Note 2) Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Bonds	$ 1,290,026	$ 14,655	$ 46,616	$ 1,258,065
Foreign securities	—	—	—	—
Available-for-sale*:				
Bonds	9,858,044	62,753	58,015	9,862,782
Equity securities	3,159,304	6,173,331	3,043	9,329,592
Foreign securities	2,881,983	176,459	20,275	3,038,167
Other securities	41,729	2,872	—	44,601
Total	$17,231,087	$6,430,072	$127,950	$23,533,209

* The Company and its domestic subsidiaries recognized impairment on securities classified as available-for-sale whose fair value is readily determinable as of the balance sheet date if the fair value declined by 30% or more from cost for the years ended March 31, 2007 and 2006.

Impairments recognized in the consolidated statements of income for the years ended March 31, 2007, 2006 and 2005 were ¥1,238 million ($10,491 thousand), ¥51 million and ¥62 million, respectively.

** Commodity funds classified as monetary receivable bought on the consolidated balance sheets are included.

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Millions of Yen 2007	2006	Thousands of U.S. Dollars (Note 2) 2007
Available-for-sale:			
Bonds	**¥ 2,000**	¥ 2,400	**$ 16,941**
Equity securities	**20,259**	22,327	**171,620**
Foreign securities	**38,289**	30,515	**324,349**
Other securities*	**40,839**	35,779	**345,954**
Total	**¥101,389**	¥91,021	**$858,866**

* Certificates of deposits classified as cash and bank deposits on the consolidated balance sheets amounting to ¥14,920 million ($126,387 thousand) and ¥15,070 million as of March 31, 2007 and 2006, respectively, are included.

* Commercial paper classified as monetary receivable bought on the consolidated balance sheets amounting to ¥6,998 million ($59,281 thousand) and ¥1,999 million as of March 31, 2007 and 2006, respectively, are included.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007, 2006 and 2005 were ¥382,328 million ($3,238,700 thousand), ¥285,225 million and ¥524,778 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average-cost basis, were ¥49,586 million ($420,050 thousand) and ¥2,525 million ($21,389 thousand), respectively, for the year ended March 31, 2007. Those for the year ended March 31, 2006 were ¥11,494 million and ¥2,896 million, respectively. For the year ended March 31, 2005, they amounted to ¥61,372 million and ¥6,087 million, respectively.

The carrying value of debt securities by contractual maturity for securities classified as available-for-sale and held-to-maturity as of March 31, 2007 and 2006 are as follows:

	Millions of Yen 2007	2006	Thousands of U.S. Dollars (Note 2) 2007
Due in one year or less	**¥ 308,719**	¥ 170,094	**$ 2,615,159**
Due after one year through five years	**650,268**	646,559	**5,508,411**
Due after five years through ten years	**416,740**	563,414	**3,530,206**
Due after ten years	**330,174**	260,254	**2,796,900**
Total	**¥1,705,902**	¥1,640,322	**$14,450,678**

* Certificates of deposits classified as cash and bank deposits on the consolidated balance sheets amounting to ¥14,920 million ($126,387 thousand) and ¥15,070 million as of March 31, 2007 and 2006, respectively, are included.

* Commercial paper classified as monetary receivable bought on the consolidated balance sheets amounting to ¥6,998 million ($59,281 thousand) and ¥1,999 million as of March 31, 2007 and 2006, respectively, are included.

* Commodity funds classified as monetary receivable bought on the consolidated balance sheets are included.

2) The amount of money in trust for trading purposes as of March 31, 2007 and 2006 were ¥52,180 million ($442,016 thousand) and ¥63,434 million, respectively. Net unrealized loss charged to income for the year ended March 31, 2007 was ¥1,251 million ($10,603 thousand). Net unrealized gain credited to income for the year ended March 31, 2006 and 2005 was ¥3,389 million and ¥520 million, respectively. The amount of money in trust held as neither trading nor held-to-maturity as of March 31, 2007 and 2006 was ¥34,217 million ($289,859 thousand) with net unrealized loss of ¥538 million ($4,558 thousand) and ¥32,005 million with net unrealized loss of ¥649 million, respectively.

4. DERIVATIVES AND HEDGE ACCOUNTING

The Company enters into forward foreign exchange contracts, currency option contracts, currency swaps, interest rate swaps, bond futures, stock index futures, independent stock options, weather derivatives and credit derivatives. The consolidated domestic subsidiaries of the Company do not enter into derivative contracts. The consolidated foreign subsidiaries enter into forward foreign exchange contracts.

The Companies utilize derivative financial instruments to hedge their exposure to market risks arising from fluctuations in prices, foreign exchange rates and interest rates.

The Company also utilizes derivatives for trading purposes, for which transactions are strictly controlled from a risk management perspective.

The gross amounts of deferred gains and losses on hedging transactions were ¥7 million and ¥333 million, respectively, as of March 31, 2006.

In the following schedules of derivative transactions, "Contracted amount" represents the notional principal amount, not the amount affected by market and/or credit risks.

(a) Forward Foreign Exchange Contracts and Currency Swap Agreements

Forward foreign exchange contracts and currency swap agreements outstanding as of March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
March 31, 2007	Contracted amount	Current value of contracted amount/ fair value	Net unrealized gain (loss)	Net unrealized gain (loss)
Forward foreign exchange contracts*:				
Short positions:				
US$	¥23,541	¥23,423	¥117	$ 991
EUR	781	776	5	44
Long positions:				
—				
Currency swap agreements:				
Receive fixed GBP, pay fixed Yen	870	5	5	43
			¥127	$1,079

	Millions of Yen		
March 31, 2006	Contracted amount	Current value of contracted amount/ fair value	Net unrealized gain (loss)
Forward foreign exchange contracts*:			
Short positions:			
US$	¥17,403	¥17,879	¥(476)
Long positions:			
—			
Currency swap agreements:			
Receive fixed GBP, pay fixed Yen	870	9	9
			¥(467)

* Forward foreign exchange transactions and currency swap agreements that qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and hedged items are excluded from the above tables.

