

Corporate Presentation

September, 2006

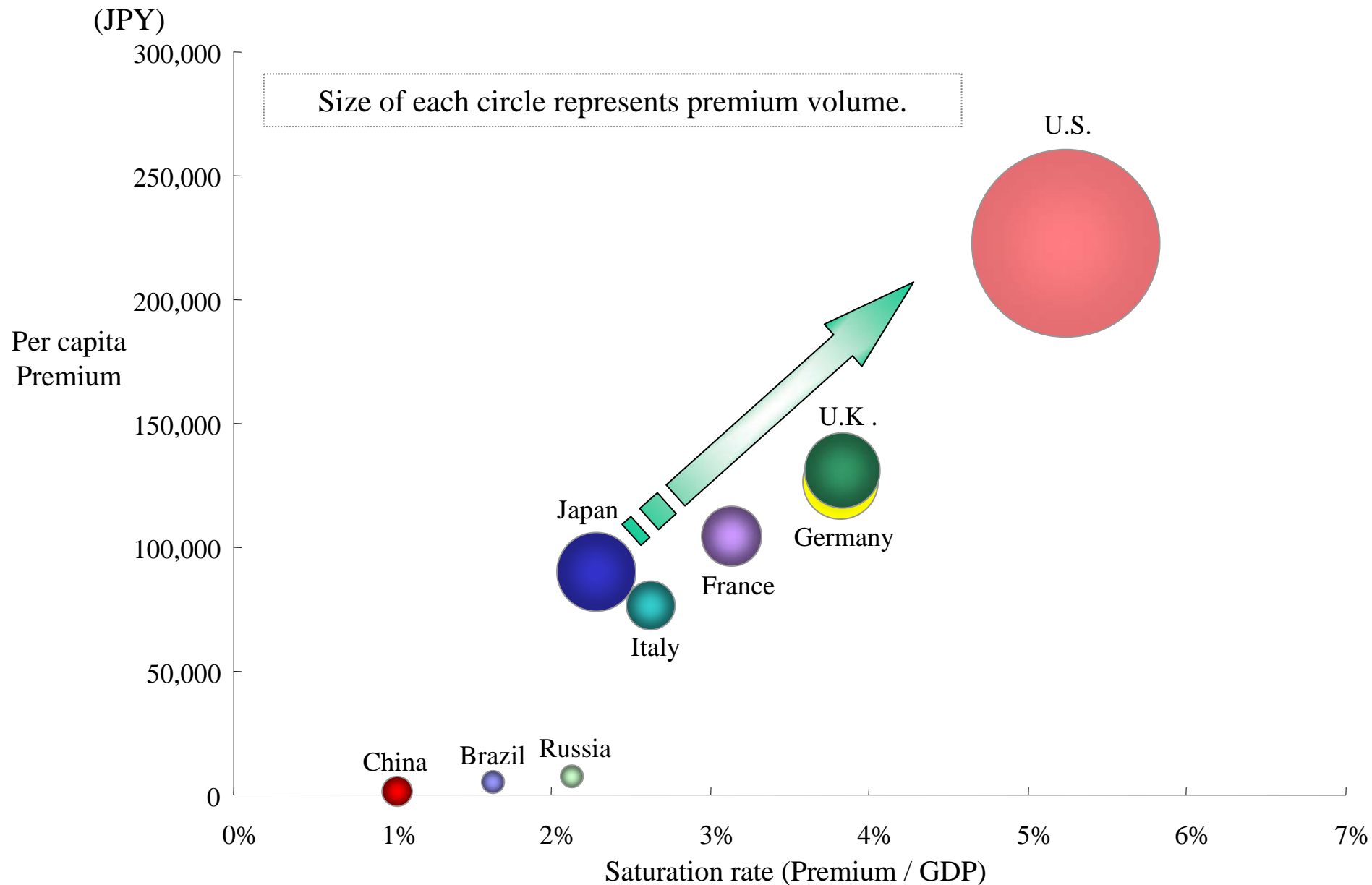
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Why Japanese P&C Insurance Industry?



