NIPPONKOA INSURANCE CO., LTD.

ANNUAL REPORT 2008

NIPPONKOA INSURANCE

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 June 30, 2008):

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**

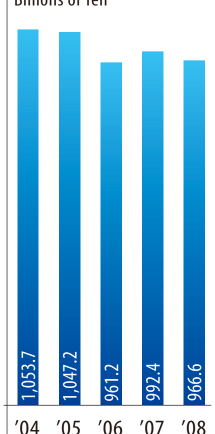
NIPPONKOA INSURANCE CO., LTD. and consolidated subsidiaries Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars*1
	2008	2007	2006	2005	2004	**2008**
Operating income	**¥ 966,620**	¥ 992,409	¥ 961,233	¥1,047,293	¥1,053,793	**$ 9,647,872**
Net premiums written for non-life insurance	**698,685**	712,862	717,727	728,421	732,486	**6,973,604**
Life insurance premiums	**64,158**	61,946	61,048	58,124	54,864	**640,372**
Ordinary profit (loss)	**17,742**	28,130	24,486	21,634	49,390	**177,085**
Net income (loss)	**8,991**	15,872	10,670	13,467	19,319	**89,742**
Net income (loss) per share (in yen and U.S. dollars):						
Basic	**11.63**	19.81	13.08	16.35	23.18	**0.116**
Diluted*2	**11.62**	19.79	13.07	16.35	—	**0.115**
Total assets	**3,323,190**	3,700,381	3,759,621	3,422,186	3,432,069	**33,168,882**
Total net assets*3	**543,198**	767,024	791,328	582,408	598,360	**5,421,682**
Equity ratio	**16.3%**	20.7%	21.0%	17.0%	17.4%	
Return on equity (ROE)	**1.4%**	2.0%	1.6%	2.3%	3.7%	
Net cash provided by (used in):						
Operating activities	**(41,223)**	(13,286)	3,864	(22,283)	65,645	**(411,451)**
Investing activities	**63,135**	36,710	22,052	23,836	(96,072)	**630,157**
Financing activities	**(43,932)**	(13,268)	(15,800)	(12,987)	(11,998)	**(438,493)**
Cash and cash equivalents at end of year	**140,825**	163,661	152,733	141,861	153,399	**1,405,579**

*1: U.S. dollar amounts are translated from yen at the rate of 100.19 = US$1, the approximate rate prevailing at March 31, 2008.
*2: There were no potential common shares to be issued at the year ended March 31, 2004.
*3: As a result of the adoption of a 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 from the year ended March 31, 2007.

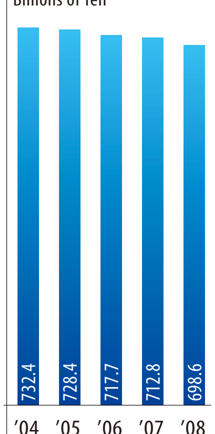
Operating income

Billions of Yen



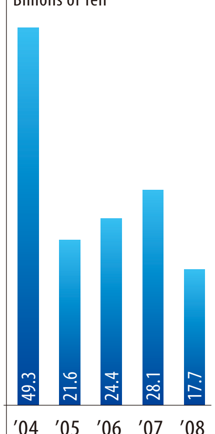
Net premiums written for non-life insurance

Billions of Yen



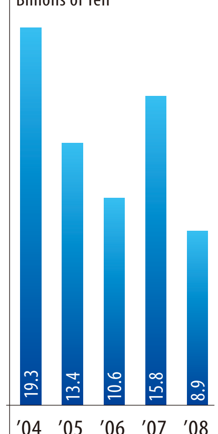
Ordinary profit (loss)

Billions of Yen



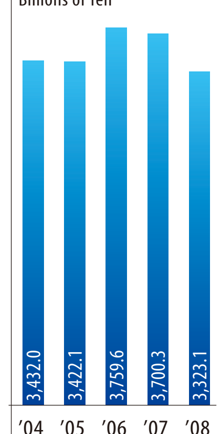
Net income (loss)

Billions of Yen



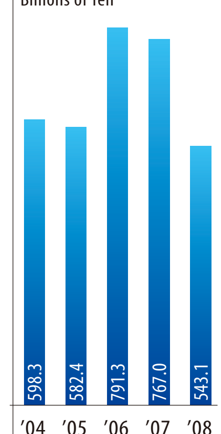
Total assets

Billions of Yen



Total net assets

Billions of Yen



To Our Shareholders

As we enter the final year of our medium-term business plan, *KAKUSHIN* (Reform, Core, Confidence), NIPPONKOA Insurance Co., Ltd. (hereinafter referred to as NIPPONKOA) is implementing a fundamental reform of its business structure in order to ensure sustained underwriting income.

Overview of Fiscal 2007

The non-life insurance industry has changed dramatically with market liberalization and deregulation, and increasingly fierce competition. NIPPONKOA has responded to this environment with measures to improve customer service. However, due to the impact of external factors in Japan, including sluggish automobile sales and a rapid falloff in housing starts, we have faced an increasingly uphill battle in terms of sales, and premium income declined from the previous fiscal year.

Net premiums written in fiscal 2007 (ended March 31, 2008) decreased 2.1% year on year to ¥688.8 billion. (All figures in this section are for NIPPONKOA on a nonconsolidated basis.) In our mainstay voluntary automobile insurance business, despite an increase in the number of vehicles insured among a slowdown in new car sales, primarily through fleet policies, the average premium per vehicle continued to fall due to the smaller size of vehicles. This was the main reason for the decline in premium income. Additional factors include a rapid falloff in housing starts following implementation of the revised Building Standard Law, a slowdown in loan long-term fire insurance stemming from a decline in loans issued by financial institutions, and measures prioritizing execution of the Management Improvement Plan.

Net losses paid for natural disasters declined ¥10.3 billion from the previous fiscal year. However, due to the decrease in net premiums written the loss ratio (net losses paid divided by net premiums written) improved by just 0.1 of a percentage point to 65.4%. Underwriting expenses, despite expenditures for measures to regain trust, steadily declined due to the effectiveness of various cost-cutting measures, and the net expense ratio improved 0.6 of a percentage point to 34.9%. The improvement was realized from declines in both personnel expenses and non-personnel expenses, mainly lower ordinary expenses following investment in IT systems.

As a result, the underwriting balance (excluding compulsory automobile liability insurance) improved ¥3.0 billion from the previous fiscal year to a net expenditure of ¥5.4 billion. The underwriting balance increased, and underwriting profit was up from the previous fiscal year. In asset management, NIPPONKOA recorded a net gain on the sale of securities of ¥23.4 billion (down ¥23.5 billion from the previous fiscal year), along with a revaluation loss of ¥9.6 billion on securities stemming from stock market declines. As a result of the above, ordinary profit decreased ¥7.7 billion year on year to ¥16.7 billion, with net income down ¥5.5 billion to ¥7.8 billion.

On a consolidated basis, including Sonpo 24 Insurance Co., Ltd., NIPPONKOA Life Insurance Co., Ltd. and other consolidated subsidiaries, ordinary profit amounted to ¥17.7 billion, and net income was ¥8.9 billion.

Makoto Hyodo
President & CEO

Progress of the Management Improvement Plan

NIPPONKOA received administrative orders from the Financial Services Agency in March 2007 over improper nonpayment of claims for third-sector products. We deeply regret the loss of customer trust this incident has caused, and to ensure that such a situation is never repeated, in April 2007 formulated and began implementing a management improvement plan.

The main tenets of the Management Improvement Plan are (1) strengthen governance; (2) enhance insurance claims payment administration; (3) improve customer protections and convenience; and (4) ensure regulatory compliance. In accordance with this plan, we are concentrating on customer-oriented quality improvements. Steady implementation of this plan is one of our foremost management priorities, and as we enter the second year of the plan we will work to enhance the effectiveness of quality improvement efforts, and further regain trust.

For more information see pages 6–7, "Enhancing Customer Trust."

Revising Targets for the Final Year of the Medium-Term Business Plan

We have entered the final year for our medium-term business plan *KAKUSHIN*, launched in April 2006.

The central goals of this plan are expansion of scale and an improved expense structure through fundamental business reform, providing enhanced earnings capacity. Our business expansion has been less than satisfactory, however, due to the harsh economic environment together with the improper nonpayment of claims and other factors. In terms of expenses, however, we have revised the retirement benefit system, reduced non-personnel expenses by streamlining project procurement costs, and implemented a partial reform of agency fees. Underwriting expenses and the expense ratio improved as a result, though we feel these can be constricted further.

Based on this level of progress, we have revised the numerical targets of the *KAKUSHIN* plan. Considering the impact from lowering the rate for compulsory automobile liability insurance for policies starting from April 2008, along with our recent earnings performance, our targets for fiscal 2008 (ending March 31, 2009) are net premiums written of ¥670 billion, with ordinary profit of ¥23 billion and net income of ¥13 billion. We expect the net loss ratio (excluding compulsory automobile liability insurance) to improve 1.3 percentage points year on year as a result of enhanced underwriting and more appropriate claims payments. We also anticipate that the net expense ratio will remain steady at 37.8%, bolstered by ongoing reforms to the business structure, and benefits from investments in IT systems to expand earnings. As a result, we are forecasting that the underwriting balance (excluding compulsory automobile liability insurance) will improve ¥7.4 billion year on year to a net inflow of ¥2.0 billion.

We consider the execution of the *KAKUSHIN* plan as a stepping-stone to strengthening earnings capacity, and regard the current fiscal year as the initial period for laying the foundation upon which we will create an image of the Company for the future. We will further improve underwriting expenses, and by strengthening underwriting and ensuring appropriate claims payments will lower and stabilize our loss ratio, transitioning to a corporate structure able to generate sustained earnings from underwriting.

Looking ahead, we intend to maintain competitiveness, provide returns to all stakeholders, and invest in new business areas. Our aims are to (1) enhance the quality of operations and services; (2) build an effective, solutions-oriented sales structure; (3) establish an industry leading level of non-life insurance service; and (4) become an internationally competitive company.

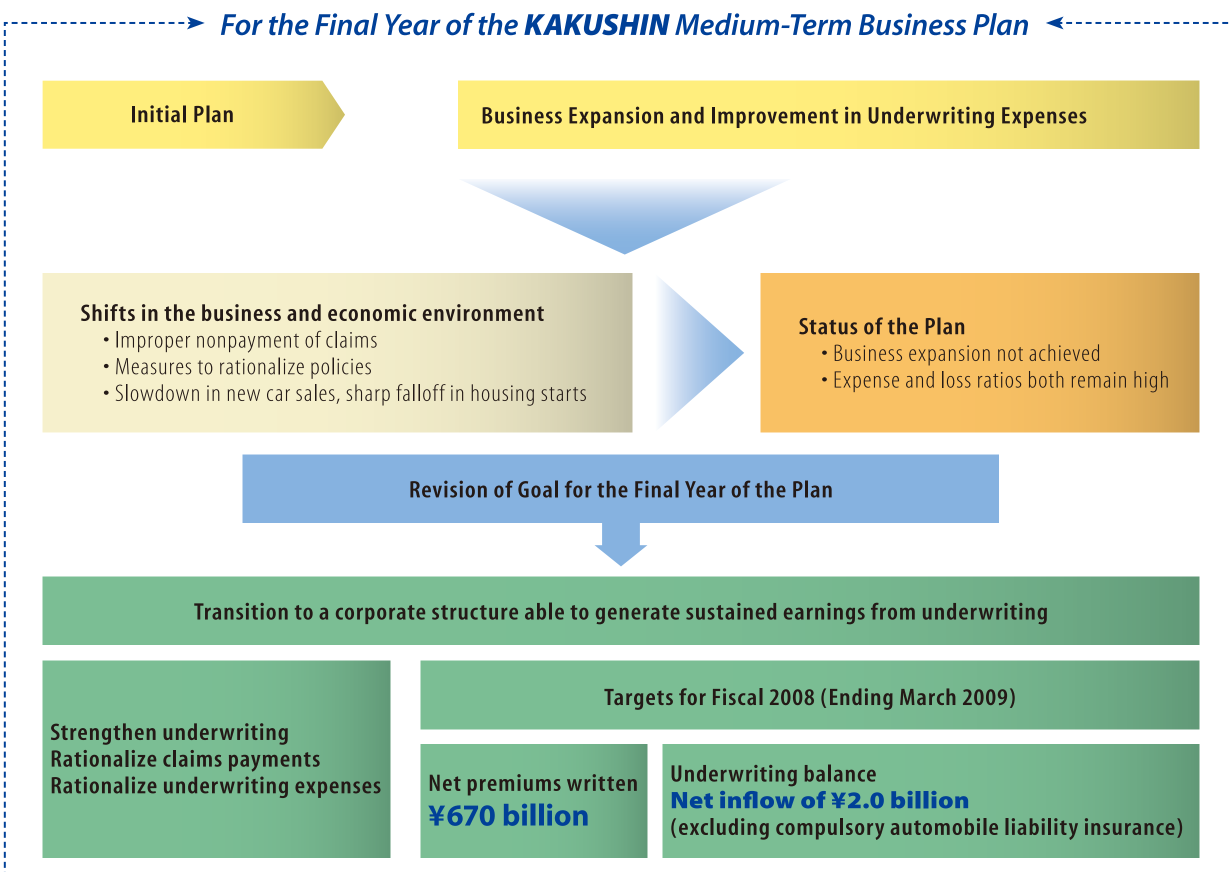
Increasing Shareholder Value

NIPPONKOA regards contributing to the health and affluence of society through the insurance business to be its most important social responsibility. In accordance with this principle, we strive to offer products and services that accurately reflect customer needs, and to increase customer satisfaction with a professional accident response service. At the same time, we work to ensure stable earnings and sustained growth through fundamental reform of our business structure, and proper allocation of management resources.

Going forward, we will increase corporate value by ensuring stable management foundations and soundness over the long term, and fulfilling our social responsibilities as a company. Thank you for your continued support of NIPPONKOA.

August 2008

Makoto Hyodo
President & CEO



Enhancing Customer Trust

NIPPONKOA drew up a Management Improvement Plan in April 2007 designed to enable the Company to gain the trust of its customers. The Company has made the steady implementation of this plan its top management priority. Under this plan, we are carrying out a thorough review of all our operational processes, from product development through payment of insurance claims, and we are creating a quality improvement cycle based on customer feedback. Following is a brief overview of the plan.

I. Strengthening Governance Systems

■ *Improving Management through Customer Feedback*

Since its establishment in June 2007, our Quality Control Department has played a central role in the development of our Quality Improvement Cycle by integrating and analyzing all feedback received from customers, agencies and employees. Based on analysis of this information, the department sends directives and recommendations to Head Office divisions regarding adoption of improvement measures.

■ *Implementation of a Quality Improvement Program*

A companywide Quality Improvement Program has been in place since November 2007. This program is designed to raise awareness of quality control issues among all our directors and employees, and to improve the quality of all our operational processes, from product development and contract solicitation to claims payment.

■ *Strengthening of Internal Control Systems Relating to Product Development*

Since June 2007, the Quality Control Department has served as a secretariat responsible for convening sessions of the Product Development Review Council. This department coordinates and monitors the activities of the various divisions involved in product development, and ensures that product content and marketing schedules do not present any problems with regard to customer protection.

■ *Strengthening of Internal Control Systems*

Since April 2007, steps have been taken to boost the effectiveness of our internal controls by increasing the number of staff employed at the Internal Audit Department and by upgrading the department's inspection and planning functions, especially in regard to Claims Services Centers.

II. Strengthening of Our Insurance Claims Payment Management System

■ *Reinforcing the Functions of the Claims Payment Examination Council*

The Claims Payment Examination Council, comprised of experts from outside the Company, meets once a month to review the adequacy of claims payments in cases that require special expertise in the fields of medicine or law. In June 2007, review functions were further reinforced by expanding the scope of cases to be reviewed through the creation of the Third-Sector Claims Examination Sub-Group, and the General Claims Examination Sub-Group.

■ *System for Handling Complaints When Insurance Claims Are Declined*

Whenever customers whose claims have been denied register complaints, those cases are reviewed by the Claims Payment Examination Council (Committee and Sub-committees). Further, in June 2007 we established a Declined Claims Complaint Section, which enables customers to discuss their complaints by telephone directly with an outside attorney's office.

III. Ensuring a Fair and Appropriate Insurance Solicitation Process

■ *Explanation of Important Product Features*

Based on the April 2006 revision of the Comprehensive Guidelines for Supervision of Insurance Companies issued by the Financial Services Agency (FSA), NIPPONKOA has revised the explanations it provides to customers regarding important features of its major personal insurance products to make them easier for the customer to understand. 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)."