(b) Interest Rate Swap Agreements

Interest rate swap agreements outstanding as of March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
March 31, 2007	Contracted amount	Fair value	Net unrealized loss	Net unrealized loss
Interest rate swap agreements*:				
Receive fixed rate, pay floating rate	¥152,000	¥(717)	¥(717)	$(6,076)
			¥(717)	$(6,076)

	Millions of Yen		
March 31, 2006	Contracted amount	Fair value	Net unrealized loss
Interest rate swap agreements*:			
Receive fixed rate, pay floating rate	¥138,000	¥(1,509)	¥(1,509)
			¥(1,509)

* Interest rate swap agreements that qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and hedged items are excluded from the above tables.

(c) Credit Derivatives

Credit derivatives outstanding as of March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
March 31, 2007	Contracted amount	Fair value	Net unrealized gain	Net unrealized gain
Credit derivatives				
Short positions:	¥24,200	¥195	¥195	$1,657
			¥195	$1,657

	Millions of Yen		
March 31, 2006	Contracted amount	Fair value	Net unrealized gain
Credit derivatives			
Short positions:	¥43,161	¥354	¥354
Long positions:	¥17,000	¥ 3	¥ 3
			¥357

5. LOANS

Loans include "Loans to borrowers in bankruptcy or under legal restructuring procedures" and "Delinquent/overdue loans" on which accrued interest income has not been recognized. Loans also include "Delinquent/overdue loans for more than 3 months" in addition to the aforementioned loans.

Additionally, loans include "Restructured loans", which have been restructured to facilitate the restructuring of, or assist the borrowers, by reducing the interest or providing a grace period for the payment of principal/interest, etc. The balances of the loan categories described above as of March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	**2007**
Loans to borrowers in bankruptcy or under legal restructuring procedures	**¥ 501**	¥ 128	**$ 4,250**
Delinquent/overdue loans	**1,923**	4,114	**16,297**
Delinquent/overdue loans for more than 3 months	**158**	7	**1,342**
Restructured loans	**374**	1,526	**3,171**
Total	**¥2,958**	¥5,777	**$25,062**

6. INVESTMENT INCOME

Investment income for the years ended March 31, 2007, 2006 and 2005 is summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2007	2006	2005	**2007**
Investment income	**¥62,414**	¥56,061	¥51,278	**$528,712**
Less: Investment income on deposit premiums, etc.	**27,418**	28,246	30,008	**232,261**
Net investment income	**¥34,996**	¥27,814	¥21,269	**$296,451**

7. PROPERTY AND EQUIPMENT

Advanced depreciation of property and equipment at March 31, 2007 and 2006 amounted to ¥19,981 million ($169,259 thousand) and ¥20,112 million, respectively.

The components of property and equipment as of March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	**2007**
Land	**¥ 69,383**	¥ 70,830	**$ 587,750**
Buildings	**157,760**	166,064	**1,336,389**
Furniture and equipment	**42,907**	44,039	**363,468**
Construction in progress	**5**	16	**48**
	270,057	280,950	**2,287,655**
Less: accumulated depreciation	**139,345**	143,430	**1,180,389**
	¥130,712	¥137,519	**$1,107,265**

8. COLLATERAL

Assets pledged as collateral as of March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	**2007**
Cash and bank deposits	**¥ 504**	¥ 439	**$ 4,276**
Securities	**6,948**	13,885	**58,864**
Property and equipment	**4,955**	5,007	**41,979**
Total	**¥12,409**	¥19,332	**$105,120**

Part of the collateral serves to secure borrowings, which are included in "Other liabilities" in the consolidated balance sheets, of ¥2,098 million ($17,774 thousand) as of March 31, 2007 and ¥2,242 million as of March 31, 2006, respectively.

9. LEASES

Information on finance leases, other than those that are deemed to transfer the ownership of the leased assets to the lessees, for the years ended March 31, 2007 and 2006 is summarized as follows:

(a) Acquisition Cost, Accumulated Depreciation and Net Book Value of Movable Property

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	**2007**
Acquisition cost	**¥1,583**	¥1,653	**$13,417**
Accumulated depreciation	**689**	987	**5,840**
Net book value	**¥ 894**	¥ 665	**$ 7,577**

(b) Future Minimum Lease Payments

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	**2007**
Within one year	**¥332**	¥243	**$2,820**
Over one year	**561**	422	**4,756**
Total	**¥894**	¥665	**$7,577**

(c) Lease Expense

Lease expense (the amount corresponding to depreciation expense) for the years ended March 31, 2007, 2006 and 2005 amounted to ¥370 million ($3,136 thousand), ¥302 million and ¥352 million, respectively.

(d) Computation of Depreciation Expense

Depreciation expense is computed by the straight-line method over a period up to the length of the relevant lease contract with no residual value. The figures shown in this note include the portion of interest thereon.

10. INCOME TAXES

1) The components of the net deferred tax assets and liabilities as of March 31, 2007 and 2006 are as follows:

March 31, 2007	Millions of Yen	Thousands of U.S. Dollars (Note 2)
Deferred tax assets:		
Underwriting reserves	¥ 94,554	$ 800,967
Reserve for outstanding losses and claims	14,857	125,854
Reserve for retirement allowance	13,915	117,874
Accruals not currently deductible for computer software development cost	13,657	115,691
Revaluation loss on securities	10,102	85,579
Other	33,963	287,704
Sub-total	181,050	1,533,672
Valuation allowance	(24,643)	(208,755)
Total	156,406	1,324,917
Deferred tax liabilities:		
Net unrealized gain on available-for-sale securities	(266,463)	(2,257,204)
Other	(2,448)	(20,740)
Total	(268,911)	(2,277,945)
Deferred tax assets (liabilities), net	¥(112,504)	$ (953,027)