Saturation Rate

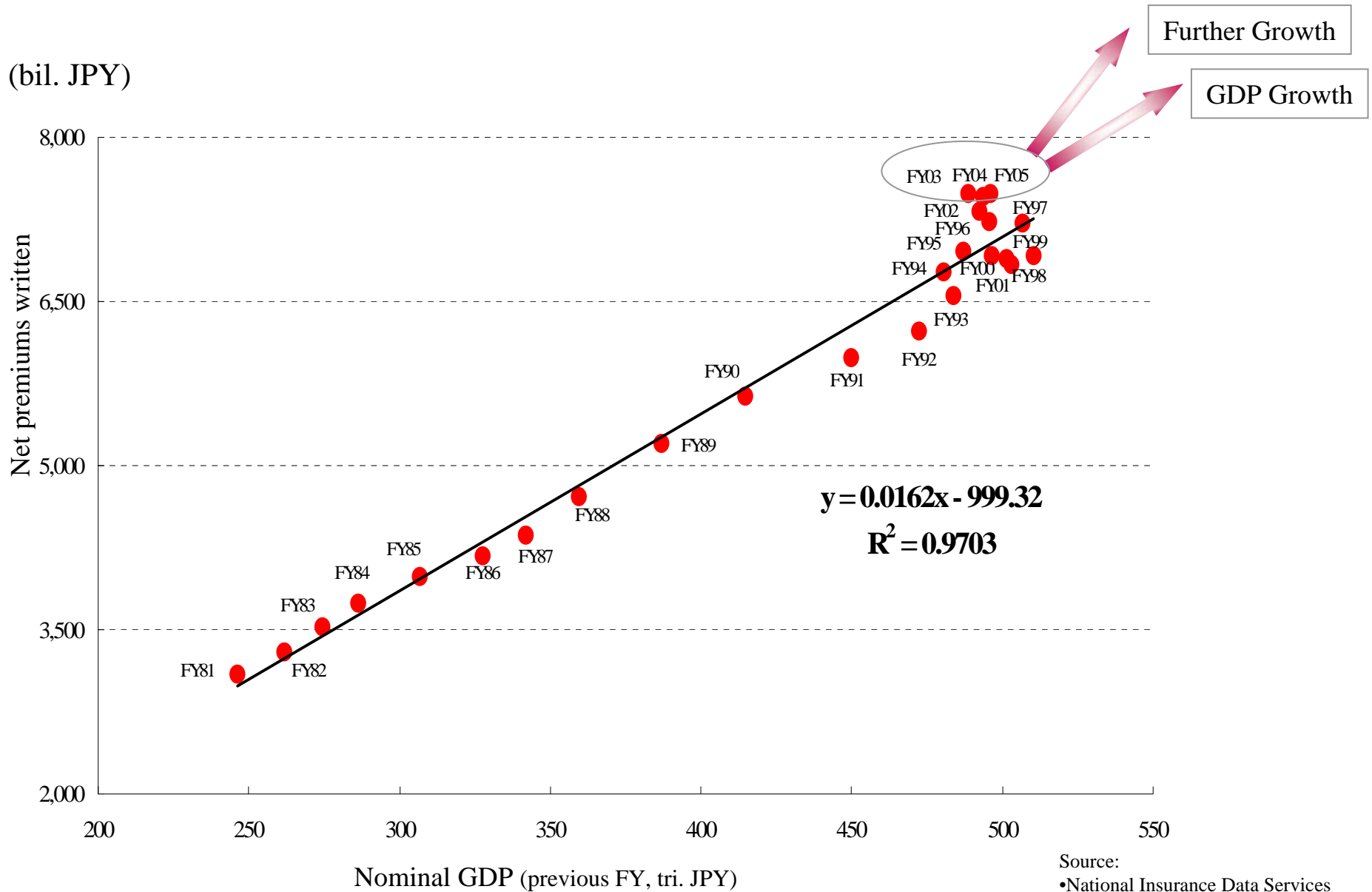


Premium Breakdown by Business Line

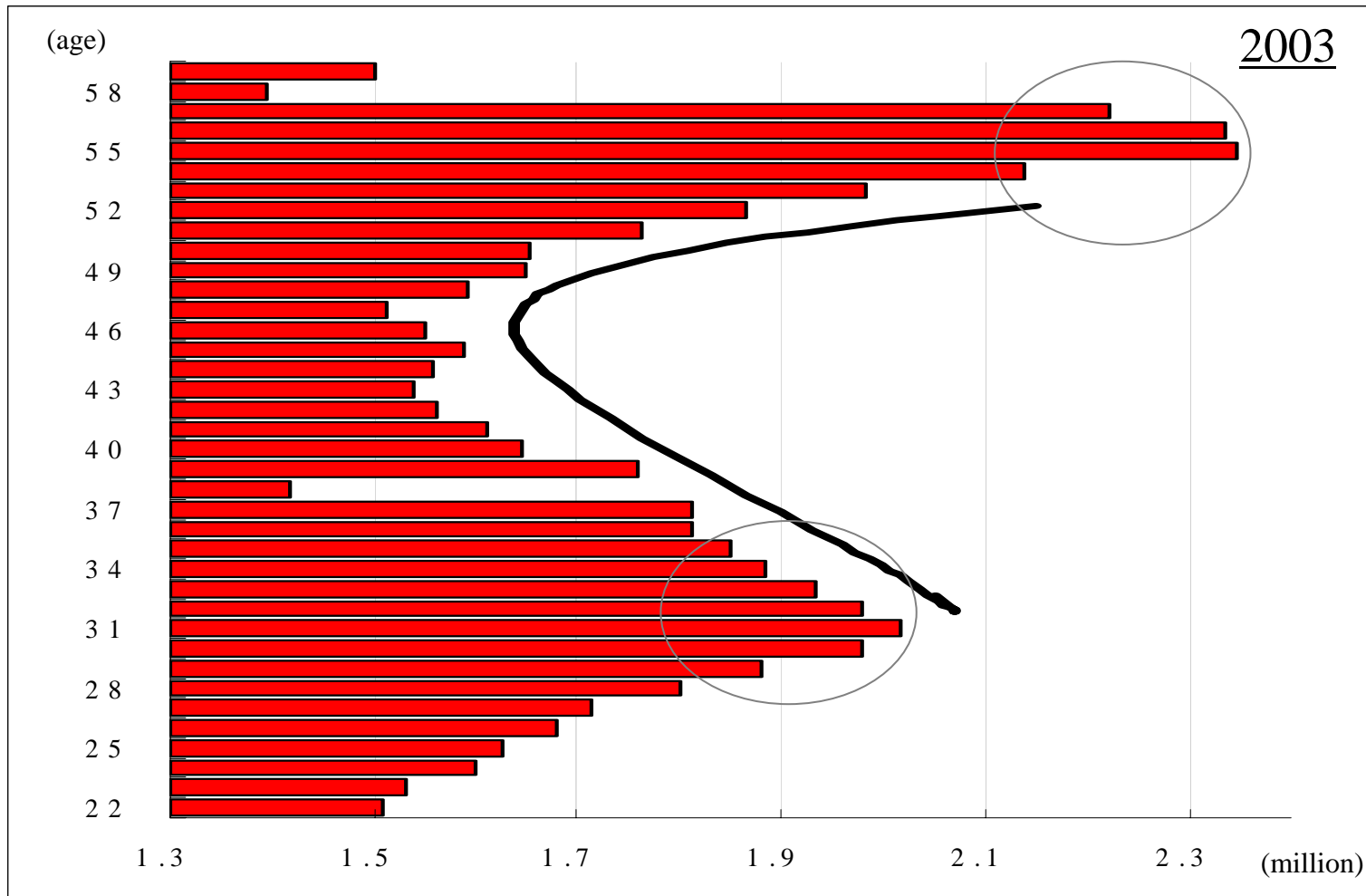
U.S. (2004)		Japan (2005)
Others 14.1%	Non-Property Insurance -Further growth beyond GDP	Others 14.4%
Worker's Compensation 11.5%		Personal Accident 8.7%
Liability 13.2%	Property Insurance -Growth proportional to GDP	Fire 13.2%
Fire 20.3%		CALI* 16.1%
Voluntary Automobile 40.9%		Voluntary Automobile 47.6%