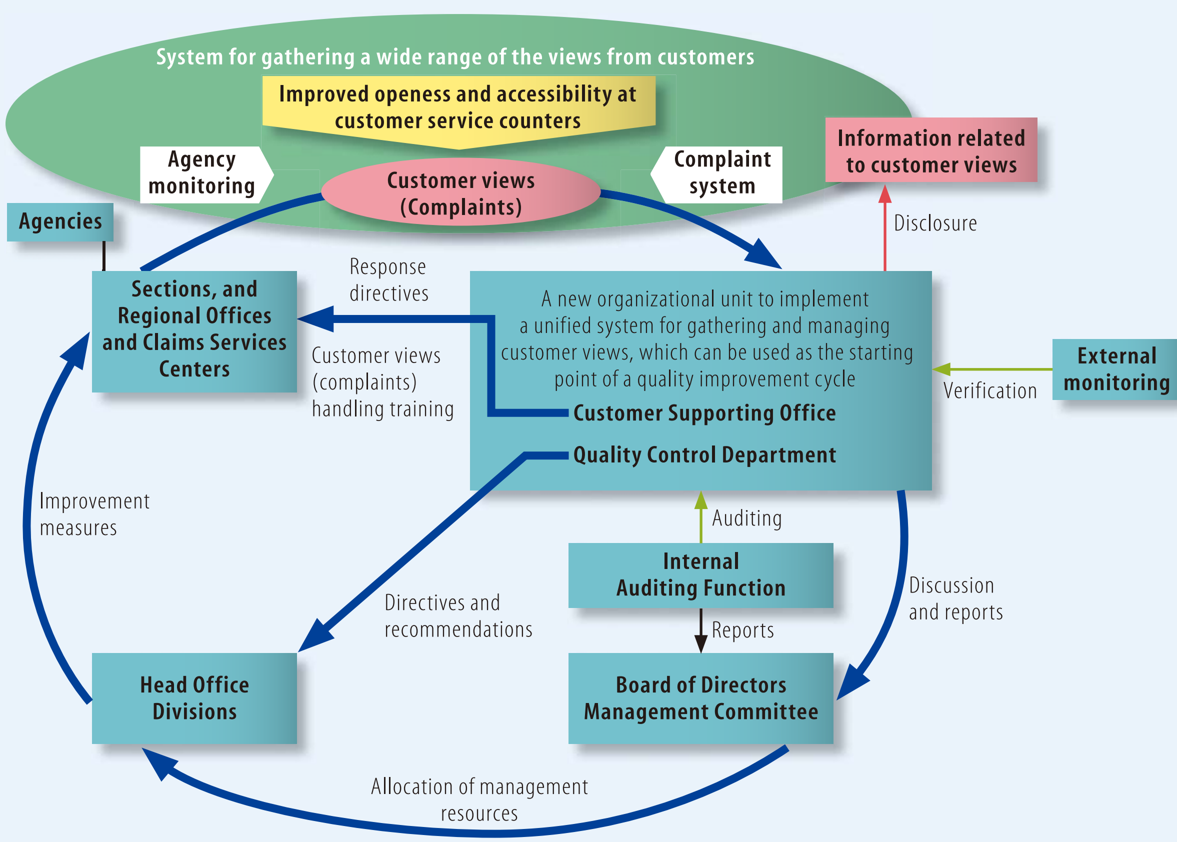
■ *Careful Confirmation of Customer Intentions*

Because the number of complaints related to solicitation for insurance products remained high, the FSA made a further revision of the Comprehensive Guidelines for Supervision of Insurance Companies 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.

■ *Policy Content Checks*

Since April 2007, the Company has been implementing an "Accountability and Review Program" the purpose of which has been to ensure that within approximately one year "Policy Content Confirmation Checks" (to determine whether or not premium levels are appropriate) are carried out, and that our "New Sales and Soliciting Rules" are being thoroughly implemented for each type of insurance product. We expect to complete reviewing the content of all our insurance policies by the end of the first half of fiscal 2008.

■ *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 further establish trust with our customers. In this section, we provide a more detailed description of our business strategies.

1. Increasing the Underwriting Balance

The profitability of NIPPONKOA's core insurance business is reflected in its underwriting balance. To increase our underwriting balance, we are pursuing measures that will stabilize at a low level both our loss ratio and expense ratio.

(1) Measures to Improve the Loss Ratio

NIPPONKOA is working to build a high-quality insurance portfolio by taking a cautious stance toward underwriting. We also help our policyholders develop accident prevention measures.

For claims payments, we carefully evaluate the amount of each claim to ensure vehicle repair expenses are appropriate, as well as take steps to stabilize claims payments by ensuring they are made in a timely and proper manner.

We identify those agencies where the loss ratio is consistently high, and take resolute action to improve the situation, including canceling contracts with those agencies that have shown little sign of improvement.

Strengthening such measures reduces the amount of claims payment, and helps stabilize the loss ratio at a low level.

(2) Measures to Improve the Expense Ratio

As improving the expense ratio is one of the central measures of the *KAKUSHIN* medium-term business plan, we will continue to take effective measures to achieve it.

NIPPONKOA is undertaking a fundamental overhaul of our business structure, cutting expenses through such measures as the procurement cost reduction project. As a result, we were able to absorb a portion of the new costs stemming from measures taken to rebuild customer trust.

Looking ahead, we will move steadily forward with fundamental reform of the business processes, and further trim expenses, while also investing resources in various measures to enhance the structure for the future, improve profitability, and sustain growth.

Cautionary Statement: This publication contains estimates, projections, targets, and other figures and statements related to the plans and future performance of NIPPONKOA Insurance Co., Ltd. (the "Company") and its subsidiaries. These estimates, projections, etc., are not historical facts. Rather, they are forward-looking figures and statements based on the Company's assumptions and beliefs in light of the information currently available to it.

Accordingly, these figures and statements involve risks and uncertainties and do not guarantee actual future performance results. The Company cautions you that a number of factors could cause actual performance results to differ materially from those contained in this publication. Such factors include, but are not limited to, the items listed in "Information on Risks and Uncertainties Related to Operations" on page 38 of this annual report.

2. Securing Premium Income

NIPPONKOA recognizes that boosting premium income is essential to greater profitability. However, although the business climate for non-life insurance improved slightly, conditions remain harsh. Our target for fiscal 2008 (ending March 31, 2009) is to maintain premium income (with the exception of compulsory automobile liability insurance) at the same level as the previous fiscal year. To ensure appropriate claims payment through tighter underwriting, we are prioritizing profitability of the insurance portfolio over premium growth.

(1) A Diverse Sales Network

NIPPONKOA derives its premium income from 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. We intend to maintain this diverse sales network as we seek to increase premium income.

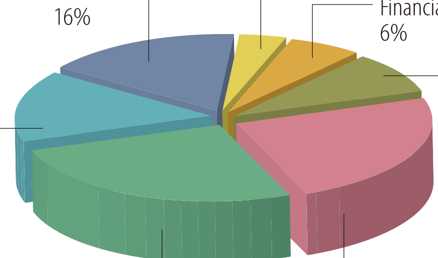
The breakdown of NIPPONKOA's premium income by distribution channel during fiscal 2007 is shown in the following chart.

(2) Key Initiatives

NIPPONKOA, based on considerations of marketing efficiency and growth potential, is focusing particular attention on the four sales channels shown on the right side of the above chart: 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 2,300 professional agencies throughout Japan with whom NIPPONKOA has established close relationships over many years. These core agencies are extremely loyal to NIPPONKOA, and as insurance professionals their expertise in consulting sales is a powerful aid to our marketing initiatives. We actively provide support for the business expansion of core agencies which consistently seek greater efficiency and increased revenues, including assistance of their corporatization.

■ *Breakdown of Premium Income by Distribution Channel (As of Mar. 2008)*



Note: Sales composition percentages as of March 31, 2008 (excludes savings-type insurance).

NIPPONKOA has also put in place 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.

Car dealers are by far our best marketing outlet among sales channels that primarily handle automobile insurance, 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 are a channel where NIPPONKOA has a competitive advantage. We have established strong relationships with financial institutions throughout Japan, including major banks in all regions of the country, and accumulated an advanced level of expertise.

In December 2007, restrictions were lifted on the selling of insurance through financial institutions, allowing them to offer our mainstay voluntary automobile insurance products. NIPPONKOA has made proactive efforts to encourage sale of automobile insurance through the intermediary agency system of its subsidiary Sonpo 24 Insurance, seeking to expand Group earnings.

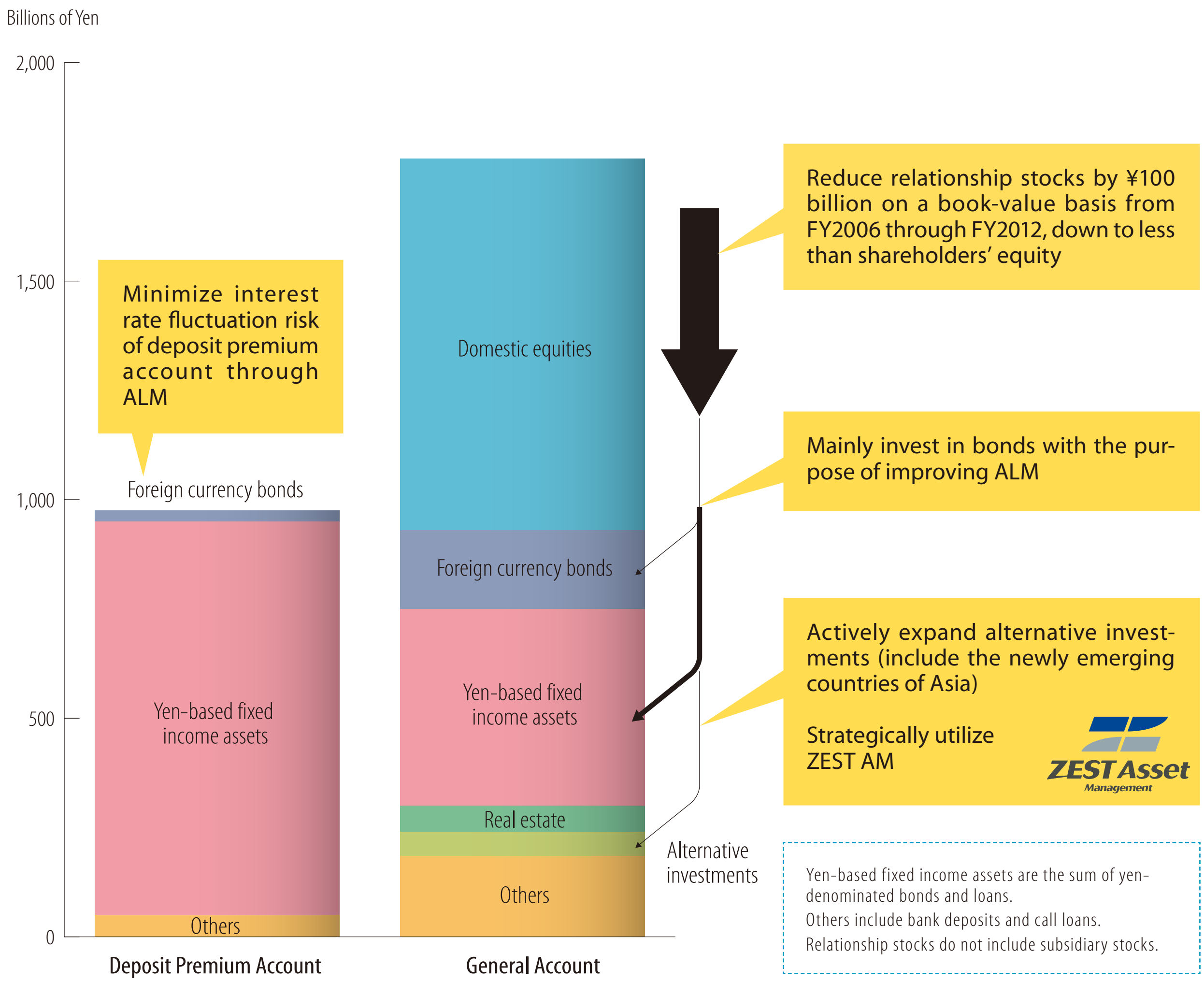
Life insurance companies (alliance partners) are an especially distinctive sales channel. We have had a cooperative selling agreement with Taiyo Life Insurance Company since March 2002, and with Meiji Yasuda Life Insurance Company since January 2004, under which sales agents from both companies sell 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 anticipate strong growth through this channel in the future.

As described above, NIPPONKOA has maintained close connections with major regional financial institutions, and has succeeded in establishing cooperative sales agreements with several life insurance companies. We have been able to develop these highly flexible alliance strategies primarily because we are an independent company and 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.

3. Asset Management Strategies

To improve our return on risk, NIPPONKOA prioritizes measures to ensure a balanced portfolio and improve investment performance of "pure investments."



Yen-based fixed income assets are the sum of yen-denominated bonds and loans.
Others include bank deposits and call loans.
Relationship stocks do not include subsidiary stocks.

(1) Balancing Our Portfolio

One of the biggest challenges 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—including at NIPPONKOA—to own large amounts of stock of client companies. This practice helped to cement relationships with client companies and the large unrealized gains on these stocks reinforced 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 will continue with our efforts to bring the balance of relationship stocks held for strategic purposes within shareholders' equity.

Another important challenge is strengthening our asset and liability management (ALM). NIPPONKOA's policy is to optimize our risk-return balance through proper management of interest rate risk. For this reason, we invest 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 invest the proceeds of these stock sales primarily in fixed-income securities. However, this strategy alone could lead to a decline in investment return. For this reason, alongside balancing its portfolio, NIPPONKOA is also taking steps to improve performance of its "pure investments" (assets acquired purely for investment purposes).

The majority of NIPPONKOA's assets are derived from nonrefundable insurance premiums, so liability cost does not move in tandem with the market. We believe therefore that, in the management of our pure investments, it is more appropriate to focus on absolute returns rather than index benchmarks. Further, because our portfolio contains large amounts of stocks and fixed income securities, we believe that it is an effective strategy to manage these assets together with assets that have different risk characteristics.

For these reasons, NIPPONKOA is focusing more on alternative investments. In March 2005, we acquired a gatekeeper company for fund-of-funds investments, and made it a consolidated subsidiary. In addition to improving our hedge fund investment performance, we can gain asset management expertise through personnel exchanges with this subsidiary. We are further expanding allocation to outside managers while also pursuing geographic and strategic diversifications, including the newly emerging countries primarily in Asia.

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 lineup 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.

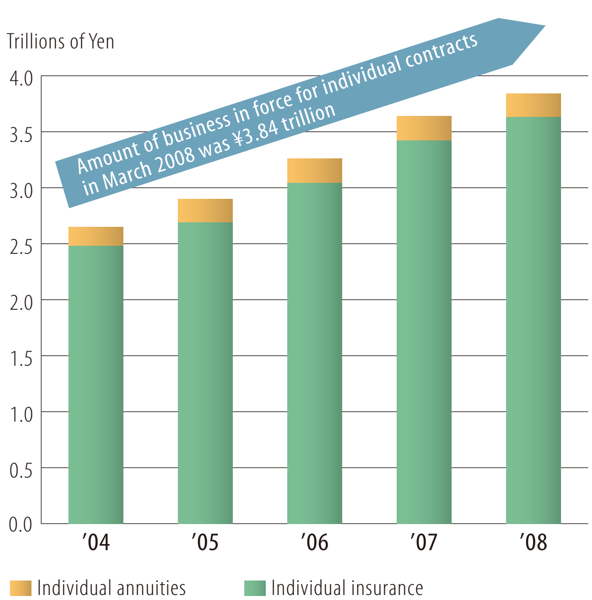
NIPPONKOA Life Insurance Co., Ltd. is a strategic subsidiary of the NIPPONKOA Insurance Group, with responsibility for its life insurance business. Its business has steadily grown since the start of operations in October 1996, and the embedded value as well as the amount of business in force for individual contracts has continued to increase.

NIPPONKOA Life Insurance Company's marketing strength lies in its consulting sales centered on a network of core agencies of its parent company These core agencies are able to accurately recognize shifts in customer needs arising from such factors as the continued falling birthrate and aging population, as well as changing lifestyles, and link these to expanded sales of life insurance products.

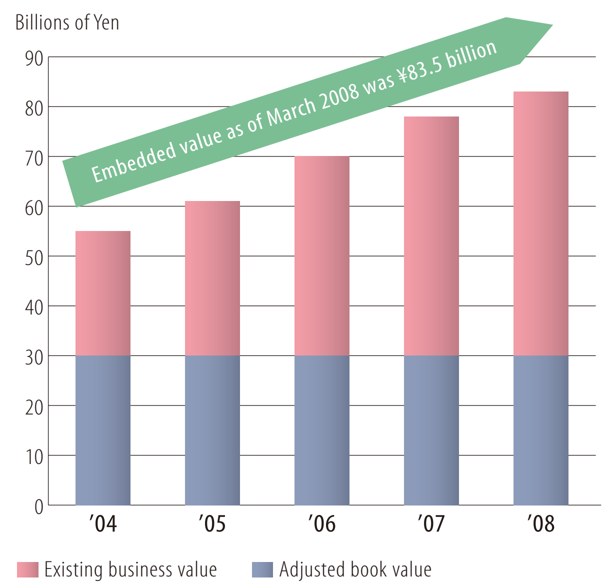
Sales through financial institutions and their affiliated agencies is an area we intend to further strengthen going forward. Financial institutions are an important marketing channel where we can exercise a competitive advantage. We believe there is ample room for further growth in life insurance product sales, including products for corporate clients in this channel.

As a result of the steady expansion of business, we expect to achieve standard policy reserves at the end of fiscal 2008 (ending March 31, 2009), and from fiscal 2009 expect this to make a contribution to consolidated profits.

Amount of Business in Force



Embedded Value (Life Insurance Subsidiary)



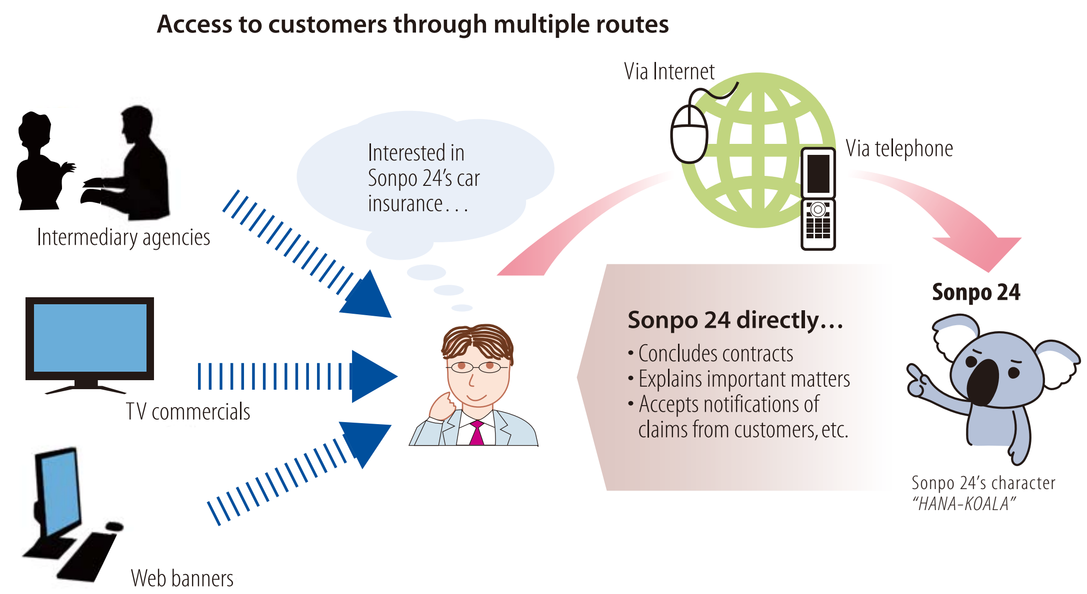
5. Sonpo 24

Sonpo 24 Insurance Co., Ltd. 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 specializes in straightforward voluntary automobile insurance coverage at competitive premiums, and alongside NIPPONKOA, plays a role in reinforcing the Group's core non-life insurance business. NIPPONKOA is the only major non-life insurance company in Japan with a direct sales entity that is also a wholly owned subsidiary.