March 31, 2006	Millions of Yen
Deferred tax assets:	
Underwriting reserves	¥ 92,633
Reserve for retirement allowance	14,321
Accruals not currently deductible for computer software development cost	13,784
Reserve for outstanding losses and claims	11,451
Revaluation loss on securities	9,892
Other	33,048
Sub-total	175,131
Valuation allowance	(22,519)
Total	152,612
Deferred tax liabilities:	
Net unrealized gain on available-for-sale securities	(282,551)
Other	(1,513)
Total	(284,064)
Deferred tax assets (liabilities), net	¥(131,451)

2) The breakdown of the reconciliation between statutory tax rate and effective tax rate for the years ended March 31, 2007, 2006 and 2005 were as follows:

	2007
Statutory tax rate in Japan	**36.1%**
Adjustments:	
Non-taxable revenue including dividends received	**(10.2)**
Operating losses of certain subsidiaries	**4.6**
Others	**1.2**
Effective tax rate	**31.7%**

	2006
Statutory tax rate in Japan	36.1%
Adjustments:	
Non-taxable revenue including dividends received	(12.6)
Operating losses of certain subsidiaries	7.8
Others	0.9
Effective tax rate	32.3%

	2005
Statutory tax rate in Japan	36.1%
Adjustments:	
Increase of valuation allowance on deferred tax asset	14.4
Non-taxable revenue including dividends received	(7.4)
Others	(0.1)
Effective tax rate	43.1%

11. RETIREMENT PLAN

(a) Overview

The Company provides a corporate pension plan and a defined benefit plan with a lump-sum payment for retiring employees. It also provides a tax-qualified pension plan and an in-house retirement pension plan, both limited to pensioners. The Company has set up trust funds for the retirement plans.

On April 1, 2004, the Company obtained approval from the Minister of Health, Labor and Welfare to transfer its obligation back to the government for benefits related to past service under the substitutional portion of the welfare pension plan under corporate pension law.

The Company paid to the government the amount of the restoration (minimum actuarial liability) on September 29, 2004. The profit realized by returning the substitutional portion of ¥8,753 million was reported as "Other special gains," which applied for the year ended March 31, 2005.

The consolidated domestic subsidiaries of the Company provide a defined benefit plan with lump-sum payments for retiring employees and one of them provides a tax-qualified pension plan. The consolidated foreign subsidiaries of the Company provide defined contribution pension plans.

(b) Reserve for Employees' Retirement Benefits

Reserve for employees' retirement benefits as of March 31, 2007 and 2006 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	**2007**
Retirement benefit obligation	**¥(136,607)**	¥(129,660)	**$(1,157,197)**
Plan assets	**97,277**	89,922	**824,035**
Unfunded portion of retirement benefit obligation	**(39,329)**	(39,737)	**(333,162)**
Unrecognized prior service cost	**(3,716)**	(4,649)	**(31,486)**
Unrecognized actuarial difference	**6,371**	7,011	**53,971**
Reserve for employee's retirement benefits	**¥ (36,675)**	¥ (37,375)	**$ (310,676)**

* Domestic subsidiaries adopt a simplified method in calculating their retirement benefit obligation.

Benefit expenses charged to the income for the years ended March 31, 2007 and 2006 consist of the following:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2007	2006	2005	**2007**
Service cost	**¥ 5,147**	¥5,232	¥ 5,300	**$ 43,606**
Interest expense	**2,413**	2,325	2,424	**20,445**
Expected investment income	**(1,228)**	(975)	(999)	**(10,407)**
Amortization of prior service cost	**(932)**	(932)	(932)	**(7,898)**
Amortization of actuarial difference	**2,706**	4,095	4,127	**22,925**
Benefit expenses	**¥ 8,106**	¥9,746	¥ 9,920	**$ 68,670**

* Service cost includes the benefit expenses of subsidiaries under a simplified method.

(c) Basis for Calculation of Benefit Obligation as of March 31, 2007 and 2006

The estimated employees' retirement benefits are allocated equally to each service year based on the total service years and vested benefit points. The expected earnings ratio on investments is between 0.0% and 2.0%. The discount rates for the years ended March 31, 2007 and 2006 are 1.8%. Both prior service cost and actuarial difference are amortized over 10 years.

12. IMPAIRMENT LOSSES ON FIXED ASSETS

The fixed assets of the Company and domestic consolidated subsidiaries supplied for the insurance business operations, etc. are classified together as a single fixed asset group, and lease properties and idle properties are grouped together within an individual properties group.

Impairment losses on fixed assets for the year ended March 31, 2007 and 2006 are as follows:

March 31, 2007 — Millions of Yen

Use	Category	Distriction	Impairment losses: Land	Building	Total
Lease properties	Land and buildings	4 properties, including property in Chiba	¥107	¥ 58	¥165
Idle properties	Land and buildings	4 properties, including property in Chiba	186	43	230
Total			¥293	¥102	¥396

March 31, 2007 — Thousands of U.S. Dollars (Note 2)

Use	Category	Distriction	Impairment losses: Land	Building	Total
Lease properties	Land and buildings	4 properties, including property in Chiba	$ 909	$495	$1,405
Idle properties	Land and buildings	4 properties, including property in Chiba	1,579	372	1,951
Total			$2,489	$867	$3,357

The book values of the properties listed above , the profitability of which has decreased significantly due to falling land prices were impaired to the recoverable amount. The amount of the resulting decrease has been accumulated within special loss from impairment losses on fixed assets amounting to ¥396 million ($3,357 thousand). The recoverable amount is measured as net sales value. The net sales value is measured by a real estate appraiser.

March 31, 2006 — Millions of Yen

Use	Category	Distriction	Impairment losses: Land	Building	Total
Lease properties	Land and buildings	12 properties, including property in Hokkaido	¥2,839	¥1,192	¥4,031
Idle properties	Land and buildings	8 properties, including property in Hokkaido	1,074	1,032	2,106
Total			¥3,913	¥2,224	¥6,138

The book values of the properties listed above, the profitability of which has decreased significantly due to either falling land prices or decreases in rental income levels, were impaired to the recoverable amount. The amount of the resulting decrease has been accumulated within special loss from impairment losses on fixed assets amounting to ¥6,138 million.