*CALI = Compulsory Automobile Liability Insurance

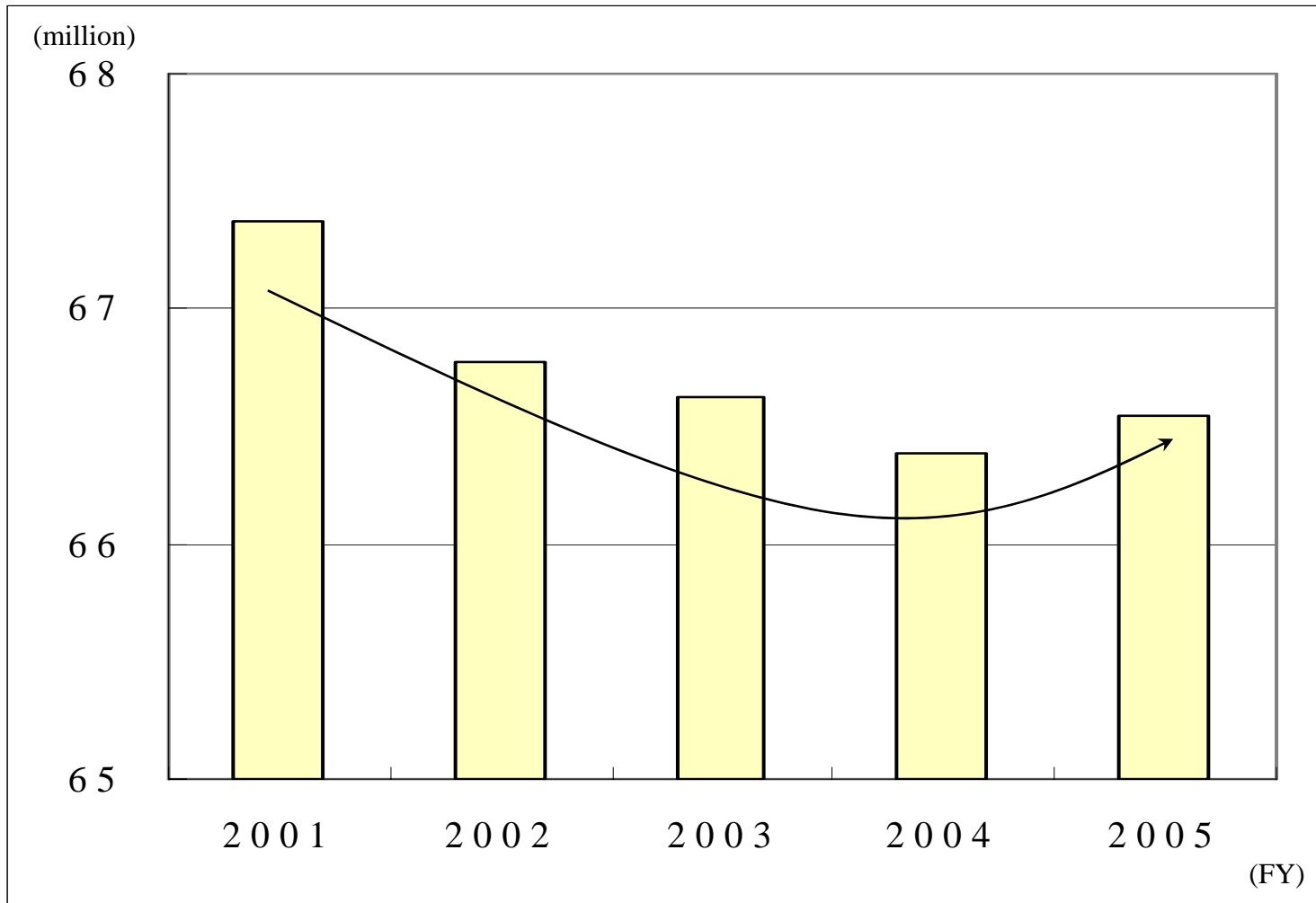
Premium and Nominal GDP



Source:
•National Insurance Data Services
•Economic and Social Research Institute,
Cabinet Office, Government of Japan