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

Intermediary agencies earn a fee whenever they introduce a customer to Sonpo 24. Explanation of important policy terms, conclusion of contracts, collection of premiums and other underwriting tasks are handled by Sonpo 24, significantly reducing the paperwork at the agency level. NIPPONKOA believes that this intermediary agency system is an ideal business model for sales through financial institutions, and has been aggressively putting forward proposals for agency contracts following the lifting in December 2007 of restrictions on selling voluntary automobile insurance through financial institutions. We are steadily increasing the number of financial institutions handling Sonpo 24's automobile insurance, and expect this will soon make a contribution to Group earnings.

Sonpo 24's Unique Business Model



6. Evaluating Risk and Ensuring Capital Adequacy

Evaluating retained risk and monitoring the sufficiency of the solvency margin is an extremely effective means of maintaining operational soundness for a non-life insurance company.

NIPPONKOA evaluates its retained risk with an integrated risk management model using Dynamic Financial Analysis, a method that simulates various insurance claim and asset management scenarios, incorporating a number of other parameters to predict possible changes in capital levels. 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 assess our capital sufficiency on a regular basis using this method.

Our analysis of the solvency margin at the end of March 2008 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 2008. As a result, it is our assessment that the Company has adequate capital to cover its retained risk.

To maintain a high degree of flexibility in its capital management policies and strategic investments, NIPPONKOA will continue to work to increase profitability of its business, while at the same time reducing retained risk by trimming its relationship stock holdings and other high-risk assets.

7. Shareholder Returns

This final section presents NIPPONKOA's policy on shareholder returns.

NIPPONKOA strives to provide our shareholders with stable, continuous dividends. In fiscal 2007, our annual cash dividend per share was ¥7.5, with a dividend payout ratio of 73.6%.

In addition to the payment of cash dividends, NIPPONKOA has continuously implemented stock buybacks. In July 2007, we repurchased 34 million shares (repurchase amount of ¥37.7 billion), equivalent to approximately 4% of total shares issued. We decided to make this large-scale buyback of shares because we were able to confirm the adequacy of capital during an assessment conducted at the end of March 2007. This result was mainly due to the progress made with reducing relationship stock holding during fiscal 2006, which significantly lowered our risk exposure and realized latent gains. As of the end of March 2008, a cumulative total of 110 million shares had been repurchased, of which 57 million shares have already been retired.

We will continue to carefully monitor our capital adequacy and analyze our profitability as we work to provide returns to our shareholders through continued, stable dividend payments and stock repurchases.

■ ***Shareholder Return Indices***

	FY2004	FY2005	FY2006	FY2007
Dividend per Share	¥7.5	¥7.5	¥7.5	¥7.5
Buyback per Share	¥8.0	¥11.8	¥8.7	¥48.8
Dividend Payout Ratio	42.4%	46.0%	44.8%	73.6%
Total Payout Ratio	87.6%	118.1%	97.0%	553.3%
Dividend on Equity	1.1%	0.8%	0.8%	0.9%
Total Payout on Equity	2.2%	2.0%	1.7%	8.0%

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

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 quality of operations. 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 vigorous 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.

In June 2008, the General Meeting of Shareholders appointed four outside directors out of a total of 10 directors. This move increases the number of outside directors from two to four. Outside directors have a high degree of independence, hence, by increasing their number, the Company aims to strengthen management oversight functions as well as increase management transparency.

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.

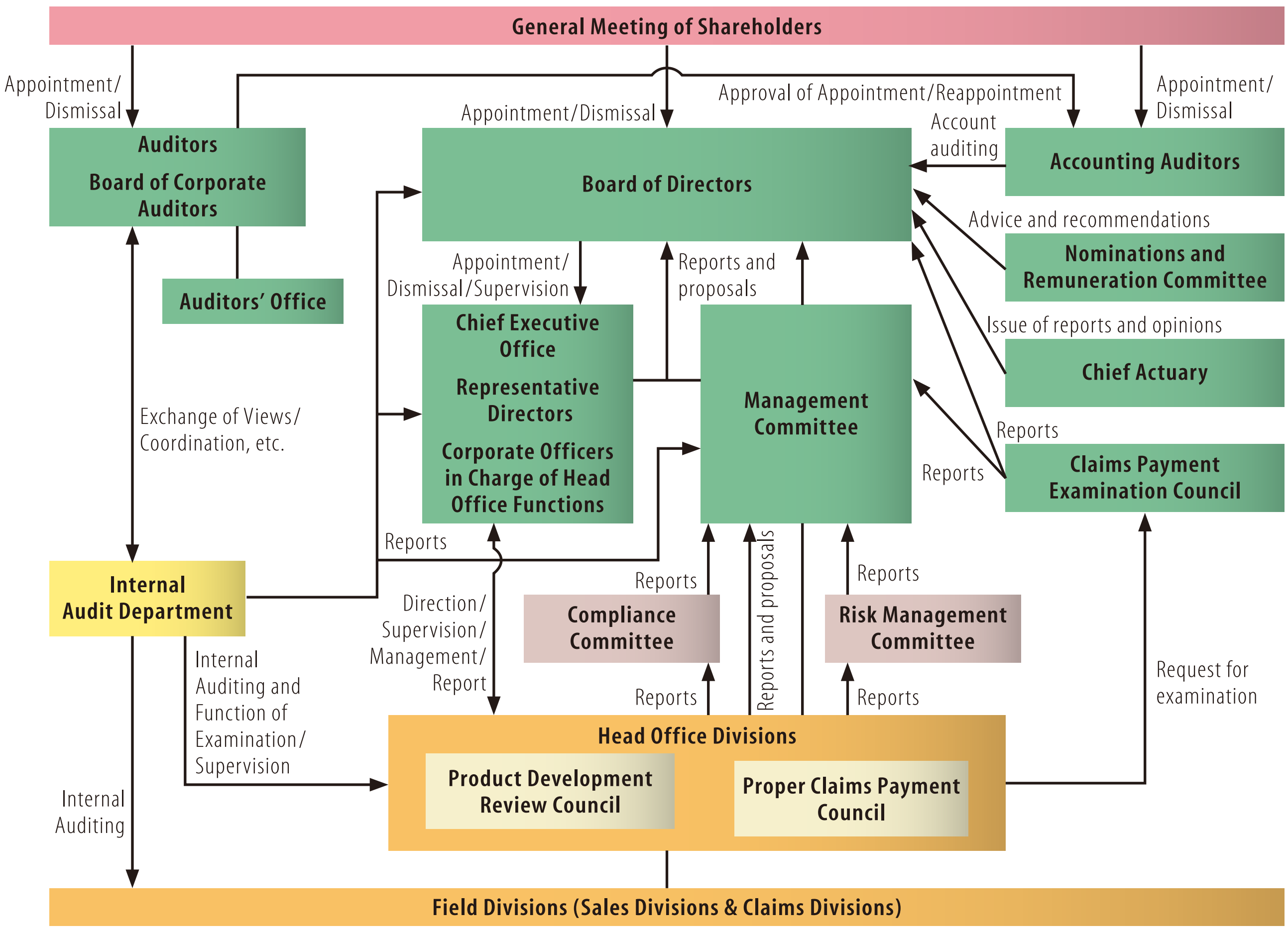
The Company has adopted the corporate auditor and Board of Corporate Auditors system. A maximum of five corporate auditors may be appointed, with at least half of these being independent corporate auditors appointed from outside the Company (currently we have three independent corporate auditors).

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.

Corporate Governance Structure



Compliance

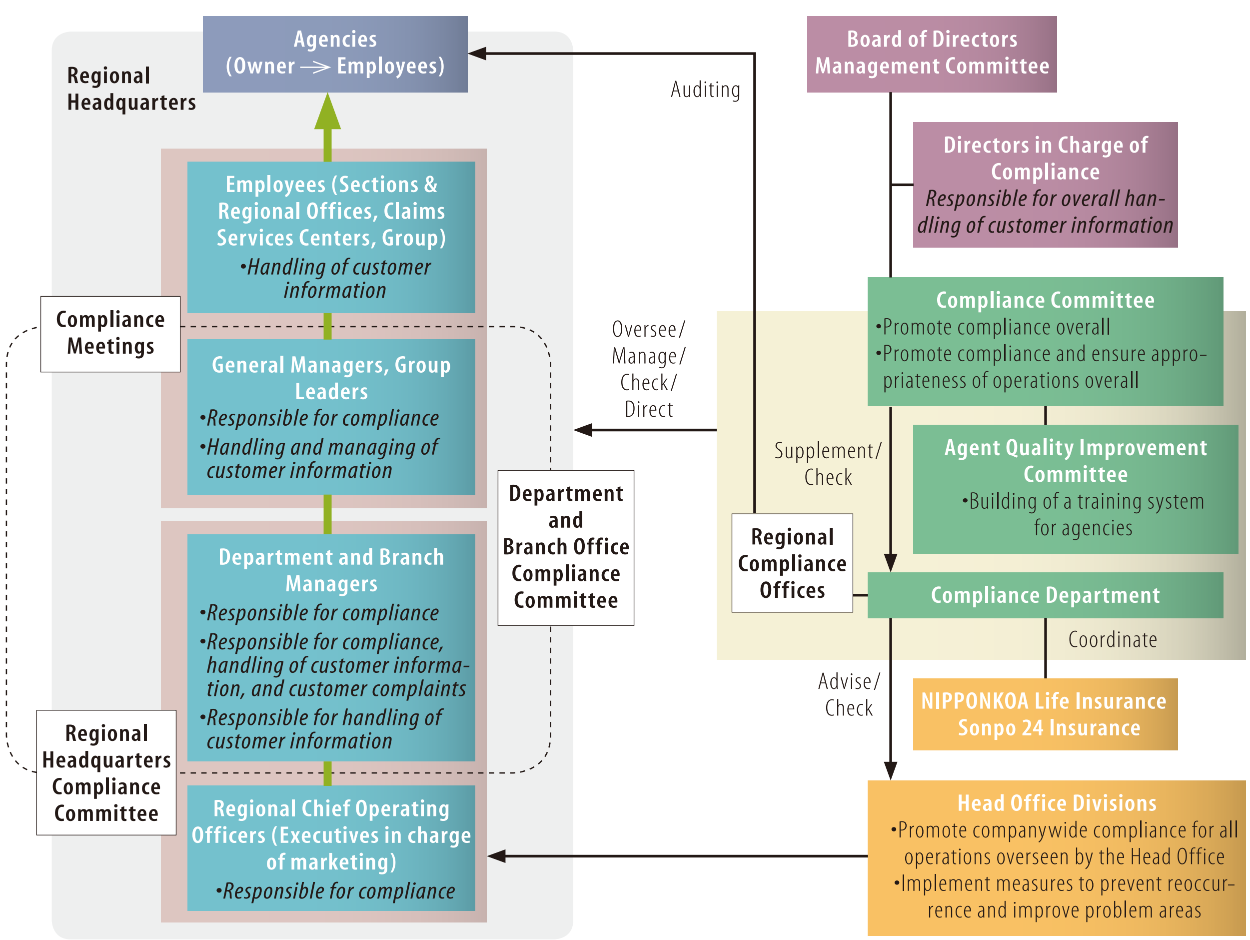
The Japanese financial sector has undergone a major transformation over the past decade through market liberalization policies and a series of deregulatory measures. In the new liberalized operating environment, financial institutions are expected to maintain rigorous standards in accordance with the 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.

Compliance Program Designed to Promote Customer Confidence

NIPPONKOA has formulated a compliance program that serves as an action plan for implementation of its basic compliance policy. In order to strengthen customer confidence, the Company has instituted a program called "Listening to Our Customers." This program aims to create a quality assurance cycle, using the views of NIPPONKOA customers as the starting point. The Company has also taken

■ *Compliance Structure*



a number of steps to improve the capacity of its sales network to respond appropriately to customer needs. Specifically, we have established a qualification system and education and training programs to improve the quality of our sales agencies, and we have introduced "New Sales and Soliciting Rules" that require sales staff to provide customers with an explanation of the substantive features of our insurance products, and to confirm that the customer understands and approves of the content of each insurance policy before it is sold. With regard to solicitation of insurance products, to ensure that 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 implemented a number of measures to strengthen our claims handling system to make sure that we are able to process and pay claims in a timely and appropriate manner. These measures include thorough education and training programs for our claim processors, and careful supervision by our Claims Payment Management Department of all claims processing and payment operations. We have also improved the functions of our Declined Claims Complaint Section and other customer service systems.

For a complete overview of measures being undertaken by the Company to restore customer trust, please refer to "Enhancing Customer Trust," on pages 6–7 of this report.

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.

A Comprehensive Approach to 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 a comprehensive approach across the entire organization by the Risk

Management Committee. This multilevel framework facilitates a comprehensive approach to 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 also implements an integrated risk management system to help maintain sound business management and to ensure the effective and efficient use of management resources. Under this system, the risks such as underwriting risk and asset management risk are evaluated using a common VaR* (Value at Risk) metric in order to confirm the adequacy of the company's capital reserves. We also conduct stress testing to estimate the potential effect on our business of specific putative events such as large-scale natural and other disasters.

*Value at Risk: The maximum putative loss from future events within a given probability range. In evaluating its capital adequacy NIPPONKOA calculates the maximum annual loss expected to occur assuming a once-in-a-century worst-case scenario.

Environmental Protection and Social Contributions

NIPPONKOA believes that as an insurance company, environmental protection and social action must be essential components of its CSR programs. NIPPONKOA has affirmed its commitment to "Environmentally Friendly Business Practices," a stance that is especially important now that the risk of natural disasters is on the rise because of global warming. We have also obtained ISO 14001 certification for environmental management, and are actively engaged in reforestation and other projects.

Environmental Initiatives

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 been managing the 5.1-hectare (12.7-acre) NIPPONKOA Forest in the foothills of Mt. Yatsugatake, Nagano Prefecture, where it is growing Japanese larch and various hardwood species. In August 2007, NIPPONKOA became a partner with Aki City in Kochi Prefecture to help promote reforestation as part of the "Collaborative Forest Restoration with Environmentally Progressive Companies" initiative sponsored by Kochi Prefecture. Our aim is to improve environmental awareness among our employees and sales agencies by providing opportunities for them to help reforest abandoned woodlands, and to interact with local community members. Further, in June 2008 we concluded an agreement with Miyazaki Prefecture as part of its Corporate Forest Development Initiatives program to create what will be called the NIPPONKOA Miyazaki Nishimera Forest. Under this initiative, companies interested in social action programs are invited to cooperate with the Prefecture, forest owners, and forestry cooperatives in helping to establish and preserve woodlands.

In addition, as part of our environmental risk management service, we publish *Environmental Risk Review,* in which we disseminate the latest information on environmental issues.

From fiscal 2007, 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.

Social Action Initiatives

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. Based on recommendations from its members, over the last 12 years the Club has made 380 donations totaling ¥38 million to various social welfare, environmental protection, and international aid organizations.

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 prosperous and wholesome society. NIPPONKOA was an active sponsor of the International Music Festival to Support Musicians from Eastern Europe, which was held in Hokkaido and Tokyo from October through November 2007 as part of "Disabled Persons Week" activities.

NIPPONKOA signs a forestry initiative agreement with Miyazaki Prefecture.


Basketball game held by the Hokkaido Wheelchair Basketball Federation

Overview of Operations

Main Products and Services

NIPPONKOA strives to listen to its customers, respond to their needs, and provide customer-focused, easy-to-understand products and services. This section introduces the main products and services in this lineup.

Car BOX

“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.

Full House

“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 rebuilding, temporary housing and other expenses as well repair costs. Customers can also choose to include a supplementary contract giving them access to our out-of-court settlement negotiation service should they be sued for damages arising from injury to a third party.

“Full House” was revised in April 2007 with a more reasonable premium structure that takes account of past insurance payouts and estimates of possible future damage amounts. It was also made more flexible to allow for coverage more tailored to customer needs, including an increase in possible policy patterns per product, and a more wide-ranging discount structure according to a building’s efficiency and facilities.

■ *"Anshin BOX" Comprehensive Personal Accident Insurance*

"Anshin BOX" is insurance for customers seeking full injury coverage, allowing them to freely design their own insurance package with a variety of special clauses. Further, by incorporating "order-made" clauses that allow changes to the standard provisions of a policy, 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, and family structure of its customers, including simple coverage, as well as coverage specific for women or active seniors.

Anshin BOX

■ *"Business Master" Corporate Operations Insurance*

"Business Master" is insurance for companies in a wide range of industries, including manufacturing, wholesale, retail, restaurants and services. It provides coverage for a variety of risks related to business activities at reasonable premiums. Coverage includes damage to equipment or merchandise, losses from work stoppages, liability for compensation, and injury to directors or employees.

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.

Business Master

■ *"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 bodily injury or property damage to third parties caused by defects in business facilities or operations performed, 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.