The recoverable amount is measured as the higher of net sales value and usage value. The net sales value is measured by a real estate appraiser or inheritance tax assessed value with reasonable adjustments, and the usage value is calculated by the future cash flow discounted by 8.7%.

13. THE TYPE AND TOTAL NUMBER OF OUTSTANDING SHARES AND THOSE OF TREASURY STOCK

Thousands of shares

	Previous fiscal year-end	Increase during the current period	Decrease during the current period	Current fiscal year-end
Outstanding shares:				
Common stock	833,743	—	7,000	826,743
Total	833,743	—	7,000	826,743
Treasury stock:				
Common stock	30,558	7,063	7,067	30,554
Total	30,558	7,063	7,067	30,554

* Decrease of 7,000 thousand shares in the number of outstanding shares of common stock is due to the retirement of treasury stocks.

** Increase of 7,063 thousand shares in the number of treasury stock of common stock is due to the acquisition of 6,968 thousand shares based on the resolution by the Board of Directors on December 7, 2006 and the purchase of 95 thousand fractional shares.

*** Decrease of 7,067 thousand shares in the number of treasury stock of common stock is due to the decrease of 7,000 thousand shares resulting from the retirement of treasury stock, the decrease of 66 thousand shares resulting from the exercise of subscription rights to shares and the decrease of 1 thousand shares resulting from sale of fractional shares.

14. SUBSCRIPTION RIGHTS TO SHARES AND OWN SHARE OPTIONS

Category	Detail of subscription rights to shares	Millions of Yen: Outstanding balance at the current fiscal year-end	Thousands of U.S. Dollars (Note 2): Outstanding balance at the current fiscal year-end
Filing company (parent company)	Subscription rights to shares as stock options	¥268	$2,278
Total		¥268	$2,278

15. STOCK OPTIONS

1) The Company recorded stock option expenses in "Operating and administrative expenses" of ¥268 million ($2,278 thousand) during the year ended March 31, 2007.

2) Terms of Stock Options

Grant date	Grantee categories and numbers of grantees	Number of stock options (number of shares)*	Fair value**	Exercise period
March 15, 2005	9 directors of the Company 21 executive officers of the Company	395,000 shares of common stock	—	(a) Exercise date can be anytime between 1 year and 7 years after retirement, but in all cases must be prior to June 29, 2024. (b) Regardless of (a), stock option holders with exercise date after June 30, 2023 can exercise any option anytime after July 1, 2023.
March 15, 2006	10 directors of the Company 21 executive officers of the Company	387,000 shares of common stock	—	(a) Exercise date can be anytime between 1 year and 7 years after retirement, but in all cases must be prior to June 29, 2025. (b) Regardless of (a), stock option holders with exercise date after June 30, 2024 can exercise any option anytime after July 1, 2024.
March 27, 2007	10 directors of the Company 21 executive officers of the Company	288,000 shares of common stock	¥934	From March 19, 2007 to June 29, 2027 (exercisable within 10 days after retirement)

* The number is shown converting into applicable number of shares.

** Fair value per stock option at the grant date

*** The exercise price is ¥1 per share.

**** During the year ended March 31, 2007, options over 66 thousand shares, which were granted at March 15, 2005, were exercised.

3) Estimation Methods for Stock Options Fair Value

Estimation methods for stock options fair value granted during the current period are as follows:

(a) Valuation method used: Black-Scholes model

(b) Assumptions and estimation methods utilized:

	2006 Stock Options
Volatility*	29.37%
Expected remaining period**	3 years
Expected dividend***	7.5 yen per share
Risk-free interest rate****	0.94%

* Calculated based on the real performance of the share price for the past three years (March 28, 2004 through March 27, 2007)

** Estimated based on the past service results.

*** Based on the actual dividends for the fiscal year ended March 31, 2006.

**** Yield of government bonds corresponding to the expected remaining period.

4) Estimation Methods for the Number of Stock Options Vested

It is estimated based on the past record.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2007 and 2006 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	**2007**
Items on the consolidated balance sheets:			
Cash and bank deposits	**¥ 134,633**	¥ 166,498	**$ 1,140,481**
Call loans	**44,000**	3,000	**372,723**
Monetary receivables bought	**28,102**	25,646	**238,056**
Investments in securities	**2,863,645**	2,869,252	**24,257,906**
Less:			
Bank deposits with original maturity longer than 3 months	**(22,470)**	(19,264)	**(190,345)**
Monetary receivables bought other than cash equivalents	**(21,104)**	(23,646)	**(178,774)**
Securities other than cash equivalents	**(2,863,145)**	(2,868,752)	**(24,253,671)**
Cash and cash equivalents	**¥ 163,661**	¥ 152,733	**$ 1,386,376**

17. PER SHARE INFORMATION

1) Net assets per share

		(Note 2)
		2007
Net assets per share	**¥962.55**	**$8.153**

Computational elements are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
	2007	**2007**
Total net assets	**¥764,024**	**$6,472,038**
Deduction from total net assets	**651**	**5,515**
Of which, subscription rights to shares	**268**	**2,278**
Of which, minority interests	**382**	**3,237**
Net assets at year-end attributable to common stock	**¥763,373**	**$6,466,522**

	Thousands of shares
	2007
Number of shares of common stock at year-end	**796,188**

2) Basic net income per share

		(Note 2)
		2007
Basic net income per share	**¥19.81**	**$0.167**

Computational elements are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
	2007	**2007**
Net income	**¥15,872**	**$134,457**
Net income not attributable to common shareholders	**0**	**0**
Of which, bonuses to directors paid through appropriation of retained earnings	**0**	**0**
Net income attributable to common stock	**¥15,872**	**$134,457**

	Thousands of shares
	2007
Weighted average number of shares of outstanding common stock	**801,202**

3) Diluted net income per share

		(Note 2)
		2007
Diluted net income per share	**¥19.79**	**$0.167**

Computational elements are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
	2007	**2007**
Net income–diluted net income	**—**	**—**

	Thousands of shares
	2007
Increase in number of shares of common stock	**737**
Of which, subscription rights to shares	**737**

* There are no potential shares excluded from the calculation of diluted net income per share since there is no dilution effect.