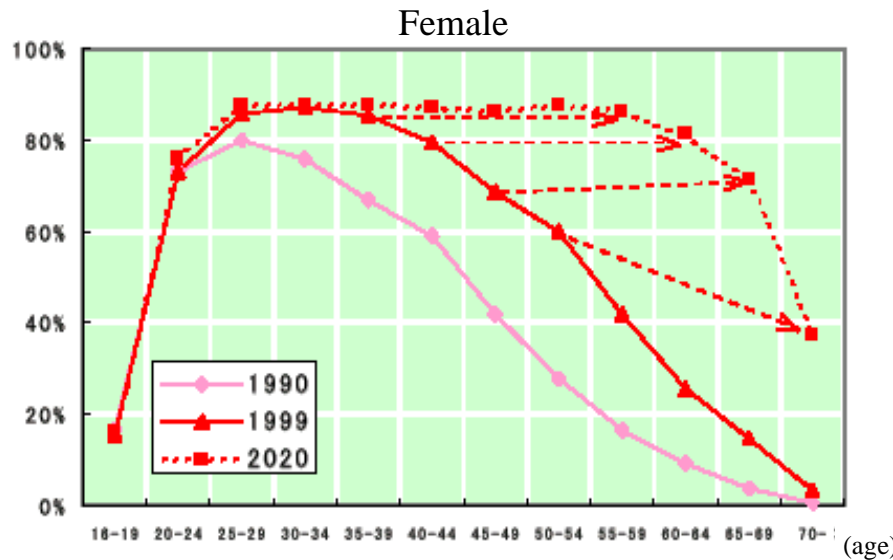
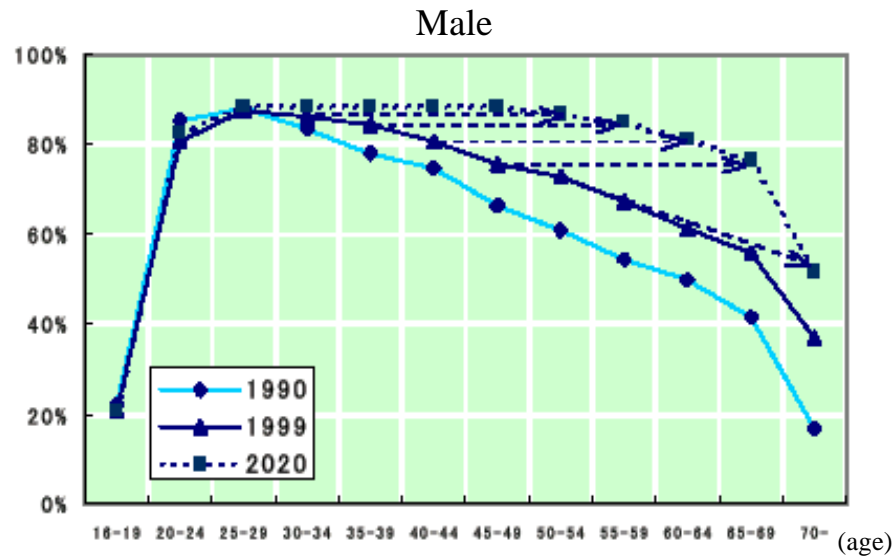
Source : Daiwa Institute of Research



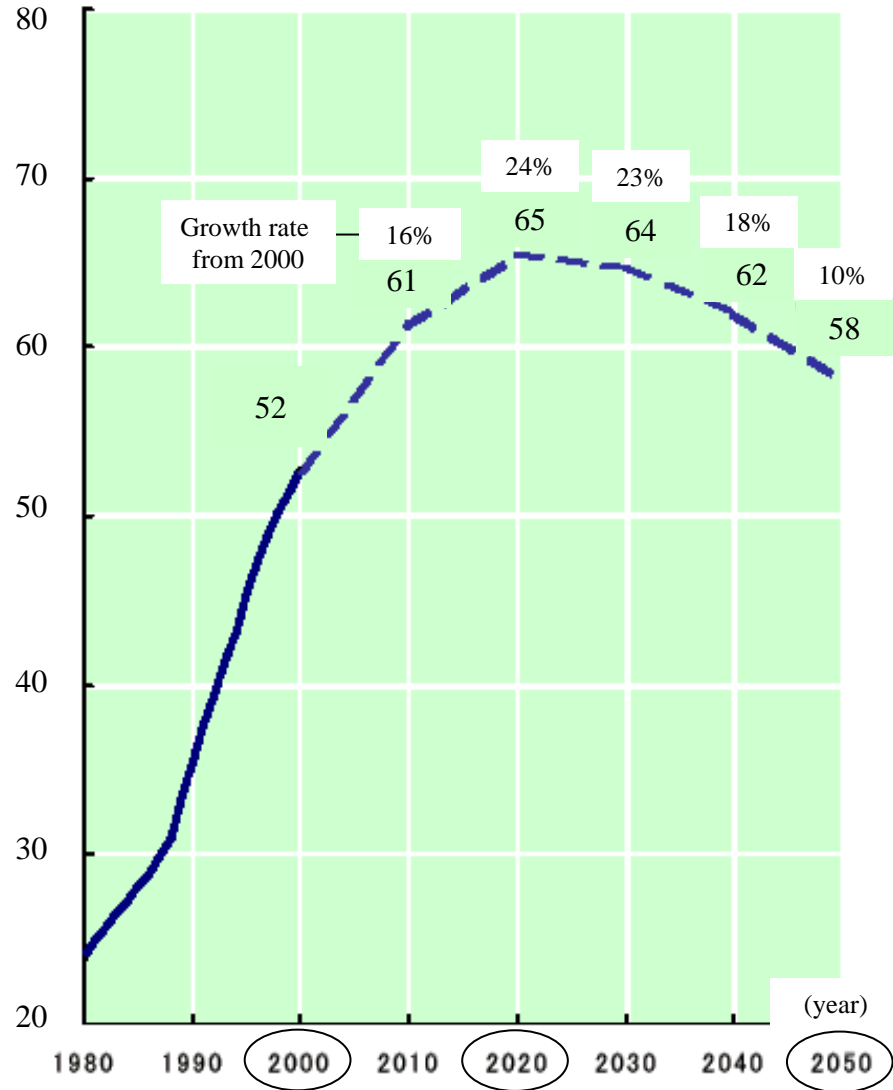
Source : Ministry of Internal Affairs and Communications