Comprehensive Liability Insurance

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

Amount of business in force
(Total individual insurance/annuity)
Billions of Yen

Net premiums written
(Total voluntary and compulsory automobile liability insurance)
Millions of Yen

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. Central to this effort are NIPPONKOA Life Insurance Co., Ltd., which handles the life insurance business and stands alongside non-life insurance as one of our core businesses, and Sonpo 24 Insurance Co., Ltd., which sells voluntary automobile insurance through a new business model utilizing intermediary agencies. We are strengthening mutual cooperation between these two strategic subsidiaries.

NIPPONKOA Life Insurance Co., Ltd.

NIPPONKOA LIFE

NIPPONKOA Life Insurance has actively increased its amount of business in force through close cooperation with NIPPONKOA in cross-selling across its 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, as part of its efforts to establish trust among customers, NIPPONKOA Life Insurance is working to improve customer service by using customer feedback to conduct more accurate policy subscriptions, and improving its position on insurance payouts. We are also making efforts to practice CSR, further compliance, and ensure thorough control of risk in management overall.

Sonpo 24 Insurance Co., Ltd.

Hana Koala is a trademark of Sonpo 24

Sonpo 24 is a strategic subsidiary established to expand the NIPPONKOA Insurance Group's share of the voluntary automobile insurance market, and develop new markets. It sells simple, straightforward risk sub-divided insurance for individuals, and has the business model in which the company approaches customers not only through advertising but also intermediary agencies and invites them to purchase its insurance at the company's directly operated call centers or website.

Sonpo 24 also works in partnership with NIPPONKOA to expand its intermediary agency network, and has started selling its voluntary automobile insurance through financial institutions with the lifting of restrictions on such sales. Through these measures, Sonpo 24 is steadily increasing its level of premium income and contributing to the earnings of the entire Group.

Related Business Operations

NIPPONKOA also actively pursues businesses that supplement and strengthen the insurance business, such as defined contribution pension plans, investment fund sales and fund management. Initiatives in business fields that generate synergistic benefits also 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. We have also actively pursued sales of the "Cooperation DC Plan" in alliance with financial institutions. As a result, the number of contracting companies has steadily increased, reaching 120 as of the end of March 2008, with a total of around 12,000 subscribers.

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 for lower purchase amounts, mitigates price fluctuation risk, and reduces the account transfer cost for payments. We will continue to promote investment trust fund sales, focusing on savings-type trust funds as our mainstay product.

ZEST Asset Management Limited

ZEST Asset Management enhances the asset management capabilities of NIPPONKOA with superior expertise in selecting hedge fund managers. The NIPPONKOA Group is also able to respond to the need for hedge funds among institutional investors with fund-of-funds managed by ZEST, as well as provide its clients with information on hedge funds and other alternative investments, and gain additional earnings from the asset management business.

ZEST Asset Management

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, expanding the need for insurance services overseas. In response to this situation, NIPPONKOA has developed various measures for each of the world's major regions, bolstering our ability to take advantage of overseas opportunities.

Basic Policies Related to Overseas Strategy

Strengthening Services for Policyholders Moving into Overseas Markets

To supply 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, subsidiaries, affiliates, and so on.

Increasing Profitability

The most essential task is boosting 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 and regions throughout the world.

Main Events of Fiscal 2007

NIPPONKOA Insurance Company (Asia) Limited, our subsidiary headquartered in Hong Kong, received an Insurer Financial Strength Rating of "A" from the U.S. credit-rating firm A.M. Best for sound operating performance.

We established a new representative office in New Delhi, India in June 2007.

Our firm published Chinese-Japanese-English Dictionary of Insurance Terms for International Business in China. The publication of a dictionary by a Japanese non-life insurer through a Chinese publisher is an industry first. This compilation was approved as an official project of the 2007 China-Japan Cultural and Sports Interchange Year commemorating the 35th anniversary of normalization of diplomatic relations between China and Japan.

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 Russia and 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 supply complete services. In 2007, as in 2006, it received an Insurer Financial Strength Rating of "A" from Standard & Poor's.

Service Organization in the United States and Canada

NIPPONKOA has had a collaborative agreement for over 35 years with Travelers, a comprehensive property and casualty insurance firm with a major market share in the United States. Our partner provides high-level services on a nationwide scale, starting with casualty insurance services and sophisticated risk control services.

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

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 have applied to open a subsidiary in Shenzhen to start our own underwriting business.

Service Organization in Asia and Oceania

The NIPPONKOA Singapore Branch and NIPPONKOA Insurance Company (Asia) Limited, 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, and Siam Commercial Samaggi Insurance Public Company Limited and The Navakij Insurance Public Company Limited of Thailand to provide services to our customers.

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

● Representative Office
● Overseas Subsidiary or Affiliate

As of July 1, 2008

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

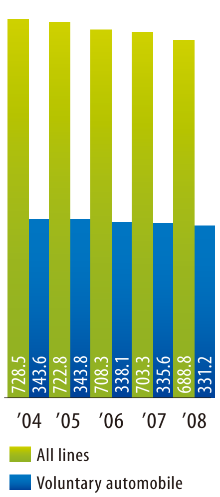
This section presents the operating results of the NIPPONKOA Insurance Group for fiscal 2007 (April 1, 2007–March 31, 2008). The discussion focuses on the parent company NIPPONKOA Insurance Co., Ltd., and the principal consolidated subsidiaries, NIPPONKOA Life Insurance Co., Ltd. and Sonpo 24 Insurance Co., Ltd.

1. Key Indicators

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Nonconsolidated basis:			
Parent company			
Net premiums written	**¥688,892**	¥703,371	**$6,875,864**
Loss ratio*1	**65.4 %**	65.5 %	**65.4 %**
Expense ratio*2	**34.9 %**	35.5 %	**34.9 %**
Underwriting profit (loss)	**(14,042)**	(35,747)	**(140,159)**
Ordinary profit	**16,769**	24,538	**167,372**
Net income	**7,877**	13,425	**78,620**
Life insurance subsidiary			
Ordinary profit	**1,275**	1,413	**12,729**
Net income	**—**	31	**7**
Consolidated basis:			
Ordinary profit	**¥ 17,742**	¥ 28,130	**$ 177,085**
Net income	**8,991**	15,872	**89,742**

*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

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



2. Net Premiums Written

Net premiums written in fiscal 2007 are as follows.

Premiums for fire insurance declined 8.1% year on year due to a decrease in net premiums for long-term fire policies stemming from a sharp falloff in housing starts following revision to the Building Standards Law. Results from savings-type policies were also sluggish due to low interest rates.

Voluntary automobile insurance, which accounts for approximately half of total premium income, declined 1.3% year on year. Although we managed to attain an increase in the number of contracts, the average premium per vehicle continued to decrease due to discounts given to drivers with excellent records.

Premiums for personal accident insurance declined 5.0% due to the impact from cessation of sales of third-sector policies*, and sluggish sales of savings-type policies stemming from low interest rates.

Premium income for the "other" line rose 2.9% from a year earlier due to strong sales of general liability insurance and other types of policies.

As a result, net premiums written for all lines decreased 2.1% on a nonconsolidated basis, and 2.0% on a consolidated basis.

* In response to numerous cases of improper nonpayment of third-sector policies, NIPPONKOA was ordered by the Financial Services Agency to cease sales of third-sector products for three months from April 2007. Also, from August 2007 underwriting of new third-sector policies for individuals was transferred to NIPPONKOA's life insurance subsidiary, NIPPONKOA Life Insurance Co., Ltd., with NIPPONKOA no longer handling such policies.

■ Net Premiums Written

	2008 Amount (Millions of Yen)	2008 Change	2008 % change	2007 Amount (Millions of Yen)	2008 Amount (Thousands of U.S. Dollars)
Nonconsolidated basis (Parent company):					
Fire	**¥ 95,880**	**¥ (8,470)**	**(8.1)%**	¥104,351	**$ 956,989**
Marine	**19,193**	**(47)**	**(0.2)%**	19,241	**191,568**
Personal accident	**56,306**	**(2,986)**	**(5.0)%**	59,293	**562,001**
Voluntary automobile	**331,294**	**(4,341)**	**(1.3)%**	335,636	**3,306,665**
Compulsory automobile liability	**102,776**	**(959)**	**(0.9)%**	103,735	**1,025,816**
Other	**83,440**	**2,328**	**2.9 %**	81,112	**832,822**
All lines	**¥688,892**	**¥(14,478)**	**(2.1)%**	¥703,371	**$6,875,864**
Consolidated basis:					
All lines	**¥698,685**	**¥(14,177)**	**(2.0)%**	¥712,862	**$6,973,604**

3. Net Losses Paid

Net losses paid declined considerably in fiscal 2007, due to a much smaller scale of natural disasters compared to the previous fiscal year. Net losses paid as a result of natural disasters that occurred in fiscal 2007 amounted to ¥5.5 billion, compared with ¥15.0 billion a year earlier. Fire insurance was mostly impacted, with net losses paid as a result of natural disaster declining ¥13.0 billion, and the loss ratio improving 7.4 percentage points to 48.8%.

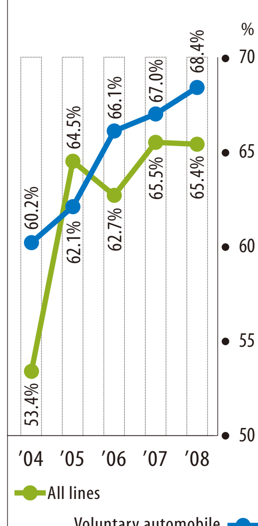
In other categories, the loss ratio deteriorated for voluntary automobile insurance and personal accident insurance. Insurance payments for voluntary automobile insurance rose ¥1.3 billion from a year earlier (an increase of 1.4 percentage points) due to an increase in the number of claim payments for bodily injury liability. Payments for personal accident insurance rose ¥2.1 billion (an increase of 6.7 percentage points) due to an increase in cases of aftereffects of injury and other factors.

Consequently, the overall loss ratio for all lines improved 0.1 percentage point to 65.4%.

■ Net Losses Paid

	2008 Amount (Millions of Yen)	2008 Change	2008 Loss ratio	2007 Amount (Millions of Yen)	2007 Loss ratio	2008 Amount (Thousands of U.S. Dollars)
Nonconsolidated basis (Parent company):						
Fire	**¥ 42,967**	**¥(11,741)**	**48.8 %**	¥ 54,708	56.2 %	**$ 428,856**
Marine	**7,811**	**(296)**	**41.8 %**	8,108	43.2 %	**77,968**
Personal accident	**31,198**	**2,107**	**60.8 %**	29,090	54.1 %	**311,389**
Voluntary automobile	**207,235**	**1,335**	**68.4 %**	205,899	67.0 %	**2,068,420**
Compulsory automobile liability	**75,047**	**(1,512)**	**78.5 %**	76,559	79.2 %	**749,051**
Other	**50,038**	**(215)**	**65.0 %**	50,254	67.2 %	**499,440**
All lines	**¥414,298**	**¥(10,322)**	**65.4 %**	¥424,621	65.5 %	**$4,135,127**
Consolidated basis:						
All lines	**¥419,969**	**¥ (9,315)**		¥429,284		**$4,191,731**

Trend in loss ratio
(Parent company)



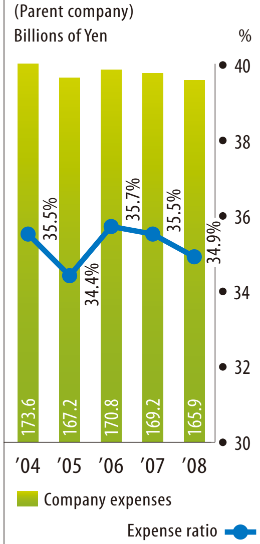
4. Expenses

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

Personnel expenses declined ¥1.4 billion compared to the previous fiscal year, due to revisions to the system for retirement allowances. Non-personnel expenses decreased ¥1.5 billion, due mainly to a decrease in IT investment and revision of procurement costs, which offset increased costs to rebuild customer trust.

As a result, the expense ratio improved 0.6 percentage point to 34.9%.

Company expenses and expense ratio
(Parent company)



Expenses

	Millions of Yen					Thousands of U.S. Dollars
	2008			2007		**2008**
	Amount	**Change**	**% of net premiums written**	Amount	% of net premiums written	**Amount**
Nonconsolidated basis (Parent company):						
Underwriting costs and expenses:						
Net commissions and brokerage	**¥117,141**	**¥(5,293)**	**17.0 %**	¥122,434	17.4 %	**$1,169,193**
Operating and administrative expenses on underwriting	**123,349**	**(3,622)**	**17.9 %**	126,972	18.1 %	**1,231,159**
Total	**¥240,491**	**¥(8,915)**	**34.9 %**	¥249,407	35.5 %	**$2,400,352**
Company expenses*1:						
Personnel expenses	**¥ 87,011**	**¥(1,470)**	**12.6 %**	¥ 88,481	12.6 %	**$ 868,462**
Non-personnel expenses	**70,503**	**(1,508)**	**10.2 %**	72,012	10.2 %	**703,701**
Contributions	**468**	**(9)**	**0.1 %**	477	0.1 %	**4,671**
Taxes	**7,964**	**(277)**	**1.2 %**	8,242	1.2 %	**79,495**
Total	**¥165,947**	**¥(3,265)**	**24.1 %**	¥169,212	24.1 %	**$1,656,331**
Consolidated basis:						
Company expenses*1 (Total)	**¥182,182**	**¥(3,906)**	**26.1 %**	¥186,088	26.1 %	**$1,818,369**

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

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), increased ¥4.2 billion from the previous fiscal year to a deficit of ¥2.2 billion.

NIPPONKOA recorded an underwriting loss of ¥14.0 billion, an improvement of ¥21.7 billion from the previous fiscal year. Because of the reduced increase in IBNR (incurred but not reported) reserves, a statistical method adopted during the previous fiscal year, the fluctuation in underwriting profit was larger than that in the underwriting balance compared to the previous fiscal year.

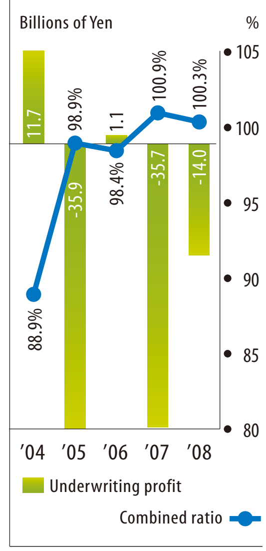
Underwriting Balance/Underwriting Profit

	2008		2007	
Millions of Yen	Amount	% of net premiums written	Amount	% of net premiums written
Nonconsolidated basis (Parent company):				
Net premiums written	**¥688,892**	**100.0 %**	¥703,371	100.0 %
Less: Net losses paid & Loss adjustment expenses	**450,670**	**65.4 %**	460,506	65.5 %
Less: Underwriting costs and expenses	**240,491**	**34.9 %**	249,407	35.5 %
Underwriting balance	**¥ (2,268)**	**(0.3)%**	¥ (6,542)	(0.9)%
Underwriting profit (loss)	**¥ (14,042)**	**(2.0)%**	¥ (35,747)	(5.1)%

Underwriting Funds as of March 31, 2008

	Underwriting reserves (total)		Of which premium reserve		Of which catastrophe reserve		Of which contingency reserve (Millions of Yen)		Reserve for outstanding claims (Millions of Yen)	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change
Nonconsolidated basis (Parent company):										
Fire	¥ 469,895	¥ 5,265	¥361,900	¥(1,367)	¥107,994	¥ 6,632	¥—	¥—	¥ 28,808	¥ (1,439)
Marine	25,645	1,034	7,757	198	17,887	835	—	—	8,440	(1,249)
Personal accident	60,827	(2,212)	30,067	(161)	30,744	(2,066)	16	16	20,995	5,077
Voluntary automobile	116,109	(17,821)	93,354	(2,306)	22,755	(15,514)	—	—	138,181	13,545
Compulsory automobile liability	207,712	10,158	207,712	10,158	—	—	—	—	27,024	(638)
Other	125,909	3,892	81,065	248	44,844	3,643	—	—	61,260	1,560
All lines	¥1,006,100	¥ 315	¥781,858	¥6,768	¥224,225	¥(6,469)	¥ 16	¥ 16	¥284,711	¥16,856
Reserve for deposit premiums on savings-type policies	1,016,682	(95,975)								
Total	¥2,022,782	¥(95,660)								

Results of underwriting
(Parent company)



6. Investment Income

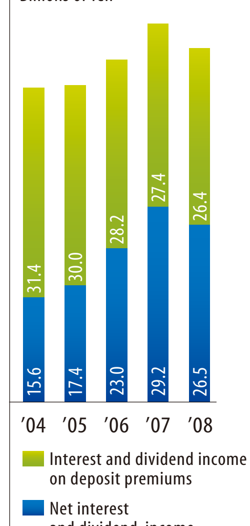
The parent company's interest and dividend income decreased ¥3.6 billion in fiscal 2007 to ¥53.0 billion.

Interest and dividend income on deposit premiums of savings-type policies (to be returned to policyholders upon maturity), decreased ¥0.9 billion. As a result, net interest and dividend income (which excludes the portion to be returned) decreased ¥2.7 billion year on year to ¥26.5 billion (nonconsolidated basis).

Interest and Dividend Income

	2008 (Millions of Yen)			2007 (Millions of Yen)	2008 (Thousands of U.S. Dollars)
	Amount	Change	% change	Amount	Amount
Nonconsolidated basis (Parent company):					
Interest and dividend income	**¥53,009**	**¥(3,684)**	**(6.5)%**	¥56,693	**$529,088**
Less: Interest and dividend income on deposit premiums	**26,486**	**(921)**	**(3.4)%**	27,407	**264,357**
Net interest and dividend income	**¥26,523**	**¥(2,762)**	**(9.4)%**	¥29,286	**$264,730**
Consolidated basis:					
Interest and dividend income	**¥59,632**	**¥(2,782)**	**(4.5)%**	¥62,414	**$595,189**

Breakdown of interest and dividend income
(Parent company)
Billions of Yen



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

Net gain on the sale of securities (sales gains less sales losses) decreased ¥23.5 billion in fiscal 2007 to ¥23.4 billion, with realized gains including redemption profit on securities down ¥22.6 billion from a year earlier to ¥24.8 billion (all figures are for the parent company).