18. SUBSEQUENT EVENTS

1) The appropriation of retained earnings of the Company including cash dividends in respect of the year ended March 31, 2007 was approved at the shareholders' meeting held on June 27, 2007 as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
Retained earnings at March 31, 2007*	¥ 137,251	$ 1,162,655
Appropriations:		
Cash dividends (¥7.50-$0.06)	5,971	$ 50,583
Transfer to legal reserve*	1,300	11,012
Retained earnings to be carried forward	¥ 129,980	$ 1,101,059

* The Company set aside a legal reserve of ¥34,347 million ($290,956 thousand) as of March 31, 2007, which is not shown in the consolidated balance sheets.

2) On June 1, 2007, the Board of Directors of the Company approved a plan to repurchase up to 34 million shares of the Company's common stock at a cost of up to ¥42,000 million ($355,781 thousand) for the period from June 4, 2007 to July 31, 2007.

19. AUDITORS' REPORT

The Company was subject to audit on the consolidated balance sheet as of March 31, 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended March 31, 2006 by ChuoAoyama PricewaterhouseCoopers. The Company was subject to audit on the consolidated balance sheet as of March 31, 2007, and the related consolidated statements of income, changes in net assets, and cash flows for year ended March 31, 2007 by PricewaterhouseCoopers Aarata.

Report of Independent Auditors

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Aarata
Shin-Marunouchi Bldg., 32nd Floor
1-5-1 Marunouchi
Chiyoda-ku, Tokyo 100-6532
Japan
Telephone : +81 (3) 5427 6555
Facsimile : +81 (3) 5427 6556
www.pwc.com/jp/aarata

To the Board of Directors of
NIPPONKOA Insurance Company, Limited

We have audited the accompanying consolidated balance sheet of NIPPONKOA Insurance Company, Limited ("the Company") and its subsidiaries as of March 31, 2007 and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2007 and the results of their operations and their cash flows for the year then in conformity with accounting principles generally accepted in Japan.

As described in Note 1(t), effective for the year ended March 31, 2007, the Company, and its subsidiaries changed their accounting policy for Accounting standard for Presentation of Net Assets in the Balance Sheet and Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet.

As described in Note 1(n), effective for the year ended March 31, 2007, the Company, and its subsidiaries changed their accounting policy for Accounting Standard for Directors Bonus.

As described in Note 1(u), effective for the year ended March 31, 2007, the Company and its subsidiaries changed their accounting policy for Accounting Standard for Share-based Payment and Guidance on Accounting Standard for Share-based Payment.

As described in Note 18(2), on June 1, 2007, the Board of Directors of the Company approved a plan to repurchase some of the common stock of the Company.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audits also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

PricewaterhouseCoopers Aarata
June 27, 2007

Referential Information (Unaudited)

The following segment information indicates the figures before eliminating intercompany balances and transactions between "Non-life insurance" and "Life insurance."

1. Non-life insurance

(1) Underwriting

Direct premiums written	2007 (Millions of Yen)	2006 (Millions of Yen)	2007 (Thousands of U.S. Dollars*1)
Fire and allied lines	**¥165,419**	¥166,214	**$1,401,266**
Marine	**23,379**	22,335	**198,047**
Personal accident	**98,319**	115,957	**832,867**
Voluntary automobile	**349,142**	351,165	**2,957,578**
Compulsory automobile liability	**105,598**	105,160	**894,523**
Other*2	**87,115**	86,310	**737,951**
Total	**¥828,974**	¥847,145	**$7,022,233**
Deposit premiums included in Total	**82,608**	99,957	**699,776**

Net premiums written	2007 (Millions of Yen)	2006 (Millions of Yen)	2007 (Thousands of U.S. Dollars*1)
Fire and allied lines	**¥104,652**	¥106,497	**$ 886,510**
Marine	**20,941**	19,868	**177,392**
Personal accident	**59,351**	59,816	**502,762**
Voluntary automobile	**342,647**	344,660	**2,902,564**
Compulsory automobile liability	**103,911**	107,419	**880,236**
Other*2	**81,358**	79,464	**689,186**
Total	**¥712,862**	¥717,727	**$6,038,652**

Net losses paid	2007 (Millions of Yen)	2006 (Millions of Yen)	2007 (Thousands of U.S. Dollars*1)
Fire and allied lines	**¥ 54,750**	¥ 45,454	**$ 463,793**
Marine	**8,673**	9,520	**73,469**
Personal accident	**29,114**	25,536	**246,626**
Voluntary automobile	**209,797**	208,676	**1,777,193**
Compulsory automobile liability	**76,709**	75,653	**649,806**
Other*2	**50,239**	48,931	**425,576**
Total	**¥429,284**	¥413,773	**$3,636,466**

* 1: U.S. dollar amounts are translated from yen at the rate of ¥118.05=US$1, the approximate rate prevailing at March 31, 2007.
* 2: Of which, major lines of insurance are Liability, Transit, Movables all risks and Workers' compensation.