Automobile Ownership

Possession of Driver's License Forecast

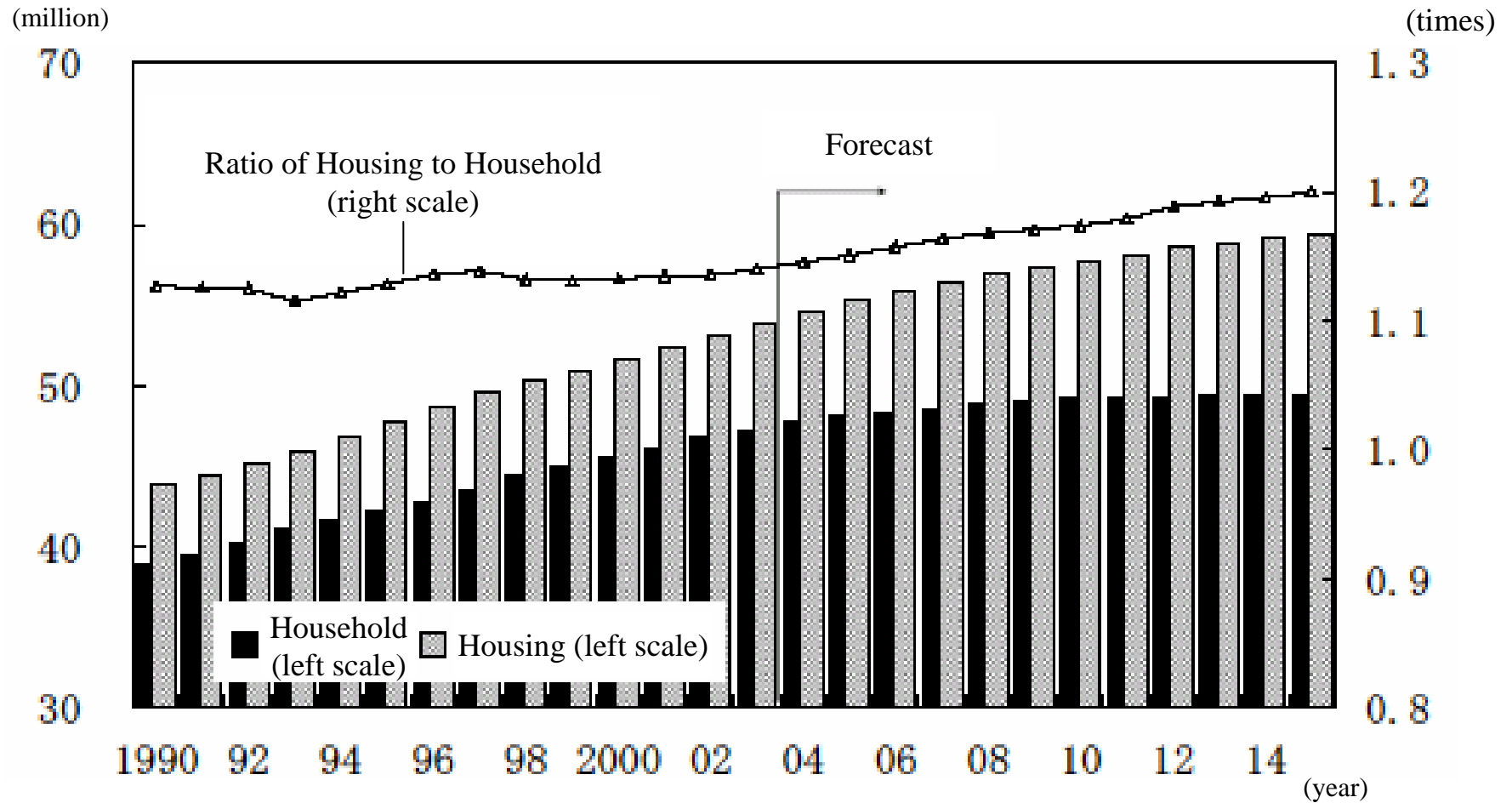


(million) Automobile Ownership Forecast

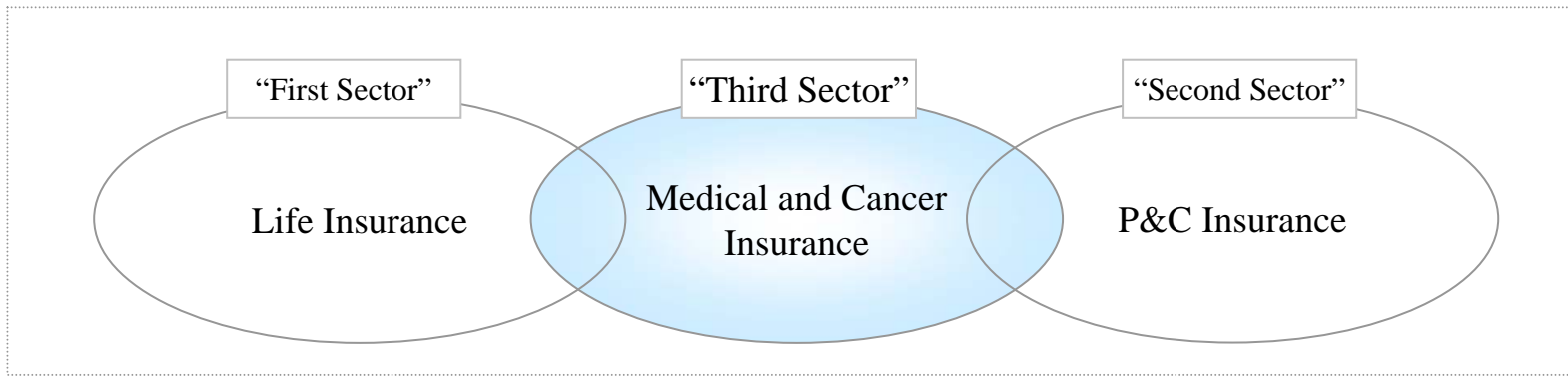


Source: Ministry of Land Infrastructure and Transport