The primary reasons for this decline were the slumping stock market, along with smaller sales of relationship stocks totaling ¥12.4 billion in fiscal 2007, compared to ¥17.6 billion in book value sold in fiscal 2006.

Revaluation loss on securities at the parent company amounted to ¥9.6 billion.

■ *Realized Gains/Losses on Securities*

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Nonconsolidated basis (Parent company):			
Net gain (loss) on sale of securities:			
Domestic bonds	**¥ 706**	¥ (243)	**$ 7,053**
Domestic equities	**22,580**	43,432	**225,372**
Foreign securities, etc.	**212**	3,861	**2,124**
Total	**23,499**	47,051	**234,550**
Redemption profit on securities	**1,335**	417	**13,328**
Realized gains	**¥24,834**	¥47,468	**$247,878**
Consolidated basis:			
Net gain on sale of securities	**24,760**	47,063	**247,132**
Redemption profit on securities	**1,330**	417	**13,281**
Realized gains	**¥26,090**	¥47,481	**$260,413**

■ *Revaluation Loss on Securities*

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Nonconsolidated basis (Parent company):			
Domestic bonds	**¥ —**	¥ —	**$ —**
Domestic equities	**4,511**	1,796	**45,028**
Foreign securities, etc.	**5,106**	93	**50,963**
Total	**¥ 9,617**	¥ 1,889	**$ 95,992**
Consolidated basis:			
Total	**¥ 9,654**	¥ 1,904	**$ 96,359**

8. Profit and Losses

As a result of the above, profit and losses for fiscal 2007 are as follows.

In the previous fiscal year there was a discrepancy between consolidated and nonconsolidated figures for previous year losses, because fiscal 2006 was the initial year for recording of a reserve for investment losses in shares of subsidiary Sonpo 24. There is no such discrepancy during the subject fiscal year.

■ *Summary of Profit and Losses*

		Millions of Yen		Thousands of U.S. Dollars
		2008	2007	**2008**
		Amount	Amount	**Amount**
Nonconsolidated basis (Parent company):				
Underwriting:				
Underwriting profit (loss)	(1)	**¥(14,042)**	¥(35,747)	**$(140,159)**
Miscellaneous income (expenses) related to underwriting	(2)	**(372)**	(1,254)	**(3,718)**
Total of underwriting	(1)+(2)=(A)	**(14,415)**	(37,002)	**(143,877)**
Investment, etc.:				
Investment profit (loss):				
Net interest and dividend income	(3a)	**26,523**	29,286	**264,730**
Net gain on sale of securities	(3b)	**23,499**	47,051	**234,550**
Less: Revaluation loss on securities	(3c)	**9,617**	1,889	**95,992**
Redemption profit on securities	(3d)	**1,335**	417	**13,328**
Gain (loss) on money held in trust	(3e)	**(1,839)**	287	**(18,360)**
Gain (loss) on derivative financial instruments	(3f)	**1,239**	(2,162)	**12,371**
Other investment income (loss)*1	(3g)	**(4,634)**	(5,216)	**(46,255)**
Total of the above	(3)	**36,506**	67,772	**364,372**
Less: Investment expenses, etc.	(4)	**6,226**	6,354	**62,144**
Other ordinary income	(5)	**903**	122	**9,022**
Total of investments, etc.	(3)-(4)+(5)=(B)	**31,184**	61,540	**311,250**
Ordinary profit	(A)+(B)	**16,769**	24,538	**167,372**
Special income (loss)		**(4,256)**	(4,757)	**(42,481)**
Less: Income taxes, including deferred tax		**4,635**	6,355	**46,270**
Net income		**¥ 7,877**	¥ 13,425	**$ 78,620**
Consolidated basis:				
Ordinary profit		**17,742**	28,130	**177,085**
Net income		**¥ 8,991**	¥ 15,872	**$ 89,742**

*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 2007, with unrealized gain on domestic equities of ¥430.0 billion at March 31, 2008, and unrealized gain on all securities of ¥437.8 billion (both on a nonconsolidated basis).

■ *Unrealized Gain on Available-for-Sale Securities as of March 31, 2008*

	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	¥ 997,125	¥1,008,613	**¥ 11,488**	$ 9,952,340	$10,067,012	**$ 114,671**
Domestic equities	360,320	790,382	**430,061**	3,596,372	7,888,832	**4,292,460**
Foreign securities, etc.	363,455	359,788	**(3,666)**	3,627,659	3,591,065	**(36,593)**
Total of securities	¥1,720,900	¥2,158,784	**¥437,884**	$17,176,372	$21,546,910	**$4,370,537**
Consolidated basis:						
Total of securities	¥1,842,347	¥2,288,608	**¥446,260**	$18,388,541	$22,842,687	**$4,454,145**

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 905.4%, and thus enjoys a very sound financial position.

■ *Solvency Margin Ratio*

	Millions of Yen
	2008
Nonconsolidated basis (Parent company):	
Solvency margin	
Capital or foundation funds etc.	**245,031**
Reserve for price fluctuations	**20,660**
Contingency reserve	**16**
Catastrophe reserve	**270,452**
Reserve for doubtful accounts (general)	**109**
Unrealized gain or loss on available-for-sale securities (before tax effect deduction)	**396,091**
Unrealized gain or loss on land	**25,662**
Excess refund reserve	**—**
Subordinated debts	**—**
Deduction items	**16,343**
Other items	**73,216**
A. Total amount of solvency margin	**¥1,014,897**
Risks	
Ordinary insurance risks (R_1)	**42,242**
Third-sector insurance risks (R_2)	**1**
Assumed interest rate risks (R_3)	**3,382**
Asset management risks (R_4)	**105,906**
Business management risks (R_5)	**5,069**
Major catastrophe risks (R_6)	**101,924**
B. Total amount of risks: $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2} + R_5+R_6$	**¥ 224,163**
Solvency margin ratio: A / (B x 1/2) x 100	**905.4 %**

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
	2008		2007		2008
	Amount	Proportion	Amount	Proportion	Amount
Nonconsolidated basis (Parent company):					
Total assets:	**¥2,974,225**	**100.0 %**	¥3,393,056	100.0 %	**$29,685,854**
Liabilities:					
Reserve for outstanding claims	**284,711**	**9.6 %**	267,854	7.9 %	**2,841,714**
Underwriting reserves:					
Premium reserve	**781,858**	**26.3 %**	775,089	22.8 %	**7,803,757**
Catastrophe reserve	**224,225**	**7.5 %**	230,695	6.8 %	**2,238,006**
Contingency reserve	**16**	**—**	—	—	**159**
Reserve for deposit premiums on savings-type policies	**1,016,698**	**34.2 %**	1,112,657	32.8 %	**10,147,700**
Total (Underwriting reserves)	**2,022,782**	**68.0 %**	2,118,442	62.4 %	**20,189,464**
Others	**129,600**	**4.4 %**	245,475	7.2 %	**1,293,547**
Total liabilities	**¥2,437,094**	**81.9 %**	¥2,631,773	77.6 %	**$24,324,727**
Shareholders' equity	**¥ 537,131**	**18.1 %**	¥ 761,282	22.4 %	**$ 5,361,127**

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

Balance of Assets by Investment Category as of March 31, 2008

	Deposit premium account	General account: Pure investment	General account: Other investment	Total (Millions of Yen): Amount	Total (Millions of Yen): Proportion	Total (Thousands of U.S. Dollars): Amount
Nonconsolidated basis (Parent company):						
Securities:						
Domestic equities	¥ —	¥ 6,447	¥ 851,992	¥ 858,440	30.5 %	$ 8,568,120
Yen denominated-securities, excluding equities:						
Public and corporate bonds	747,509	344,451	1,582	1,093,544	38.8 %	10,914,705
Others	10,800	58,920	18,011	87,731	3.1 %	875,649
Total	758,309	403,372	19,593	1,181,275	41.9 %	11,790,354
Foreign currency denominated-securities:						
Public and corporate bonds	24,079	171,515	---	195,595	6.9 %	1,952,240
Others	---	31,639	12,730	44,370	1.6 %	442,865
Total	24,079	203,155	12,730	239,965	8.5 %	2,395,106
Total of securities	782,389	612,975	884,316	2,279,681	80.9 %	22,753,582
Monetary receivables bought	20,189	3,794	---	23,983	0.9 %	239,382
Money in trust	---	45,524	50	45,574	1.6 %	454,878
Loans	152,912	---	61,925	214,837	7.6 %	2,144,305
Bank deposits	4,923	11,243	68,079	84,247	3.0 %	840,876
Call loans & receivables under resale agreements	15,997	36,000	---	51,997	1.8 %	518,987
Land and buildings	---	---	118,662	118,662	4.2 %	1,184,377
Investments assets (total)	¥976,412	¥709,537	¥1,133,034	¥2,818,984	100.0 %	$28,136,389
Total assets				¥2,974,225		$29,685,854

11. Life Insurance

NIPPONKOA's 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 increase 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 2008 up ¥199.0 billion from the previous fiscal year to ¥3,840 billion.

Ordinary profit amounted to just ¥1.2 billion, due to substantial provisioning of policy reserves to achieve the standard policy reserve*. Ordinary profit and net income, excluding the portion of policy reserves transferred to the standard policy reserve, were ¥3.3 billion, and ¥3.0 billion, respectively.

Embedded value increased ¥5.9 billion year on year to ¥83.5 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.

***Standard policy reserve:**
The standard policy reserve is a "standard level" for reserves set by the Financial Services Agency in Japan considered appropriate to maintain the soundness of an insurance company and protect its policyholders. The reserve is calculated based on the net level premium method using prescribed values for the expected mortality rate and assumed interest rate.

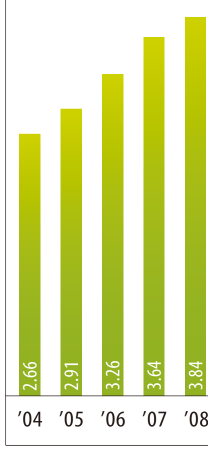
Life Insurance Business

	2008 Amount	2008 Change	2008 % change	2007 Amount	Thousands of U.S. Dollars 2008 Amount
	Millions of Yen				
Life insurance subsidiary:					
Amount of business in force at term-end Individual insurance, individual annuity	**¥3,847,200**	**¥199,097**	**5.5 %**	¥3,648,103	**$38,399,050**
Premium and other receipts	**83,424**	**3,628**	**4.5 %**	79,796	**832,664**
Investment income	**7,907**	**2,217**	**39.0 %**	5,689	**78,921**
Ordinary profit	**1,275**	**(137)**	**(9.8)%**	1,413	**12,729**
Net income (loss)	**¥ —**	**¥ (30)**	**(97.6)%**	¥ 31	**$ 7**

Embedded Value (Life insurance subsidiary)

	Billions of Yen 2008	2007	Change	Millions of U.S. Dollars 2008
Embedded value:				
Adjusted book value	**30.0**	30.4	(0.4)	**299.4**
Existing business value	**53.6**	47.2	6.4	**535.0**
Total	**¥83.5**	¥77.6	¥ 5.9	**$833.4**
EV of new business	**¥ 2.9**	¥ 3.7	¥(0.7)	**$ 28.9**

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



12. Sonpo 24

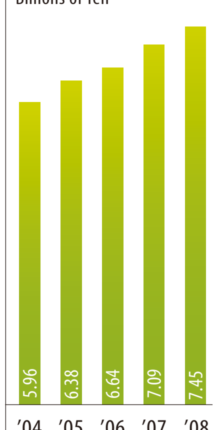
The final section in this financial review covers Sonpo 24 Insurance Co., Ltd., NIPPONKOA's strategic subsidiary.

Acquired by NIPPONKOA in July 2004, Sonpo 24 is a subsidiary specializing in direct sales of automobile insurance. 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 ¥0.3 billion (up 5.2%) from the previous fiscal year to ¥7.4 billion. The loss ratio deteriorated 4.9 percentage points 72.9% due to and increase in the number of contracts, while the expense ratio improved 1.4 percentage points. The subsidiary posted a net loss of ¥3.3 billion, an increase of ¥0.4 billion from the previous fiscal year.

Sonpo 24 has continually run a deficit since its establishment. However, with the lifting of restrictions on selling voluntary automobile insurance through financial institutions in December 2007, we intend to utilize the unique business model of selling through intermediary agencies to expand the business.

Net premiums written
Billions of Yen



Sonpo 24:

	2008 Amount	2008 Change	2008 % change	2007 Amount	Thousands of U.S. Dollars 2008 Amount
	Millions of Yen				
Sonpo 24:					
Net premiums written	**¥ 7,458**	**¥ 368**	**5.2 %**	¥ 7,090	**$ 74,445**
Loss ratio*1	**72.9 %**	**4.9 %**	**7.2 %**	68.0 %	**72.9 %**
Expense ratio*2	**65.4 %**	**(1.4)%**	**(2.1)%**	66.8 %	**65.4 %**
Ordinary profit (loss)	**(3,360)**	**(415)**	**14.1 %**	(2,944)	**(33,542)**
Net income (loss)	**¥(3,394)**	**¥ (436)**	**14.8 %**	¥ (2,958)	**$(33,884)**

*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

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 27, 2008, 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 27, 2008, 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 the opening of the industry to new competitors, 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 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 natural disasters, industrial disasters and other human-caused disasters may impair the execution of normal business operations of the NIPPONKOA Insurance Group. 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.

FINANCIAL SECTION

CONSOLIDATED **Balance Sheets**

NIPPONKOA INSURANCE CO., LTD. and consolidated subsidiaries As of March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	**2008**
Assets:			
Cash and bank deposits (Note 8)	**¥ 104,768**	¥ 134,633	**$ 1,045,699**
Call loans	**46,000**	44,000	**459,127**
Receivables under resale agreements	**5,997**	—	**59,859**
Monetary receivables bought	**23,983**	28,102	**239,382**
Money in trust (Note 3)	**82,662**	86,397	**825,054**
Investments in securities (Notes 1(e), 3 and 8)	**2,536,140**	2,863,645	**25,313,311**
Loans (Note 5)	**225,514**	248,080	**2,250,869**
Tangible fixed assets (Notes 1(h), 7 and 8):	**266,393**	270,057	**2,658,883**
Less accumulated depreciation	**136,015**	139,345	**1,357,580**
Tangible fixed assets, net	**130,377**	130,712	**1,301,303**
Other assets	**168,837**	167,728	**1,685,170**
Deferred tax assets (Notes 1(p) and 10)	**1,203**	38	**12,013**
Reserve for doubtful accounts (Note 1(j))	**(2,295)**	(2,959)	**(22,910)**
Total assets	**¥3,323,190**	¥3,700,381	**$33,168,882**
Liabilities:			
Underwriting fund:			
Outstanding claims (Note 1(k))	**¥ 292,584**	¥ 275,260	**$ 2,920,301**
Underwriting reserves (Note 1(l))	**2,349,819**	2,402,243	**23,453,633**
	2,642,404	2,677,504	**26,373,934**
Income taxes payable	**4,307**	8,144	**42,996**
Reserve for retirement benefits (Notes 1(m) and 11)	**36,411**	38,532	**363,422**
Reserve for price fluctuations (Note 1(o))	**21,062**	18,371	**210,222**
Other liabilities (Note 8)	**73,393**	77,527	**732,540**
Deferred tax liabilities (Notes 1(p) and 10)	**1,972**	112,543	**19,691**
Negative goodwill (Note 1(s))	**439**	733	**4,391**
Total liabilities	**¥2,779,992**	¥2,933,357	**$27,747,200**
Net assets:			
Common stock:			
Authorized 1,500,000,000 shares as of March 31, 2008 and 2007; issued 816,743,118 shares as of March 31, 2008, 826,743,118 shares as of March 31, 2007 (Note 13)	**91,249**	91,249	**910,761**
Capital surplus	**46,702**	46,702	**466,134**
Retained earnings	**165,741**	172,244	**1,654,271**
Treasury stock:			
54,517,315 shares as of March 31, 2008 and 30,554,148 shares as of March 31, 2007 (Note 13)	**(51,592)**	(23,318)	**(514,948)**
Total shareholders' equity	**252,099**	286,877	**2,516,219**
Net unrealized gains on available-for-sale securities (Note 1(e))	**289,992**	480,712	**2,894,430**
Net deferred gains (losses) on hedge accounting	**1,790**	87	**17,870**
Foreign currency translation adjustment (Note 1(c))	**(1,492)**	(1,303)	**(14,895)**
Total valuation and translation adjustments	**290,291**	479,495	**2,897,405**
Subscription rights to shares (Note 14)	**408**	268	**4,075**
Minority interests	**398**	382	**3,982**
Total net assets	**543,198**	767,024	**5,421,682**
Total liabilities and net assets	**¥3,323,190**	¥3,700,381	**$33,168,882**