(2) Investments

Investment assets	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars* 2007
Bank deposit	**¥ 123,247**	¥ 157,328	**$ 1,044,027**
Call loans	**44,000**	3,000	**372,723**
Monetary receivable bought	**28,102**	25,646	**238,056**
Money in trust	**52,936**	64,089	**448,420**
Securities	**2,636,762**	2,657,760	**22,335,983**
Loans	**239,400**	283,518	**2,027,955**
Land and buildings	**121,580**	127,753	**1,029,903**
Total	**¥3,246,029**	¥3,319,095	**$27,497,069**
Total assets	**¥3,412,513**	¥3,493,448	**$28,907,355**

Securities	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars* 2007
Domestic securities:			
Government bonds	**¥ 601,514**	¥ 473,314	**$ 5,095,420**
Municipal bonds	**79,815**	89,747	**676,115**
Corporate bonds	**397,537**	403,968	**3,367,536**
Equity securities	**1,136,497**	1,208,744	**9,627,258**
Foreign securities	**397,210**	451,984	**3,364,765**
Other securities	**24,186**	30,001	**204,886**
Total	**¥2,636,762**	¥2,657,760	**$22,335,983**

	Millions of Yen						Thousands of U.S. Dollars*
	2007			2006			**2007**
Investment income	**Earned income**	**Average invested amounts**	**Yield per annum**	Earned income	Average invested amounts	Yield per annum	**Earned income**
Bank deposits	**¥ 628**	**¥ 125,633**	**0.50%**	¥ 256	¥ 159,389	0.16%	**$ 5,320**
Call loans	**42**	**13,127**	**0.33**	0	636	0.03	**363**
Receivables under resale agreement	**8**	**1,997**	**0.43**	—	—	—	**72**
Monetary receivable bought	**375**	**53,650**	**0.70**	217	20,374	1.07	**3,181**
Money in trust	**887**	**59,729**	**1.49**	474	50,780	0.93	**7,519**
Securities	**48,585**	**1,889,513**	**2.57**	43,102	1,899,364	2.27	**411,563**
Loans	**5,253**	**263,207**	**2.00**	5,950	319,620	1.86	**44,504**
Lands and buildings	**1,832**	**127,120**	**1.44**	1,851	131,997	1.40	**15,523**
Sub-total	**57,614**	**2,533,979**	**2.27**	51,853	2,582,163	2.01	**488,049**
Other	**717**	**—**	**—**	524	—	—	**6,078**
Total	**¥58,331**	**—**	**—**	¥52,378	—	—	**$494,127**

* U.S. dollar amounts are translated from yen at the rate of ¥118.05=US$1, the approximate rate prevailing at March 31, 2007.

2. Life insurance

(1) Underwriting

	Millions of Yen 2007	2006	Thousands of U.S. Dollars* 2007
Amount of business in force:			
Individual insurance	**¥3,425,590**	¥3,042,971	**$29,018,133**
Individual annuity insurance	**222,513**	223,507	**1,884,905**
Group insurance	**967,350**	864,577	**8,194,409**
Amount of new business:			
Individual insurance	**¥ 849,745**	¥ 705,004	**$ 7,198,185**
Individual annuity insurance	**16,691**	21,772	**141,395**
Group insurance	**65,368**	45,787	**553,733**

(2) Investments

Investment assets	Millions of Yen 2007	2006	Thousands of U.S. Dollars* 2007
Bank deposit	**¥ 11,240**	¥ 8,970	**$ 95,214**
Money in trust	**33,461**	31,350	**283,455**
Securities	**251,883**	236,492	**2,133,698**
Loans	**8,680**	7,203	**73,535**
Lands and buildings	**12**	6	**104**
Total	**305,278**	284,023	**2,586,007**
Total assets	**¥313,004**	¥291,286	**$2,651,459**

Securities	Millions of Yen 2007	2006	Thousands of U.S. Dollars* 2007
Domestic securities:			
Government bonds	**¥168,857**	¥168,278	**$1,430,386**
Municipal bonds	**17,456**	14,173	**$147,876**
Corporate bonds	**53,407**	40,708	**452,414**
Equity securities	**11,165**	12,258	**94,579**
Foreign securities	**996**	1,072	**8,440**
Total	**¥251,883**	¥236,492	**$2,133,698**

	Millions of Yen						Thousands of U.S. Dollars*
	2007			2006			2007
Investment income	Earned income	Average invested amounts	Yield per annum	Earned income	Average invested amounts	Yield per annum	Earned income
Bank deposits	**—**	**¥ 12,754**	**—**	¥ 0	¥ 19,213	0.00%	**—**
Receivables under securities borrowing transactions	**¥ 0**	**76**	**0.18%**	—	—	—	**$ 1**
Money in trust	**590**	**33,249**	**1.78**	491	28,881	1.70	**5,004**
Securities	**4,846**	**227,738**	**2.13**	4,070	197,638	2.06	**41,055**
Loans	**239**	**7,808**	**3.07**	198	6,362	3.13	**2,030**
Lands and buildings	**—**	**11**	**—**	—	1	—	**—**
Total	**¥5,677**	**¥281,638**	**2.02%**	¥4,760	¥252,097	1.89%	**$48,091**

* U.S. dollar amounts are translated from yen at the rate of ¥118.05=US$1, the approximate rate prevailing at March 31, 2007.

Corporate Information

Overseas Group Network

As of August 1, 2007

EUROPE

Representative Offices

London
2nd Floor, 50 Mark Lane,
London EC3R 7QR, U.K.
Tel : 44-20-7709-7971
Fax: 44-20-7702-2315
Tel : 44-20-7488-9899
Fax: 44-20-7488-9684

Düsseldorf
Cantadorstr. 3,
40211 Düsseldorf, Germany
Tel : 49-211-178670
Fax: 49-211-162266

Brussels
Place de l'Alma 3, Bte-4,
1200 Brussels, Belgium
Tel : 32-2-779-2446
Fax: 32-2-771-7169

Paris
10, rue de Milan, 75009 Paris, France
Tel : 33-1-44 53 00 11
Fax: 33-1-44 53 00 22

Subsidiaries & Affiliates

United Kingdom

NIPPONKOA Insurance Company (Europe) Limited
2nd Floor, 50 Mark Lane,
London EC3R 7QR, U.K.
Tel : 44-20-7709-7971
Fax: 44-20-7702-2315

Nippon Insurance Company of Europe Limited
2nd Floor, 50 Mark Lane,
London EC3R 7QR, U.K.
Tel : 44-20-7488-9899
Fax: 44-20-7488-9684

NIPPONKOA Management Services (Europe) Limited
2nd Floor, 50 Mark Lane,
London EC3R 7QR, U.K.
Tel : 44-20-7709-7971
Fax: 44-20-7702-2315