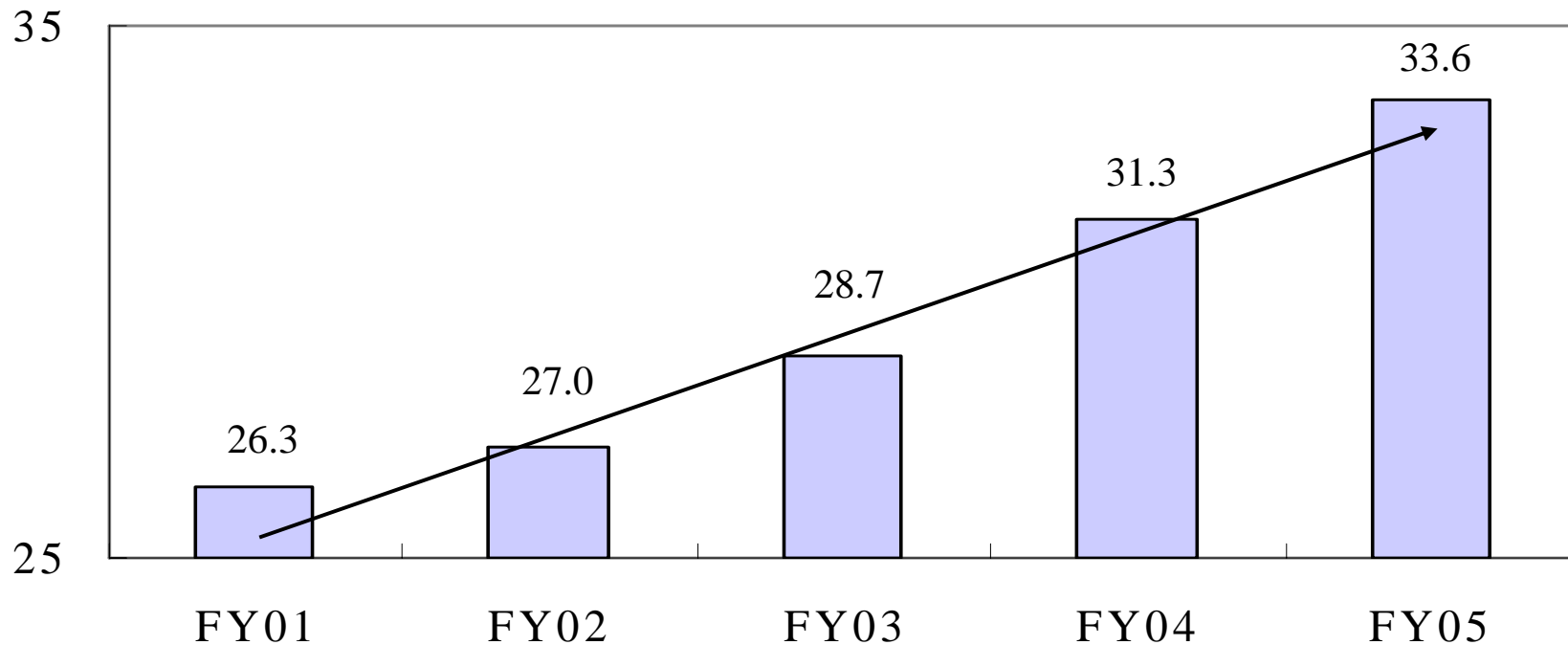
Number of Household and Housing



Source : Japan Center for Economic Research
 "The Challenges for Japanese Revitalization of the Economy"



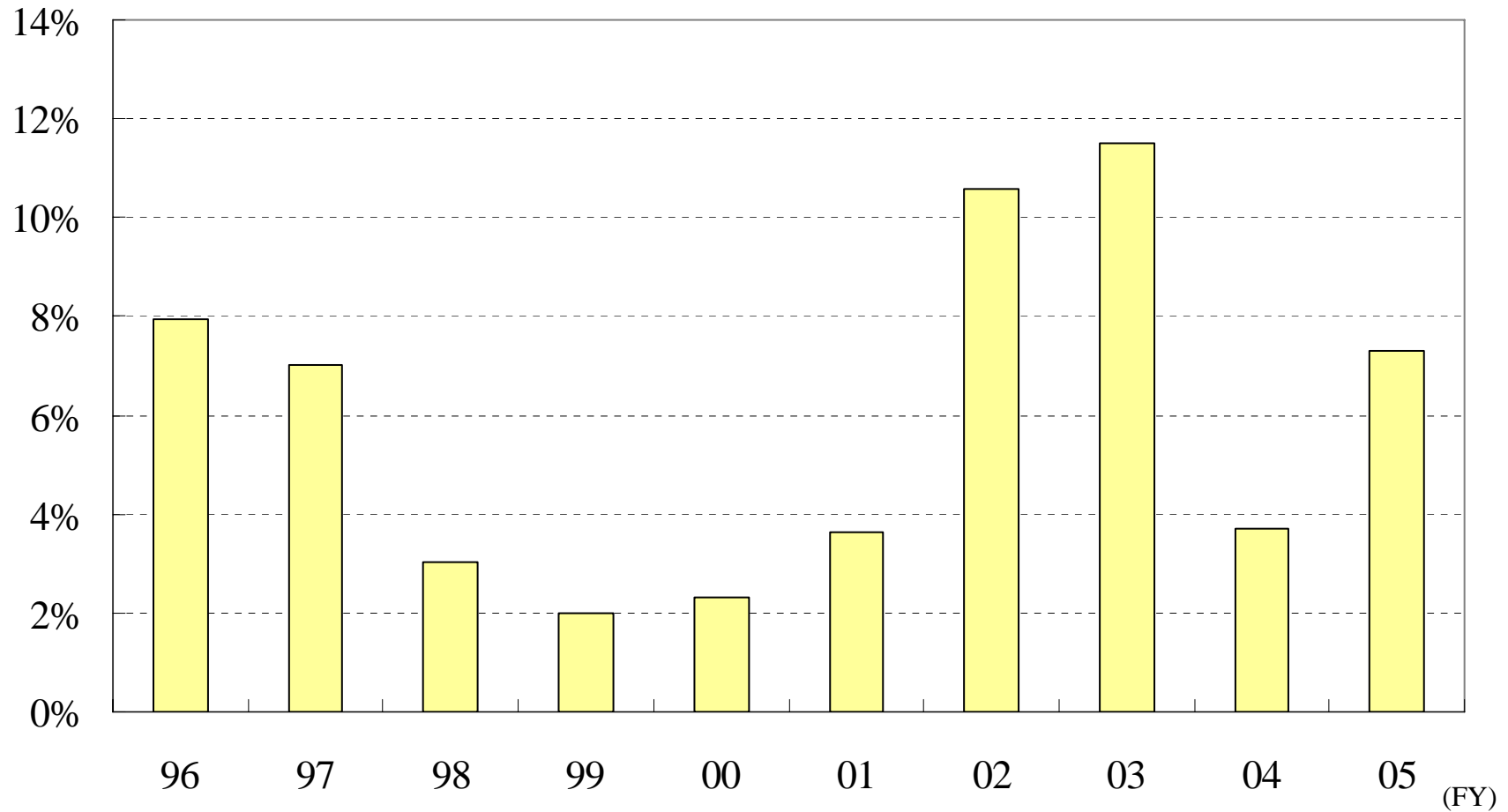
(million) Number of existing policies of Third Sector