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, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2008	2007	2006	**2008**
Operating income:				
Net premiums written	**¥698,685**	¥712,862	¥717,727	**$6,973,604**
Life insurance premiums	**64,158**	61,946	61,048	**640,372**
Reversal of underwriting reserves (Note 1(l))	**51,363**	25,095	14,809	**512,663**
Deposit premiums from policyholders	**66,689**	82,608	99,957	**665,628**
Investment income (Note 6)	**59,632**	62,414	56,061	**595,189**
Net realized gains on securities	**26,090**	47,481	8,962	**260,413**
Other operating income, net	**—**	—	2,667	**—**
	966,620	992,409	961,233	**9,647,872**
Operating expenses:				
Net losses paid	**419,969**	429,284	413,773	**4,191,731**
Life insurance losses and other payments	**11,925**	9,806	7,795	**119,024**
Provision for outstanding claims (Note 1(k))	**17,311**	24,967	3,635	**172,782**
Loss adjustment expenses	**37,119**	36,650	35,916	**370,494**
Commissions and brokerage expenses	**122,887**	128,190	129,780	**1,226,543**
Operating and administrative expenses	**145,062**	149,437	149,798	**1,447,874**
Maturity refunds to policyholders	**182,773**	183,192	195,180	**1,824,269**
Dividends to policyholders	**8**	10	17	**85**
Revaluation loss on securities	**9,654**	1,904	849	**96,359**
Other operating expenses, net	**2,166**	832	—	**21,620**
	948,878	964,278	936,746	**9,470,786**
Ordinary profit	**17,742**	28,130	24,486	**177,085**
Special items:				
Impairment losses (Note 12)	**(530)**	(396)	(6,138)	**(5,291)**
Provision for reserve for price fluctuations (Note 1(o))	**(2,690)**	(2,659)	(2,705)	**(26,853)**
Other special gains (losses), net (Notes 1(m) and 11)	**(1,128)**	(1,767)	154	**(11,264)**
Income before income taxes and minority interests	**13,392**	23,306	15,797	**133,675**
Income taxes:				
Current	**9,164**	10,309	3,113	**91,473**
Deferred (Notes 1(p) and 10)	**(4,809)**	(2,932)	1,985	**(48,006)**
Minority interests	**46**	57	29	**466**
Net income	**¥ 8,991**	¥ 15,872	¥ 10,670	**$ 89,742**

	Yen			U.S. Dollars (Note 2)
	2008	2007	2006	**2008**
Net income per share (Notes 1(q) and 17):				
Basic	**¥11.63**	¥19.81	¥13.08	**$0.116**
Diluted	**11.62**	19.79	13.07	**0.115**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF **Changes in Net Assets**

NIPPONKOA INSURANCE CO., LTD. and consolidated subsidiaries For the years ended March 31, 2008, 2007 and 2006

		Millions of Yen					
	Thousands of common shares	Common stock	Capital surplus reserves	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustment	Treasury stock
Balance at 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 at 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 reserves	Retained earnings	Treasury stock	Net unrealized gain on available-for-sale securities	Net deferred gains (losses) on hedge accounting	Foreign currency translation adjustment	Subscription rights to shares (Note 14)	Minority interests	Total net assets
Balance at March 31, 2006	833,743	¥ 91,249	¥ 46,705	¥ 167,780	¥ (21,616)	¥ 509,540	—	¥ (2,330)	—	¥ 332	¥ 791,660
Change during this period											
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 at March 31, 2007	826,743	91,249	46,702	172,244	(23,318)	480,712	87	(1,303)	268	382	767,024
Change during this period											
Cash dividends	**—**	**—**	**—**	**(5,971)**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,971)**
Net income	**—**	**—**	**—**	**8,991**	**—**	**—**	**—**	**—**	**—**	**—**	**8,991**
Increase in treasury stock, net	**(10,000)**	**—**	**(59)**	**—**	**(37,737)**	**—**	**—**	**—**	**—**	**—**	**(37,797)**
Other items	**—**	**—**	**59**	**(9,523)**	**9,463**	**—**	**—**	**—**	**—**	**—**	**—**
Net change of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**(190,719)**	**1,703**	**(188)**	**139**	**16**	**(189,048)**
Balance at March 31, 2008	**816,743**	**¥91,249**	**¥46,702**	**¥165,741**	**¥(51,592)**	**¥ 289,992**	**¥1,790**	**¥(1,492)**	**¥408**	**¥398**	**¥ 543,198**

		Thousands of U.S. Dollars (Note 2)									
		Shareholders' equity				Valuation and translation adjustments					
	Thousands of common shares	Common stock	Capital surplus reserves	Retained earnings	Treasury stock	Net unrealized gain on available-for-sale securities	Net deferred gains (losses) on hedge accounting	Foreign currency translation adjustment	Subscription rights to shares (Note 14)	Minority interests	Total net assets
Balance at March 31, 2007	826,743	$ 910,761	$ 466,134	$ 1,719,179	$ (232,742)	$ 4,798,004	$ 869	$ (13,010)	$ 2,684	$ 3,814	$ 7,655,695
Change during this period											
Cash dividends	**—**	**—**	**—**	**(59,600)**	**—**	**—**	**—**	**—**	**—**	**—**	**(59,600)**
Net income	**—**	**—**	**—**	**89,742**	**—**	**—**	**—**	**—**	**—**	**—**	**89,742**
Increase in treasury stock, net	**(10,000)**	**—**	**(593)**	**—**	**(376,661)**	**—**	**—**	**—**	**—**	**—**	**(377,255)**
Other items	**—**	**—**	**593**	**(95,049)**	**94,455**	**—**	**—**	**—**	**—**	**—**	**—**
Net change of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**(1,903,574)**	**17,001**	**(1,885)**	**1,390**	**168**	**(1,886,899)**
Balance at March 31, 2008	**816,743**	**$910,761**	**$466,134**	**$1,654,271**	**$(514,948)**	**$ 2,894,430**	**$17,870**	**$(14,895)**	**$4,075**	**$3,982**	**$ 5,421,682**

* This refers to an 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, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2008	2007	2006	**2008**
Cash flows from operating activities:				
Income (loss) before income taxes	**¥ 13,392**	¥ 23,306	¥ 15,797	**$ 133,675**
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities:				
Depreciation	**6,963**	7,033	7,324	**69,504**
Impairment losses	**530**	396	6,138	**5,291**
Increase (decrease) in reserve for retirement benefits	**(2,121)**	(1,128)	1,084	**(21,170)**
Increase (decrease) in reserve for outstanding claims	**17,424**	24,598	3,676	**173,913**
Increase (decrease) in underwriting reserves	**(52,408)**	(26,284)	(15,670)	**(523,088)**
Interest charges	**165**	66	57	**1,649**
Interest and dividend income	**(59,632)**	(62,414)	(56,061)	**(595,189)**
Net loss (gain) on investments and loans	**(13,603)**	(43,118)	(12,148)	**(135,774)**
Net loss (gain) on sale of tangible fixed assets	**45**	1,778	(154)	**456**
Decrease (increase) in other current assets	**2,942**	3,787	8,889	**29,373**
Increase (decrease) in other current liabilities	**(2,750)**	(307)	382	**(27,452)**
Other, net	**(585)**	(7,422)	(7,123)	**(5,838)**
Sub-total	**(89,635)**	(79,709)	(47,807)	**(894,651)**
Interest and dividend received	**60,293**	65,387	58,580	**601,789**
Interest paid	**(165)**	(66)	(57)	**(1,651)**
Income taxes paid	**(11,716)**	1,102	(6,851)	**(116,937)**
Net cash provided by (used in) operating activities	**(41,223)**	(13,286)	3,864	**(411,451)**
Cash flows from investing activities:				
Purchases of monetary receivables bought	**(4,001)**	(4,230)	(16,250)	**(39,939)**
Proceeds from sales or maturity of monetary receivables bought	**7,049**	6,766	7,103	**70,364**
Increase in money in trust	**(12,000)**	(10,776)	(30,770)	**(119,772)**
Decrease in money in trust	**13,585**	16,853	6,661	**135,592**
Purchases of investments in securities	**(894,425)**	(784,130)	(631,432)	**(8,927,293)**
Proceeds from sales or maturity of investments in securities	**936,606**	795,494	602,261	**9,348,301**
Loans made	**(41,573)**	(64,047)	(64,908)	**(414,949)**
Collection of loans	**64,140**	105,352	131,858	**640,185**
Increase (decrease) in cash received under securities lending transactions	**—**	(19,461)	19,461	**—**
Acquisition of tangible fixed assets	**(8,935)**	(4,952)	(9,427)	**(89,189)**
Proceeds from sales of tangible fixed assets	**1,849**	2,765	3,308	**18,456**
Net decrease (increase) in short-term investments	**(1,675)**	(2,923)	4,186	**(16,721)**
Sale of shares in a subsidiary that accompany changes in the scope of consolidation	**2,517**	—	—	**25,123**
Other, net	**0**	0	—	**(1)**
Net cash provided by (used in) investing activities	**63,135**	36,710	22,052	**630,157**
Cash flows from financing activities:				
Dividends paid	**(5,971)**	(6,023)	(6,099)	**(59,600)**
Treasury stock acquired	**(37,854)**	(7,092)	(9,636)	**(377,828)**
Sales of treasury stock	**57**	1	3	**573**
Dividends paid to minority interests	**(13)**	(8)	(6)	**(134)**
Other, net	**(150)**	(144)	(61)	**(1,502)**
Net cash provided by (used in) financing activities	**(43,932)**	(13,268)	(15,800)	**(438,493)**
Effect of exchange rate changes on cash and cash equivalents	**(816)**	772	755	**(8,145)**
Net increase (decrease) in cash and cash equivalents	**(22,836)**	10,927	10,871	**(227,934)**
Cash and cash equivalents at beginning of year	**163,661**	152,733	141,861	**1,633,513**
Cash and cash equivalents at end of year (Notes 1(d) and 16)	**¥140,825**	¥163,661	¥152,733	**$1,405,579**

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 using generally accepted statutory accounting principles and practices applicable to insurance companies in Japan. 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 Financial Instruments and Exchange Act, and accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

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

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

As permitted by the Financial Instruments and Exchange Act in Japan, amounts of less than one million yen have been omitted. Accordingly, the totals in yen do not necessarily agree with the sum of the individual amounts.

(b) Principles of Consolidation

The consolidated financial statements include accounts of the Company and its significant subsidiaries (collectively "the Companies"). Consolidated foreign subsidiaries are included on the basis of fiscal years ending on December 31, since the difference in the fiscal year ends does not exceed three months. As for major transactions occurring between the fiscal year ends of the consolidated foreign subsidiaries and the Company, necessary adjustments are made upon consolidation.

The consolidated subsidiaries of the Company are NIPPONKOA Life Insurance Company Limited, SONPO24 Insurance Company Limited, Nippon Insurance Company of Europe Limited, NIPPONKOA Insurance Company (Europe) Limited, NIPPONKOA Insurance Company (Asia) Limited and NIPPONKOA Management Services (Europe) Limited. Effective from this fiscal year, NIPPONKOA Insurance Company of America is excluded from the scope of consolidation, as the Company sold all of its shares in NIPPONKOA Insurance Company of America on April 25, 2007.

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

The equity method of accounting for investments in common shares of 17 non-consolidated subsidiaries and 4 affiliates has not been applied because net income and retained earnings in the aggregate are considered immaterial.

(c) Foreign Currency Translation

1) Foreign currency accounts:
The Company and its domestic consolidated 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 credited or 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 the statements of income.

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

(d) Cash Equivalents

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

(e) Investments in Securities

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

i) Held-to-maturity bonds are carried at amortized cost.

ii) Underwriting reserves bonds are carried at amortized cost determined by the moving-average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Underwriting Reserves Bonds in the Insurance Industry" (Japanese Institute of Certified Public Accountants Industry Audit Practice Committee Report No. 21).
The outline of the Company's risk management policy in relation to underwriting reserves bonds is as follows.
The Company sets up "policy reserve for single-premium whole-life" as a sub-category, and follows the management policy to match the duration of the policy reserve in the sub-category with the duration of underwriting reserves bonds corresponding to this sub-category within a certain range, to better manage the changes in the interest rate risk associated with the assets and liabilities.

iii) Stocks of subsidiaries and affiliates are carried at cost determined by the moving-average method.

iv) Marketable securities classified as available-for-sale are recorded according to their mark-to-market values based on the prices prevailing in the market on the balance sheet date. The unrealized gains/losses, net of tax, on the available-for-sale securities are recognized as a component of net assets. Cost for sale is calculated by the moving-average method.

v) Non-marketable securities classified as available-for-sale are recorded at cost determined by the moving-average method or the amortized cost method.

Valuations of securities included in money in trust are as follows:

i) Securities included in individually managed money in trust are valued by the market value method.

ii) Securities included in individually managed money in trust not as trading securities or held-to-maturity securities are valued by the same method as available-for-sale securities.

(f) Derivatives

Derivative transactions outstanding are accounted for by the market value method.

(g) Hedge Accounting

The deferral hedge accounting method is applied to hedging transactions for interest rate swaps to hedge cash flow fluctuation risk of bonds and loans with variable interest rates and interest fluctuation risk related to long term insurance contracts based on "The Accounting and Auditing Treatment on the Application of the Financial Products Accounting Standard to the Insurance Industry" (Japanese Institute of Certified Public Accountants Industry Audit Practice Committee Report No. 26, hereafter Industry Audit Practice Committee Report No. 26). Where certain transactions fulfill the required conditions for the application of the exceptional treatment for interest rate swaps, this treatment is applied to such transactions.

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

Hedge effectiveness is judged by comparing the accumulated fluctuation of the market value or cash flows between each hedged item and the related hedging instrument for the period from the commencement of the hedge to the date of judgment. However, if the material conditions of the hedging instrument and the hedged item are the same and there is high effectiveness for each hedge transaction, the judgement for the effectiveness is omitted.

As for hedge effectiveness based on Industry Audit Practice Committee Report No. 26, this is judged by monitoring the circumstance of the interest which effects the calculation of theoretical prices of both insurance debt as hedged item and interest rate swap as hedging instrument grouped by the remaining period.

(h) Tangible Fixed Assets

Tangible fixed assets are primarily recorded at cost less accumulated depreciation. The Company and its domestic consolidated subsidiaries compute depreciation of tangible fixed assets 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 consolidated subsidiaries of the Company compute depreciation of tangible fixed assets by the straight-line method.

(Changes in Accounting Procedures)

Due to a revision of Japanese Corporate Tax Law, effective from this fiscal year, depreciation of tangible fixed assets acquired on or after April 1, 2007 is charged in accordance with the revised law. The effect of this change on ordinary profit and income before income taxes is immaterial.

(Additional Information)

Due to a revision of Japanese Corporate Tax Law, depreciation of tangible fixed assets acquired on or prior to March 31, 2007 is charged using the pre-revision depreciation method until such period as the remaining net book value of the asset reaches 5% of their acquisition price, and from the subsequent period, the difference between 5% of the acquisition price and the memorandum price of the asset is depreciated over 5 years using the straight-line method and the depreciation amount is charged to "Loss adjustment expenses" and "Operating and administrative expenses." The effect of this change on ordinary profit and income before income taxes is immaterial.

(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 the procedures used for ordinary operating leases.

(j) Reserve for Doubtful Accounts

Reserve for doubtful accounts of the Company and its domestic consolidated subsidiaries is provided under the application of the standards for asset self-assessment and the standards for write-offs and provisions as follows:

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

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

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

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

(k) Outstanding Claims

In accordance with the regulations of the Insurance Business Law in Japan, the Company and its 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, and also have a provision for losses incurred but not reported at the balance sheet date.

(l) Underwriting Reserves

Non-life insurance

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

1) Premium reserve

Insurance other than compulsory automobile liability insurance and earthquake insurance

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

Compulsory automobile liability insurance

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

Earthquake insurance

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

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

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 of future policy benefits for life insurance contracts. These premium reserves are calculated pursuant to the five-year zillmerized reserve method in large part.

(m) Reserve for Retirement Benefits

Reserve for retirement benefits of the Company and its domestic consolidated subsidiaries 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 a certain period (10 years) which shall not exceed the average remaining period of employees' service.

Any actuarial difference incurred in each year is amortized from the following year by the straight-line method for a certain period (10 years) which shall not exceed the average remaining period of employees' service.

Reserve for retirement benefits to directors and corporate auditors is booked based on the internal corporate policy and is included in the reserve for retirement benefits. The amount at March 31, 2007 was ¥1,857 million ($18,535 thousand).

(Change of Presentation)

The amount required by the internal corporate policy for retirement benefits to directors and corporate auditors, which had been included in the reserve for retirement benefits, is included in other liabilities from the current fiscal year in accordance with the publication of "Audit Treatment for Reserves of Special Taxation Measures Law, and Allowances or Reserves of Special Law (JICPA Audit and Assurance Practice Committee Report No. 42)."

(Additional Information)

In January 2008, the Company and its domestic subsidiaries decided to transfer part of the retirement benefit plans to the defined contribution pension plan as of April 2008 and applied the "Accounting for Transfer between Retirement Benefit Plans (ASBJ Implementation Guideline on Accounting Standard No. 1)." As a result of partial termination of the schemes due to the transfers, the Company posted ¥1,085 million ($10,832 thousand) as special loss, which applied for the year ended March 31, 2008.

(n) Accounting Standard for Bonuses to Directors

Effective from previous fiscal year, "Accounting Standard for Directors' Bonus" (ASBJ Statement No. 4) was applied. As a result, ordinary profit and income before income taxes during the year ended March 31, 2007 were lower by ¥46 million, 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 and its domestic consolidated subsidiaries 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 in the consolidated statements of income is computed based on income before income taxes and minority interests. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting assets and liabilities and the tax bases of these. These deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

(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

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 Insurance Company Limited is amortized over 5 years by the straight line method and the difference for other subsidiaries is charged or credited to the statements of income in the year of acquisition.

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

Effective from previous 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) were applied. The amount that corresponds to former shareholders' equity would have been ¥766,285 million had the previous presentation method been applied. Net assets in the balance sheet for the previous 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 previous 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) were applied. As a result, ordinary profit and income before income taxes during the year ended March 31, 2007 were lower by ¥268 million respectively than would have been the case had the previous method had been applied.

(v) Change of Presentation (Consolidated Balance Sheets)

Effective from previous fiscal year, the format of the balance sheet had 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 year ended March 31, 2006 is presented as "Negative goodwill" from the year ended March 31, 2007.

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 ¥100.19=US$1, the approximate rate prevailing at March 31, 2008. The translations should not be construed as representations that the Japanese Yen have been or could be readily converted, realized or settled in U.S. Dollars at that or any other rate.

3. INVESTMENTS IN SECURITIES

1) The components of investments in securities as of March 31, 2008 and 2007 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	**2008**
Domestic securities:			
Bonds	**¥1,306,410**	¥1,318,589	**$13,039,332**
Stocks	**818,482**	1,122,663	**8,169,300**
Foreign securities	**378,948**	398,206	**3,782,294**
Other securities	**32,299**	24,186	**322,384**
Total	**¥2,536,140**	¥2,863,645	**$25,313,311**

Securities carried at ¥88,326 million ($881,589 thousand) and ¥68,277 million as of March 31, 2008 and 2007, respectively, were on loan under securities lending agreements.