NORTH AMERICA

Representative Offices

New York
14 Wall Street, Suite 812,
New York, NY 10005, U.S.A.
Tel : 1-212-405-1650
Fax: 1-212-405-1660

Los Angeles
601 South Figueroa Street,
Suite 2100,
Los Angeles, CA 90017, U.S.A.
Tel : 1-213-833-2100
Fax: 1-213-833-2120

Chicago
180 North LaSalle Street,
Suite 2503,
Chicago, IL 60601 U.S.A.
Tel : 1-312-553-9344
Fax: 1-312-553-9347

Toronto
c/o St. Paul Fire and Marine
Insurance Company
121 King Street West, Suite 1200,
Toronto, Ontario, M5H 3T9,
Canada
Tel : 1-416-601-2543
Fax: 1-416-601-4432

Subsidiaries & Affiliates

NIPPONKOA Management Corporation
14 Wall Street, Suite 812,
New York, NY 10005, U.S.A.
Tel : 1-212-405-1650
Fax: 1-212-405-1660

ASIA & OCEANIA

Representative Offices

Beijing
Room 1001A, Fortune Building 10/F,
Dongsanhuan Beilu, Chaoyang
District, Beijing 100004,
People's Republic of China
Tel : 86-10-6590-9500
Fax: 86-10-6590-9502

Shanghai
Room 2502, Shanghai International
Trade Center, 2201 Yanan Road (w.),
Shanghai 200335,
People's Republic of China
Tel : 86-21-6275-4574
Fax: 86-21-6275-4075

Shenzhen
Room 1703, Excellence Times Square,
4068 Yitian Road, Futian District,
Shenzhen,
People's Republic of China
Tel : 86-755-2518-0500
Fax: 86-755-8236-1274

Suzhou
Room 1602, Gold River International
Building, 35 Shi Shan Lu,
Suzhou 215011,
People's Republic of China
Tel: 86-512-6824-0545
Fax: 86-512-6825-3348

Qingdao
Room 609, Crown Plaza Qingdao,
76 Xiang Gang Zhong Lu,
Qingdao 266071,
People's Republic of China
Tel: 86-532-8573-5910
Fax: 86-532-8575-5302

Dalian
9F, Senmao Building 147,
Zhongshan Lu, Dalian 116011,
People's Republic of China
Tel: 86-411-8360-9142
Fax: 86-411-8360-9702

Hong Kong
Rooms 2704 - 2706 Gloucester Tower,
The Landmark, 15 Queen's Road,
Central, Hong Kong
Tel : 852-2877-3344
Fax: 852-2868-4413

Taipei
Room 1403, No. 205, Sec. 1,
Tun-Hwa S. Road, Taipei,
Taiwan R.O.C.
Tel : 886-2-2776-6484
Fax: 886-2-2772-5456

Manila
c/o Pioneer Insurance & Surety Corporation, 7th Floor, Pioneer House, 108 Paseo de Roxas,
Makati City, Philippines
Tel : 63-2-841-0267
Fax: 63-2-841-0269

Hanoi
c/o BAOVIET, Insurance
2nd Floor., 35 Hai Ba Trung,
Hanoi, S.R. Vietnam

Ho Chi Minh City
Me Linh Point Tower 6th Floor, Unit 602, 2 Ngo Duc Ke, District 1,
Ho Chi Minh City, S.R. Vietnam
Tel : 84-8-827-2650
Fax: 84-8-827-2335

Bangkok
Unit 1905, 2/4 Siam Commercial Samaggi Insurance Tower, 15th Floor, Northpark Project, Vibhavadi-Rangsit Road, Thungsonghong, Laksi,
Bangkok 10210, Thailand
Tel : 66-2-955-0137
Fax: 66-2-955-0139

Kuala Lumpur
Lonpac Insurance Bhd
"NIPPONKOA Division," 7th Floor, Bangunan Public Bank, No. 6, Jalan Sultan Sulaiman, 50000
Kuala Lumpur, Malaysia
Tel : 60-3-2723-7772
Fax: 60-3-2715-0697

Singapore
36 Robinson Road #11-01 City House,
Singapore 068877,
Republic of Singapore
Tel : 65-6222-6001
Fax: 65-6222-2557

New Delhi
106, Durga Chambers,
1335, D.B. Gupta Road,
Karol Bagh,
Delhi-110005, India

Jakarta
c/o PT. Asuransi Permata Nipponkoa Indonesia, Permata Bank Tower I,
8th Floor, Jl. Jend. Sudirman Kav. 27,
Jakarta 12920,
P.O. Box 3129, Indonesia
Tel : 62-21-5237500
Fax: 62-21-5237506

Sydney
c/o CGU Insurance Limited,
Level 5, IAG Building 388,
George Street, Sydney N.S.W. 2000,
Australia
G.P.O. Box 244
Tel : 61-2-8224-4194
Fax: 61-2-9222-2981

Melbourne
c/o CGU Insurance Limited,
485 La Trobe Street, Melbourne,
Victoria 3000, Australia
Tel : 61-3-9601-8438

Subsidiaries & Affiliates

Hong Kong

NIPPONKOA Insurance Company (Asia) Limited
Rooms 2704 - 2706 Gloucester Tower,
The Landmark, 15 Queen's Road,
Central, Hong Kong
Tel : 852-2877-3344
Fax: 852-2868-4413

Singapore

NIPPONKOA Management Service (Singapore) Private Limited
36 Robinson Road #11-01 City House,
Singapore 068877,
Republic of Singapore
Tel : 65-6222-6001
Fax: 65-6222-2557

Indonesia

PT Asuransi Permata Nipponkoa Indonesia
Permata Bank Tower I, 8th Floor,
Jl. Jend. Sudirman Kav. 27, Jakarta
12920, P.O. Box 3129, Indonesia
Tel : 62-21-5237500
Fax: 62-21-5237506

Thailand

NIPPONKOA Insurance Broker (Thailand) Company Limited
2/4 Siam Commercial Samaggi Insurance Tower, 15th Floor,
Northpark Project, Vibhavadi-Rangsit Road, Thungsonghong, Laksi,
Bangkok 10210, Thailand
Tel : 66-2-955-0137
Fax: 66-2-955-0139

Organization Chart

As of July 1, 2007

- General Meeting of Shareholders
  - Board of Corporate Auditors
    - Auditors
    - Auditors' Office
- Board of Directors
  - Actuary
- Chief Executive Officer
- Corporate Officers in Charge of Head Office Functions
  - Management Committee
  - Internal Audit Dept.