Source : The Life Insurance Association of Japan

Underwriting Balance Ratio of Japanese Market

Underwriting balance ratio = 1- combined ratio
= 1- (loss ratio + expense ratio)



FY96-FY04 : Industry average
FY05 : 9 major insurers average

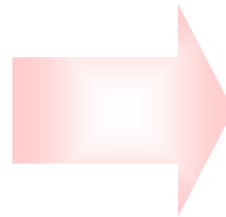
Premium

Loading Premium

for expense

Pure Premium

for claims



Advisory Rate

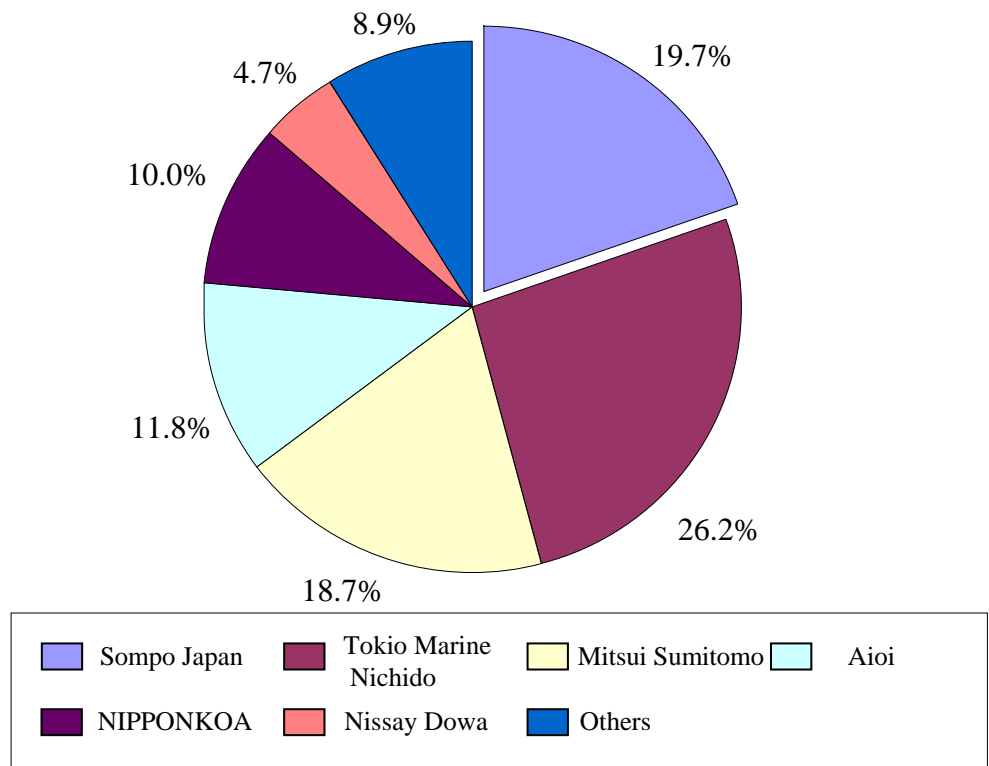
by Non-Life Insurance Rating Organization of Japan

- Collecting large quantities of data from 36 member insurance companies
- Using statistical approach to calculate advisory rate for fire, personal accident, automobile and nursing care insurance
- If member company would set different premium from advisory rate, the company has to establish rationale by itself.

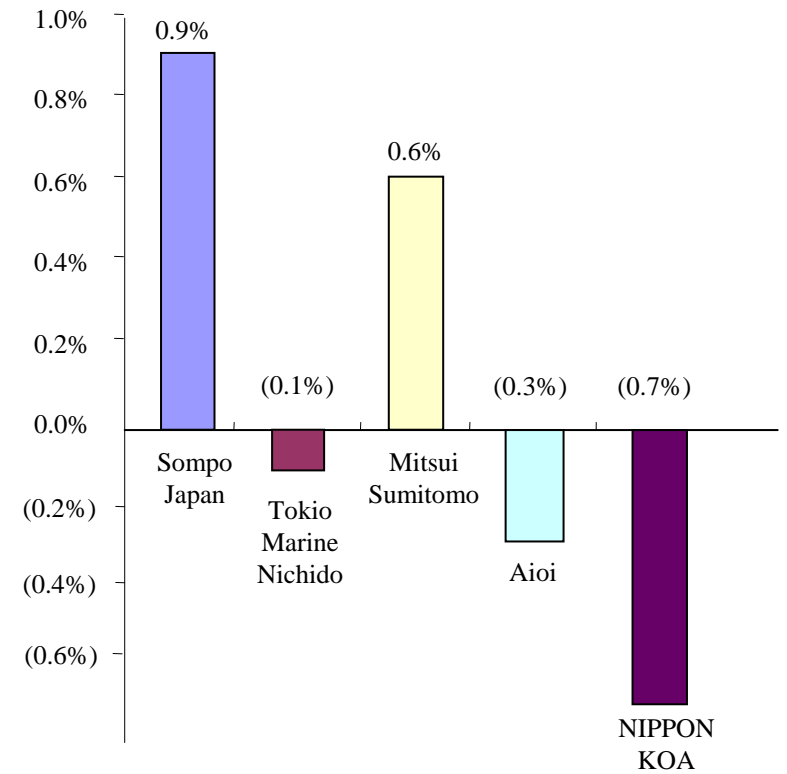
Why Sompo Japan?