Securities held in non-consolidated subsidiaries and affiliates were ¥2,320 million ($23,165 thousand) and ¥2,306 million as of March 31, 2008 and 2007, respectively.

Information regarding each category of the securities classified as held-to-maturity, underwriting reserves and available-for-sale whose fair value is readily determinable as of March 31, 2008 and 2007 are as follows:

	Millions of Yen			
March 31, 2008	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Bonds	¥ 178,283	¥ 1,956	¥ 5,812	¥ 174,426
Foreign securities	—	—	—	—
Underwriting reserves:				
Bonds	1,523	6	—	1,530
Foreign securities	—	—	—	—
Available-for-sale*:				
Bonds	1,108,371	17,964	1,732	1,124,603
Stocks	363,206	436,378	2,660	796,924
Foreign securities	341,600	12,051	13,468	340,182
Other securities**	29,169	23	2,294	26,898
Total	¥2,022,155	¥468,380	¥25,968	¥2,464,566

	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
Stocks	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

March 31, 2008	Thousands of U.S. Dollars (Note 2) Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Bonds	$ 1,779,453	$ 19,523	$ 58,015	$ 1,740,962
Foreign securities	—	—	—	—
Underwriting reserves:				
Bonds	15,207	67	—	15,275
Foreign securities	—	—	—	—
Available-for-sale*:				
Bonds	11,062,698	179,300	17,289	11,224,709
Stocks	3,625,173	4,355,512	26,555	7,954,129
Foreign securities	3,409,526	120,281	134,431	3,395,376
Other securities**	291,142	233	22,904	268,471
Total	$20,183,203	$4,674,918	$259,196	$24,598,924

* The Company and its domestic consolidated 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, 2008 and 2007.
Impairments recognized in the consolidated statements of income for the years ended March 31, 2008, 2007 and 2006 were ¥9,302 million ($92,844 thousand), ¥1,238 million and ¥51 million, respectively.

** Debts purchased classified as monetary receivables bought on the consolidated balance sheets are included.

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2008 and 2007 are as follows:

	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 2) 2008
Available-for-sale:			
Bonds	**¥ 2,000**	¥ 2,000	**$ 19,962**
Stocks	**20,498**	20,259	**204,598**
Foreign securities	**37,503**	38,289	**374,323**
Other securities*	**44,105**	40,839	**440,216**
Total	**¥104,107**	¥101,389	**$1,039,100**

* Certificates of deposit classified as cash and bank deposits on the consolidated balance sheets and commercial paper classified as monetary receivables bought on the consolidated balance sheets as of March 31, 2008 are included.

* Certificates of deposit classified as cash and bank deposits on the consolidated balance sheets amounting to ¥14,920 million and commercial paper classified as monetary receivables bought on the consolidated balance sheets amounting to ¥6,998 million as of March 31, 2007 are included.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008, 2007 and 2006 were ¥273,756 million ($2,732,371 thousand), ¥382,328 million and ¥285,225 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average-cost basis, were ¥28,268 million ($282,147 thousand) and ¥3,619 million ($36,130 thousand), respectively, for the year ended March 31, 2008. Those for the year ended March 31, 2007 were ¥49,586 million and ¥2,525 million, respectively. For the year ended March 31, 2006, they amounted to ¥11,494 million and ¥2,896 million, respectively.

The carrying value of debt securities by contractual maturity for securities classified as available-for-sale, held-to-maturity and underwriting reserves as of March 31, 2008 and 2007 are as follows:

	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 2) 2008
Due in one year or less	**¥ 297,864**	¥ 308,719	**$ 2,972,991**
Due after one year through five years	**578,715**	650,268	**5,776,177**
Due after five years through ten years	**416,642**	416,740	**4,158,522**
Due after ten years	**402,075**	330,174	**4,013,132**
Total	**¥1,695,297**	¥1,705,902	**$16,920,824**

* Certificates of deposit classified as cash and bank deposits on the consolidated balance sheets and commercial paper classified as monetary receivables bought on the consolidated balance sheets as of March 31, 2008 are included.

* Certificates of deposit classified as cash and bank deposits on the consolidated balance sheets amounting to ¥14,920 million and commercial paper classified as monetary receivables bought on the consolidated balance sheets amounting to ¥6,998 million as of March 31, 2007 are included.

* Debts purchased classified as monetary receivables bought on the consolidated balance sheets as of March 31, 2008 are included.

2) The amount of money in trust for trading purposes as of March 31, 2008 and 2007 was ¥44,996 million ($449,112 thousand) and ¥52,180 million, respectively. Net unrealized loss charged to income for the year ended March 31, 2008 was ¥2,537 million ($25,323 thousand). Net unrealized loss charged to income for the year ended March 31, 2007 was ¥1,251 million and net unrealized gain credited to income for the year ended March 31, 2006 was ¥3,389 million. The amount of money in trust held as neither trading nor held-to-maturity as of March 31, 2008 and 2007 was ¥37,665 million ($375,942 thousand) with net unrealized gain of ¥87 million ($878 thousand) and ¥34,217 million with net unrealized loss of ¥538 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, bond option, stock index futures, independent stock options, credit derivatives, weather derivatives and earthquake derivatives. The domestic consolidated 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.

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, 2008 and 2007 are summarized as follows:

March 31, 2008	Millions of Yen Contracted amount	Current value of contracted amount/ fair value	Net unrealized gain (loss)	Thousands of U.S. Dollars (Note 2) Net unrealized gain (loss)
Forward foreign exchange contracts*:				
Short positions:				
US$	¥19,998	¥19,604	¥394	$3,933
EUR	805	790	14	147
Long positions:				
EUR	315	316	0	2
Total			¥409	$4,083

March 31, 2007	Millions of Yen Contracted amount	Current value of contracted amount/ fair value	Net unrealized gain (loss)
Forward foreign exchange contracts*:			
Short positions:			
US$	¥23,541	¥23,423	¥117
EUR	781	776	5
Long positions:			
—			
Currency swap agreements:			
Receive fixed GBP, pay fixed Yen	870	5	5
Total			¥127

* 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, 2008 and 2007 are summarized as follows:

March 31, 2008	Millions of Yen Contracted amount	Fair value	Net unrealized gain (loss)	Thousands of U.S. Dollars (Note 2) Net unrealized gain (loss)
Interest rate swap agreements*:				
Receive fixed rate, pay floating rate	¥148,000	¥29	¥29	$295
Total			¥29	$295

March 31, 2007	Millions of Yen Contracted amount	Fair value	Net unrealized gain (loss)
Interest rate swap agreements*:			
Receive fixed rate, pay floating rate	¥152,000	¥(717)	¥(717)
Total			¥(717)

* 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, 2008 and 2007 are summarized as follows:

March 31, 2008	Millions of Yen Contracted amount	Fair value	Net unrealized gain (loss)	Thousands of U.S. Dollars (Note 2) Net unrealized gain (loss)
Credit derivatives				
Short positions:	¥13,000	¥(26)	¥(26)	$(267)
Total			¥(26)	$(267)

March 31, 2007	Millions of Yen Contracted amount	Fair value	Net unrealized gain (loss)
Credit derivatives			
Short positions:	¥24,200	¥195	¥195
Total			¥195

5. LOANS

Loans include "Loans to bankrupt borrowers" and "Delinquent/overdue loans" on which accrued interest income has not been recognized. Loans also include "Delinquent/overdue loans for three months or more" in addition to the aforementioned loans.

Additionally, loans include "Restructured loans", which have been restructured to facilitate the restructuring of, or assist the borrowers, by reducing the interest or providing a grace period for the payment of principal/interest, etc. The balances of the loan categories described above as of March 31, 2008 and 2007 are as follows:

	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 2) 2008
Loans to bankrupt borrowers	**¥ 26**	¥ 501	**$ 264**
Delinquent/overdue loans	**2,254**	1,923	**22,505**
Delinquent/overdue loans for three months or more	**2**	158	**29**
Restructured loans	**252**	374	**2,518**
Total	**¥2,536**	¥2,958	**$25,318**

6. INVESTMENT INCOME

Investment income for the years ended March 31, 2008, 2007 and 2006 is summarized as follows:

	Millions of Yen 2008	2007	2006	Thousands of U.S. Dollars (Note 2) 2008
Investment income	**¥59,632**	¥62,414	¥56,061	**$595,189**
Less Investment income on deposit premiums from policyholders, etc.	**26,498**	27,418	28,246	**264,484**
Net investment income	**¥33,133**	¥34,996	¥27,814	**$330,704**

7. TANGIBLE FIXED ASSETS

Advanced depreciation of tangible fixed assets at March 31, 2008 and 2007 amounted to ¥19,074 million ($190,386 thousand) and ¥19,981 million, respectively.

The components of tangible fixed assets as of March 31, 2008 and 2007 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	**2008**
Land	**¥ 68,544**	¥ 69,383	**$ 684,141**
Buildings	**158,005**	157,760	**1,577,060**
Construction in progress	**2,788**	5	**27,831**
Other tangible fixed assets	**37,055**	42,907	**369,850**
Sub-total	**266,393**	270,057	**2,658,883**
Less accumulated depreciation	**136,015**	139,345	**1,357,580**
Total	**¥130,377**	¥130,712	**$1,301,303**

8. COLLATERAL

Assets pledged as collateral as of March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	**2008**
Cash and bank deposits	**¥ 496**	¥ 504	**$ 4,959**
Securities	**5,611**	6,948	**56,008**
Tangible fixed assets	**4,878**	4,955	**48,694**
Total	**¥10,987**	¥12,409	**$109,662**

The Company had obligations from loans secured by collateral in the amount of ¥1,947 million ($19,440 thousand) as of March 31, 2008 and ¥2,098 million as of March 31, 2007, respectively, included in "Other liabilities."

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, 2008 and 2007 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)
	2008	2007	**2008**
Acquisition cost	**¥1,374**	¥1,583	**$13,719**
Accumulated depreciation	**812**	689	**8,114**
Net book value	**¥ 561**	¥ 894	**$ 5,604**

(b) Future Minimum Lease Payments

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	**2008**
Within one year	**¥287**	¥332	**$2,872**
Over one year	**273**	561	**2,732**
Total	**¥561**	¥894	**$5,604**

(c) Lease Expense

Lease expense (the amount corresponding to depreciation expense) for the years ended March 31, 2008, 2007 and 2006 amounted to ¥332 million $3,322 thousand), ¥370 million and ¥302 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, 2008 and 2007 are as follows:

March 31, 2008	Millions of Yen	Thousands of U.S. Dollars (Note 2)
Deferred tax assets:		
Underwriting reserves	¥ 95,011	$ 948,310
Outstanding claims	17,231	171,984
Reserve for retirement benefits	13,144	131,197
Software	12,540	125,171
Revaluation loss on securities	12,404	123,809
Other	38,242	381,700
Sub-total	188,575	1,882,174
Valuation allowance	(28,067)	(280,141)
Total	160,507	1,602,033
Deferred tax liabilities:		
Net unrealized gain on available-for-sale securities and monetary receivables bought	(158,573)	(1,582,731)
Other	(2,703)	(26,980)
Total	(161,277)	(1,609,712)
Deferred tax assets (liabilities), net	¥ (769)	$ (7,678)

March 31, 2007	Millions of Yen
Deferred tax assets:	
Underwriting reserves	¥ 94,554
Outstanding claims	14,857
Reserve for retirement benefits	13,915
Software	13,657
Revaluation loss on securities	10,102
Other	33,963
Sub-total	181,050
Valuation allowance	(24,643)
Total	156,406
Deferred tax liabilities:	
Net unrealized gain on available-for-sale securities	(266,463)
Other	(2,448)
Total	(268,911)
Deferred tax assets (liabilities), net	¥(112,504)

2) The breakdown of the reconciliation between statutory tax rate and effective tax rate after application of tax effect for the years ended March 31, 2008, 2007 and 2006 were as follows:

	2008
Statutory tax rate in Japan	**36.1%**
Adjustments:	
Non-taxable revenue including dividends received	**(19.8)**
Loss of subsidiary company which does not have a tax effect	**9.2**
Non-deductible expenses for tax purposes such as entertainment allowance	**3.1**
Inhabitants' per capita taxes	**2.0**
Valuation allowance	**1.4**
Others	**0.5**
Effective tax rate after application of tax effect	**32.5%**

	2007
Statutory tax rate in Japan	36.1%
Adjustments:	
Non-taxable revenue including dividends received	(10.2)
Loss of subsidiary company which does not have a tax effect	4.6
Others	1.2
Effective tax rate after application of tax effect	31.7%

	2006
Statutory tax rate in Japan	36.1%
Adjustments:	
Non-taxable revenue including dividends received	(12.6)
Loss of subsidiary company which does not have a tax effect	7.8
Others	0.9
Effective tax rate after application of tax effect	32.3%

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, 2008, the Company rearranged the corporate pension plan (Fund-type), the defined benefit plan with a lump-sum payment and the tax-qualified pension plan and transferred them to a defined contribution pension plan, a defined benefit plan with a lump-sum payment and the corporate pension plan (Contract-type) for retiring employees who receive or will receive employees' benefits. As a result, the Company recognized prior service cost which reduced the Company's obligation from the year ended March 31, 2008.

The domestic consolidated subsidiaries of the Company provide defined benefit plans 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 Retirement Benefits

Reserve for retirement benefits as of March 31, 2008 and 2007 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	**2008**
Retirement benefit obligations	**¥(131,312)**	¥(136,607)	**$(1,310,631)**
Plan assets	**91,496**	97,277	**913,231**
Unfunded portion of retirement benefit obligations	**(39,815)**	(39,329)	**(397,400)**
Unrecognized prior service cost	**(3,358)**	(3,716)	**(33,521)**
Unrecognized actuarial difference	**6,762**	6,371	**67,499**
Reserve for retirement benefits	**¥ (36,411)**	¥ (36,675)	**$ (363,422)**

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

Expense for retirement benefit for the years ended March 31, 2008 and 2007 consists of the following:

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2008	2007	2006	**2008**
Service cost	**¥ 5,175**	¥ 5,147	¥5,232	**$ 51,655**
Interest expense	**2,452**	2,413	2,325	**24,483**
Expected investment income	**(1,338)**	(1,228)	(975)	**(13,363)**
Amortization of prior service cost	**(1,510)**	(932)	(932)	**(15,071)**
Amortization of actuarial difference	**2,437**	2,706	4,095	**24,331**
Sub-total	**7,217**	8,106	9,746	**72,035**
Loss resulting from partial termination of the retirement benefit plans	**1,085**	—	—	**10,832**
Total	**¥ 8,302**	¥ 8,106	¥9,746	**$ 82,867**

* Service cost includes expense for retirement benefit of consolidated subsidiaries under the simplified method.

(c) Basis for Calculation of Retirement Benefit Obligations as of March 31, 2008 and 2007

The estimated retirement benefits are allocated equally to each service year based on the total service years and vested benefit points. The expected earnings ratio on investments is between 0.0% and 2.0%. The discount rates for the years ended March 31, 2008 and 2007 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 its domestic consolidated subsidiaries used in the insurance business operations, etc. are grouped together as a single fixed asset group, and leased properties and idle properties are grouped by individual property.

Impairment losses on fixed assets for the year ended March 31, 2008 and 2007 are as follows:

March 31, 2008 — Millions of Yen

			Impairment losses		
Use	Category	District	Land	Building	Total
Leased properties	Land and buildings	4 properties, including property in Aichi	¥ 21	¥ 38	¥ 60
Idle properties	Land and buildings	5 properties, including property in Hokkaido	348	121	470
Total			¥369	¥160	¥530

March 31, 2008 — Thousands of U.S. Dollars (Note 2)

Use	Category	District	Impairment losses: Land	Building	Total
Leased properties	Land and buildings	4 properties, including property in Aichi	$ 210	$ 388	$ 599
Idle properties	Land and buildings	5 properties, including property in Hokkaido	3,478	1,213	4,692
Total			$3,689	$1,602	$5,291

The book values of the properties listed above , the profitability of which has decreased significantly due to falling land prices and other reasons were impaired to the recoverable amount. The amount of the resulting decrease has been accumulated within special loss from impairment losses on fixed assets amounting to ¥530 million ($5,291 thousand). The recoverable amount is measured as the net sales value. The net sales value is measured by real estate appraisers.

March 31, 2007 — Millions of Yen

Use	Category	District	Impairment losses: Land	Building	Total
Leased 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

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

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

Thousands of shares

	Previous fiscal year-end	Increase during the current period	Decrease during the current period	Current fiscal year-end
Outstanding shares:				
Common stock	826,743	—	10,000	816,743
Total	826,743	—	10,000	816,743
Treasury stock:				
Common stock	30,554	34,107	10,144	54,517
Total	30,554	34,107	10,144	54,517

* Decrease of 10,000 thousand shares in the number of outstanding shares of common stock is due to the retirement of treasury stock.

** Increase of 34,107 thousand shares in the number of treasury stock of common stock is due to the acquisition of 34,000 thousand shares based on the resolution by the Board of Directors on June 1, 2007 and the increase of 107 thousand shares resulting from purchase of fractional shares.

*** Decrease of 10,144 thousand shares in the number of treasury stock of common stock is due to the decrease of 10,000 thousand shares resulting from the retirement of treasury stock, the decrease of 142 thousand shares resulting from the exercise of subscription rights to shares and the decrease of 2 thousand shares resulting from sale of fractional shares.

14. SUBSCRIPTION RIGHTS TO SHARES

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	¥408	$4,075
Total		¥408	$4,075

15. STOCK OPTIONS

1) Stock option expenses in "Operating and administrative expenses" during the year ended March 31, 2008 and 2007 were ¥194 million ($1,936 thousand) and ¥268 million, respectively.