Regional organization:

- Hokkaido Regional Headquarters — 4 branches
- Tohoku Regional Headquarters — 6 branches
- Kanto Regional Headquarters — 6 branches
- Kanetsu Regional Headquarters — 4 branches
- Metropolitan Regional Headquarters — 10 branches
- Yokohama Bayside Branch
- Chubu Regional Headquarters — 11 branches
- Kansai Regional Headquarters — 14 branches
- Chugoku, Shikoku Regional Headquarters — 7 branches
- Kyushu Regional Headquarters — 6 branches
- Motors Account Marketing Headquarters — 5 branches
- 6 Commercial Account Marketing Dept. (I –V /Cargo, Property & Casualty)
- Government & Public Account Marketing Dept.
- Commercial Account Claims Dept.
- Mortgage Administration Dept.
- Tokyo Regional Management Dept.

Head office departments:

- Investment Headquarters
  - Investment Dept.
  - Corporate Finance Dept.
- Quality Control Dept.
  - Customers Supporting Office
- Corporate Planning Dept.
  - Affiliated Affairs
  - Corporate Research & Development
  - IR
  - CSR
  - Assigned Business Control
- Risk Management Dept.
- Compliance Dept.
  - Research & Planning
  - Hokkaido Compliance Office
  - Tohoku Compliance Office
  - Kanto Compliance Office
  - Kanetsu Compliance Office
  - Metropolitan Compliance Office
  - Chubu Compliance Office
  - Kansai Compliance Office
  - Chugoku, Shikoku Compliance Office
  - Kyushu Compliance Office
  - Commercial Account Compliance Office
- Public Relations Dept.
- General Affairs Dept.
- Human Resources Dept.
  - Human Development
- Accounting Dept.
- Information Technology Planning Dept.
- Information Systems Dept.
- Customer Relationship Planning Dept.
- Marketing Planning Dept.
- Sales Promotion Dept.
  - Motors-Channels Promotion
  - Financial Development
  - Financial Affairs
  - Agency Management
- Agency Development Dept.
  - Agency Support
- Logistics-Channels Promotion Dept.
  - Logistics Sales
  - Business Affairs
- Business Process Reengineering Dept.
- Fire & Casualty Underwriting Dept.
  - Commercial Lines
- Medical Insurance Dept.
- Automobile Underwriting Dept.
- Marine Underwriting Dept.
- Reinsurance Dept.
- Claims Management Dept.
- Claims Payment Management Dept.
- Marine Claims Management Dept.
- International Dept.
  - China Business Planning

Directors and Officers

As of June 27, 2007

Board of Directors

Ken Matsuzawa
Makoto Hyodo*
Atau Kadokawa*
Ryoji Okada*
Tatsuhiro Ishikawa
Masahiko Okabe
Kazuo Hashimoto
Masaya Futamiya
Tetsuo Shinohara
Yasuhide Fujii

*Representative Director

Corporate Auditors

Toshiyuki Sho
Ken Ishii

Independent Corporate Auditors

Masahiro Yoshiike
Kozue Shiga
Yoji Wakui

Corporate Officers

President and Chief Executive Officer

Makoto Hyodo

Executive Deputy Presidents

Atau Kadokawa
Ryoji Okada

Senior Managing Executive Officers

Kazuo Hahimoto
Yoshinori Ichihashi

Managing Executive Officers

Masaya Futamiya
Shuichi Kimoto
Tetsuo Shinohara
Teizou Suzuki
Yasuo Watabe
Akinobu Yoshimori
Tetsuya Yamada
Yasuhide Fujii
Akihisa Hashimoto
Takashi Kashio
Kenichi Yoshikura
Yoshiaki Kadoya
Yoshitoshi Sukigara

Executive Officers

Eiji Sugimoto
Toshihiko Miyasaka
Yoshinori Tsukimoto
Takayuki Naito
Yuichi Yamaguchi
Kazuhumi Yunome
Shunsuke Onoda
Shizuo Takahashi
Kazuo Mii
Koji Yamamoto

Corporate Data

As of April 1, 2007

Head Office

3-7-3 Kasumigaseki, Chiyoda-ku,
Tokyo 100-8965, Japan
Tel: +81-3-3593-3111
Fax: International Dept. +81-3-3593-5159
Reinsurance Dept. +81-3-3593-5150
Marine Claims Management Dept. +81-3-3231-3526
Public Relations Dept. +81-3-3593-5388
IR +81-3-3593-5383
URL: http://www.nipponkoa.co.jp/

Established

1892

Capital

¥91,249 million

Offices

Domestic: 264
Overseas: 25

Claims Handling Offices

182

Employees (As of March 31, 2007)

8,567

Agents (As of March 31, 2007)

Domestic: 34,920
Overseas: 5

Number of Shares of Common Stock

Authorized 1,500,000,000 shares
Issued 826,743,118 shares

Stock Exchange Listings

Tokyo, Osaka, Nagoya

General Meeting of Shareholders

The General Meeting of Shareholders is to be held within four months of April 1 each year. The latest Annual General Meeting of Shareholders was held on June 27, 2007

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

NIPPONKOA INSURANCE

NIPPONKOA INSURANCE CO., LTD.
3-7-3 Kasumigaseki, Chiyoda-ku, Tokyo 100-8965, Japan
Tel: +81-3-3593-3111 URL: http://www.nipponkoa.co.jp/

This annual report was printed in Japan on recycled paper.

PRINTED WITH SOY INK
Trademark of American Soybean Association

E7-19-0069