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 28, 2007 to March 27, 2027 (exercisable within 10 days after retirement)
March 17, 2008	8 directors of the Company 21 executive officers of the Company	276,000 shares of common stock	¥703	From March 18, 2008 to March 17, 2028 (exercisable within 10 days after retirement)

* 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, 2008, options over 142 thousand shares were exercised. During the year ended March 31, 2007, options over 66 thousand shares were exercised.

3) Estimation Methods for Stock Option Fair Value

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

(a) Valuation method used: Black-Scholes model

(b) Assumptions and estimation methods utilized:

	2007 Stock Options
Volatility*	33.99%
Expected remaining period**	3 years
Expected dividend***	7.5 yen per share
Risk-free interest rate****	0.61%

* Calculated based on the real performance of the share price for the past three years (March 18, 2005 through March 17, 2008)

** Estimated based on past service results.

*** Based on actual dividends for the fiscal year ended March 31, 2007.

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

	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 past service results.

*** Based on 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, 2008 and 2007 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	**2008**
Items on the consolidated balance sheets:			
Cash and bank deposits	**¥ 104,768**	¥ 134,633	**$ 1,045,699**
Call loans	**46,000**	44,000	**459,127**
Receivables under resale agreement	**5,997**	—	**59,859**
Monetary receivables bought	**23,983**	28,102	**239,382**
Investments in securities	**2,536,140**	2,863,645	**25,313,311**
Less:			
Bank deposits with original maturity longer than 3 months	**(23,940)**	(22,470)	**(238,955)**
Monetary receivables bought other than cash equivalents	**(17,983)**	(21,104)	**(179,496)**
Securities other than cash equivalents	**(2,534,140)**	(2,863,145)	**(25,293,349)**
Cash and cash equivalents	**¥ 140,825**	¥ 163,661	**$ 1,405,579**

17. PER SHARE INFORMATION

1) Net assets per share

			Note 2
	2008	2007	**2008**
Net assets per share	**¥711.58**	¥962.55	**$7.102**

Computational elements are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	**2008**
Total net assets	**¥543,198**	¥767,024	**$5,421,682**
Deduction from total net assets	**807**	651	**8,058**
Of which, subscription rights to shares	**408**	268	**4,075**
Of which, minority interests	**398**	382	**3,982**
Net assets at year-end attributable to common stock	**¥542,391**	¥766,373	**$5,413,624**

	Thousands of Shares	
	2008	2007
Number of shares of common stock at year-end used for calculation of net assets per share	**762,225**	796,188

2) Basic net income per share

			Note 2
	2008	2007	**2008**
Basic net income per share	**¥11.63**	¥19.81	**$0.116**

Computational elements are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	**2008**
Net income	**¥8,991**	¥15,872	**$89,742**
Net income not attributable to common shareholders	**—**	—	**—**
Net income attributable to common stock	**¥8,991**	¥15,872	**$89,742**

	Thousands of Shares	
	2008	2007
Weighted average number of shares of outstanding common stock	**772,714**	801,202

3) Diluted net income per share

			Note 2
	2008	2007	**2008**
Diluted net income per share	**¥11.62**	¥19.79	**$0.115**

Computational elements are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	**2008**
Net income—diluted net income	**—**	—	**—**

	Thousands of Shares	
	2008	2007
Increase in number of shares of common stock	**921**	737
Of which, subscription rights to shares	**921**	737

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

18. SEGMENT INFORMATION

March 31, 2008	Millions of Yen: Non-life insurance	Life insurance	Total	Elimination	Consolidated	Thousands of U.S. Dollars (Note 2): Non-life insurance	Life insurance	Total	Elimination	Consolidated
I Operating income and expenses										
Operating income										
(a) Transactions with external customers	**¥ 939,134**	**¥ 27,485**	**¥ 966,620**	**—**	**¥ 966,620**	**$ 9,373,537**	**$ 274,334**	**$ 9,647,872**	**—**	**$ 9,647,872**
(b) Intercompany transactions	**117**	**25**	**142**	**¥(142)**	**—**	**1,173**	**251**	**1,425**	**$(1,425)**	**—**
Total	**939,252**	**27,510**	**966,763**	**(142)**	**966,620**	**9,374,711**	**274,586**	**9,649,297**	**(1,425)**	**9,647,872**
Operating expenses	**921,637**	**27,383**	**949,020**	**(142)**	**948,878**	**9,198,894**	**273,317**	**9,472,212**	**(1,425)**	**9,470,786**
Ordinary profit (loss)	**17,615**	**127**	**17,742**	**—**	**17,742**	**175,816**	**1,268**	**177,085**	**—**	**177,085**
II Assets, depreciation, impairment losses, capital investment										
Assets	**2,968,269**	**355,015**	**3,323,285**	**(94)**	**3,323,190**	**29,626,409**	**3,543,420**	**33,169,829**	**(947)**	**33,168,882**
Depreciation	**6,881**	**82**	**6,963**	**—**	**6,963**	**68,680**	**823**	**69,504**	**—**	**69,504**
Impairment losses	**530**	**—**	**530**	**—**	**530**	**5,291**	**—**	**5,291**	**—**	**5,291**
Capital investment	**8,890**	**45**	**8,935**	**—**	**8,935**	**88,735**	**454**	**89,190**	**—**	**89,190**

* The segments are classified by the actual business operations of the Company and its consolidated subsidiaries.

** Major business of each segment is as follows;
Non-life insurance: Underwriting non-life insurance and related investment activities
Life insurance: Underwriting life insurance and related investment activities

Information related to geographical segments and overseas sales segments are omitted because these are immaterial.

19. SUBSEQUENT EVENTS

The appropriation of retained earnings of the Company including cash dividends in respect of the year ended March 31, 2008 was approved at the shareholders' meeting held on June 26, 2008 as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
Retained earnings at March 31, 2008*	¥128,334	$ 1,280,907
Appropriations:		
Cash dividends (¥7.50–$0.07)	5,716	57,058
Transfer to legal reserve*	1,300	12,975
Retained earnings to be carried forward	¥121,317	$ 1,210,873

* The Company set aside a legal reserve of ¥35,647 million ($355,797 thousand) as of March 31, 2008, which is not shown in the consolidated balance sheets.

20. AUDITORS' REPORT

The Company was subject to audit on the consolidated balance sheet as of March 31, 2006, and the related consolidated statement of income, shareholders' equity, and cash flows for year ended March 31, 2006 by ChuoAoyama PricewaterhouseCoopers. The Company was subject to audit on the consolidated balance sheets as of March 31, 2007 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for each of the two years in the period ended March 31, 2008 by PricewaterhouseCoopers Aarata.

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Report of Independent Auditors

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, 2008 and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

June 26, 2008

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	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars*1 2008
Fire and allied lines	**¥146,902**	¥165,419	**$1,466,241**
Marine	**23,320**	23,379	**232,759**
Personal accident	**89,067**	98,319	**888,988**
Voluntary automobile	**344,640**	349,142	**3,439,865**
Compulsory automobile liability	**99,471**	105,598	**992,826**
Other*2	**89,175**	87,115	**890,066**
Total	**¥792,577**	¥828,974	**$7,910,748**
Deposit premiums included in Total	**66,689**	82,608	**665,628**

Net premiums written	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars*1 2008
Fire and allied lines	**¥ 96,104**	¥104,652	**$ 959,220**
Marine	**20,853**	20,941	**208,134**
Personal accident	**56,374**	59,351	**562,674**
Voluntary automobile	**338,620**	342,647	**3,379,782**
Compulsory automobile liability	**102,986**	103,911	**1,027,911**
Other*2	**83,746**	81,358	**835,881**
Total	**¥698,685**	¥712,862	**$6,973,604**

Net losses paid	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars*1 2008
Fire and allied lines	**¥ 42,950**	¥ 54,750	**$ 428,694**
Marine	**8,542**	8,673	**85,262**
Personal accident	**31,246**	29,114	**311,872**
Voluntary automobile	**211,738**	209,797	**2,113,365**
Compulsory automobile liability	**75,208**	76,709	**750,662**
Other*2	**50,282**	50,239	**501,875**
Total	**¥419,969**	¥429,284	**$4,191,731**

* 1: U.S. dollar amounts are translated from yen at the rate of ¥100.19=US$1, the approximate rate prevailing at March 31, 2008.
* 2: Of which, major lines of insurance are Liability, Transit, Movables all risks and Workers' compensation.

(2) Investments

Investment assets	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars* 2008
Bank deposits	**¥ 94,731**	¥ 123,247	**$ 945,521**
Call loans	**46,000**	44,000	**459,127**
Receivables under resale agreements	**5,997**	-	**59,859**
Monetary receivables bought	**23,983**	28,102	**239,382**
Money in trust	**45,574**	52,936	**454,878**
Investments in securities	**2,273,245**	2,636,762	**22,689,345**
Loans	**214,837**	239,400	**2,144,305**
Land and buildings	**118,759**	121,580	**1,185,344**
Total	**¥2,823,130**	¥3,246,029	**$28,177,764**
Total assets	**¥2,993,269**	¥3,412,513	**$29,875,935**

Investments in securities	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars* 2008
Domestic securities:			
Government bonds	**¥ 584,916**	¥ 601,514	**$ 5,838,073**
Municipal bonds	**74,446**	79,815	**743,050**
Corporate bonds	**366,672**	397,537	**3,659,766**
Stocks	**836,940**	1,136,497	**8,353,529**
Foreign securities	**377,970**	397,210	**3,772,540**
Other securities	**32,299**	24,186	**322,384**
Total	**¥2,273,245**	¥2,636,762	**$22,689,345**

	Millions of Yen						Thousands of U.S. Dollars*
	2008			2007			**2008**
Investment income	**Earned income**	**Average invested amounts**	**Yield per annum**	Earned income	Average invested amounts	Yield per annum	**Earned income**
Bank deposits	**¥ 577**	**¥ 89,282**	**0.65%**	¥ 628	¥ 125,633	0.50%	**$ 5,765**
Call loans	**123**	**25,204**	**0.49**	42	13,127	0.33	**1,230**
Receivables under resale agreements	**53**	**9,375**	**0.57**	8	1,997	0.43	**536**
Monetary receivables bought	**382**	**38,651**	**0.99**	375	53,650	0.70	**3,813**
Money in trust	**783**	**45,838**	**1.71**	887	59,729	1.49	**7,822**
Investments in securities	**45,387**	**1,886,086**	**2.41**	48,585	1,889,513	2.57	**453,015**
Loans	**4,748**	**228,813**	**2.08**	5,253	263,207	2.00	**47,390**
Lands and buildings	**1,841**	**121,614**	**1.15**	1,832	127,120	1.44	**18,376**
Sub-total	**53,897**	**2,444,866**	**2.20**	57,614	2,533,979	2.27	**537,951**
Other	**534**	**—**	**—**	717	—	—	**5,330**
Total	**¥54,431**	**—**	**—**	¥58,331	—	—	**$543,282**

* U.S. dollar amounts are translated from yen at the rate of ¥100.19=US$1, the approximate rate prevailing at March 31, 2008.

2. Life insurance

(1) Underwriting

	Millions of Yen 2008	2007	Thousands of U.S. Dollars* 2008
Amount of business in force:			
Individual insurance	**¥3,634,793**	¥3,425,590	**$36,279,003**
Individual annuity insurance	**212,407**	222,513	**2,120,046**
Group insurance	**1,014,416**	967,350	**10,124,930**
Amount of new business:			
Individual insurance	**¥ 606,733**	¥ 849,745	**$ 6,055,824**
Individual annuity insurance	**7,951**	16,691	**79,366**
Group insurance	**43,882**	65,368	**437,996**

(2) Investments

Investment assets	Millions of Yen 2008	2007	Thousands of U.S. Dollars* 2008
Bank deposits	**¥ 9,947**	¥ 11,240	**$ 99,287**
Money in trust	**37,087**	33,461	**370,176**
Investments in securities	**287,895**	251,883	**2,873,492**
Loans	**10,676**	8,680	**106,564**
Lands and buildings	**13**	12	**130**
Total	**345,620**	305,278	**3,449,651**
Total assets	**¥355,015**	¥313,004	**$3,543,420**

Investments in securities	Millions of Yen 2008	2007	Thousands of U.S. Dollars* 2008
Domestic securities:			
Government bonds	**¥186,759**	¥168,857	**$1,864,048**
Municipal bonds	**26,008**	17,456	**259,588**
Corporate bonds	**67,608**	53,407	**674,804**
Stocks	**6,542**	11,165	**65,296**
Foreign securities	**977**	996	**9,753**
Total	**¥287,895**	¥251,883	**$2,873,492**

	Millions of Yen						Thousands of U.S. Dollars*
	2008			2007			2008
Investment income	Earned income	Average invested amounts	Yield per annum	Earned income	Average invested amounts	Yield per annum	Earned income
Bank deposits	**—**	**¥ 9,252**	**—**	—	¥ 12,754	—	**—**
Receivables under securities borrowing transactions	**¥ 4**	**888**	**0.55%**	¥ 0	76	0.18%	**$ 48.00**
Monetary receivables bought	**0**	**27**	**0.58**	—	—	—	**1**
Money in trust	**651**	**35,638**	**1.83**	590	33,249	1.78	**6,499**
Investments in securities	**5,805**	**261,778**	**2.22**	4,846	227,738	2.13	**57,939**
Loans	**291**	**9,631**	**3.03**	239	7,808	3.07	**2,913**
Lands and buildings	**—**	**14**	**—**	—	11	—	**—**
Total	**¥6,753**	**¥317,231**	**2.13%**	¥5,677	¥281,638	2.02%	**$67,402**

* U.S. dollar amounts are translated from yen at the rate of ¥100.19=US$1, the approximate rate prevailing at March 31, 2008.

CORPORATE INFORMATION

OVERSEAS GROUP **Network**

As of July 1, 2008

EUROPE

Representative Offices

London
2nd Floor, 50 Mark Lane,
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Tel : 44-20-7709-7971
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Tel : 44-20-7488-9899
Fax : 44-20-7488-9684

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Tel : 49-211-178670
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Brussels
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1200 Brussels, Belgium
Tel : 32-2-779-2446
Fax : 32-2-771-7169

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Subsidiaries & Affiliates

United Kingdom

NIPPONKOA Insurance Company (Europe) Limited
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Nippon Insurance Company of Europe Limited
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NIPPONKOA Management Services (Europe) Limited
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Fax: 86-512-6825-3348

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Qingdao 266071,
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Dalian
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Zhongshan Lu, Dalian 116011, People's Republic of China
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The Landmark, 15 Queen's Road,
Central, Hong Kong
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Fax : 852-2868-4413

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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

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Hanoi, S.R. Vietnam

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Me Linh Point Tower 6th Floor, Unit 602, 2 Ngo Duc Ke, District 1,
Ho Chi Minh City, S.R. Vietnam
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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
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Fax: 60-3-2715-0697

Singapore
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Singapore 068877,
Republic of Singapore
Tel : 65-6222-6001
Fax : 65-6222-2557

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c/o PT. Asuransi Permata Nipponkoa Indonesia, Permata Bank Tower I,
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Jakarta 12920,
P.O. Box 3129, Indonesia
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Fax : 62-21-5237506

Sydney
c/o CGU Insurance Limited,
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George Street, Sydney N.S.W. 2000,
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Tel : 61-2-8224-4194
Fax : 61-2-9222-2981

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Subsidiaries & Affiliates

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PT Asuransi Permata Nipponkoa Indonesia

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12920, P.O. Box 3129, Indonesia
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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, 2008

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

- 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 — 13 branches
- Chugoku, Shikoku Regional Headquarters — 7 branches
- Kyushu Regional Headquarters — 7 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.

- Investment Headquarters
  - Investment Dept.
  - Corporate Finance Dept.
- Quality Control Dept.
  - Customers Supporting Office
- Corporate Planning Dept.
  - Affiliated Affairs
  - Corporate Research & Development
  - IR
  - Revenue Management & CSR
- 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.
- Develop Management
- Marketing Planning Dept.
  - CR
- 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.
- Personal Lines Insurance Dept.
  - Fire Insurance
  - Automobile Insurance
  - Medical Insurance Office
- Commercial Lines Underwriting Dept.
  - Marine Underwriting Office
- Reinsurance Dept.
- Claims Management Dept.
- Claims Payment Management Dept.
- Marine Claims Management Dept.
- International Dept.
  - China Business Planning

Directors AND OFFICERS

As of June 26, 2008

Board of Directors

Makoto Hyodo*
Atau Kadokawa*
Kazuo Hashimoto*
Tatsuhiro Ishikawa
Masahiko Okabe
Yoji Wakui
Junichiro Sano
Masaya Futamiya
Yasuhide Fujii
Takayuki Naito

*Representative Director

Corporate Auditors

Toshiyuki Sho
Kenji Ito

Independent Corporate Auditors

Kozue Shiga
Katsuro Ohishi
Sumitaka Fujita

Corporate Officers

President and Chief Executive Officer

Makoto Hyodo

Executive Deputy Presidents

Atau Kadokawa
Kazuo Hahimoto

Senior Managing Executive Officer

Tetsuo Shinohara

Managing Executive Officers

Masaya Futamiya
Teizou Suzuki
Yasuo Watabe
Akinobu Yoshimori
Tetsuya Yamada
Yasuhide Fujii
Akihisa Hashimoto
Takashi Kashio
Yoshitoshi Sukigara
Takayuki Naito
Yuichi Yamaguchi
Toshihiko Miyasaka

Executive Officers

Yoshinori Tsukimoto
Kazufumi Yunome
Shunsuke Onoda
Kazuo Mii
Koji Yamamoto
Takaaki Sakai
Takeo Seko
Hiroji Sanpei
Jun Kimura
Takaya Isogai

CORPORATE **Data**

As of April 1, 2008

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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: 256
Overseas: 26

Claims Handling Offices

183

Employees (As of March 31, 2008)

8,605

Agents (As of March 31, 2008)

Domestic: 32,012
Overseas: 5

Number of Shares of Common Stock

Authorized 1,500,000,000 shares
Issued 816,743,118 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 26, 2008

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation
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