Direct Premiums Written : FY2005



Change in Market Share (FY2000 vs FY2005)



FY2005 Top 3 Company Comparison

	Consolidated ROE	EPS	S&P	Moody's
Sompo Japan	6.0%	68.4 JPY	AA-	Aa3
Millea / Tokio Marine Nichido	3.3%	52,980.5 JPY	AA-	Aa2
Mitsui Sumitomo	4.1%	50.2 JPY	AA-	Aa3

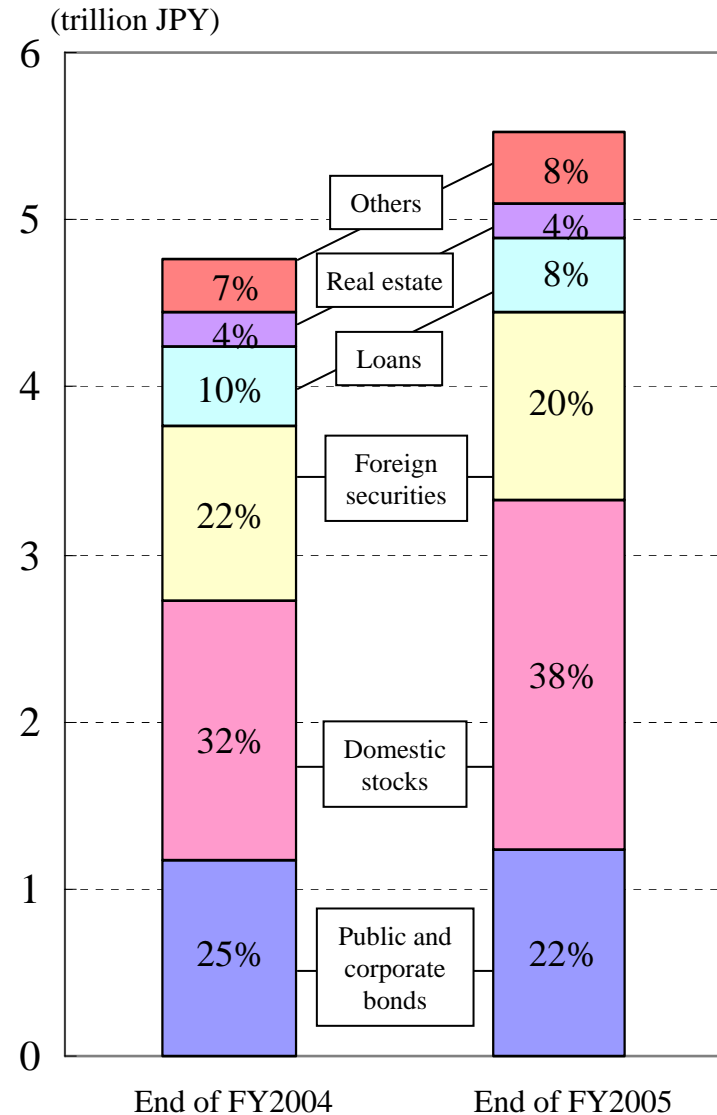
FY2005 Results (Non-Consolidated)

	FY2004	FY2005		
Excluding impact of the abolition of the government reinsurance program for Compulsory Automobile Liability Insurance (CALI) and impact of reinsurance contracts handled by Fortress Re.	Net Premiums Written	1,243.3 bil JPY (growth: +0.2%)	1,264.1 bil. JPY (growth: +1.7%)	
	Combined Ratio	98.5%	92.3%	Claims by natural disasters fell from 112.0 bil. JPY to 17.7 bil. JPY on incurred loss basis.
	Loss Ratio (Incl. Loss Adjustments)	64.8%	59.4%	
	Expense Ratio	33.6%	32.9%	13.0 bil. JPY as statistical IBNR reserves
Underwriting Profit	14.1 bil. JPY	19.9 bil. JPY	16.1 bil. JPY of IBNR reserves to cut off reinsurance portfolio which includes asbestos risk	
Investment Profit	58.3 bil. JPY	81.6 bil. JPY	Increase of interest and dividend income contributed.	
Ordinary Profit	74.2 bil. JPY	114.2 bil. JPY		
Net Income	56.8 bil. JPY	67.8 bil. JPY		
Dividend per Share	9.0 JPY	13.0 JPY		

FY2005 : Investment

	FY2004	FY2005	Growth
Investment Profit	58.3 bil. JPY	81.6 bil. JPY	+40%
Unrealized Gains on Securities	880.9 bil. JPY	1,483.5 bil. JPY	+68%
Total Return	4.48%	15.17%	
Amount of Stock Sales	54.2 bil. JPY	44.3 bil. JPY	
Capital Gain of Stock Sales	32.7 bil. JPY	30.5 bil. JPY	

Asset Allocation



FY2005 : Principal Subsidiaries

15

(bil. JPY)

		Net Income after Consolidation Adjustment	
		FY2004	FY2005
Overseas Business	Yasuda Seguros S.A. (Brazil)	0.8	1.4
	Sompo Japan Asia	0.4	1.0
	Sompo Japan Europe	(0.5)	0.3
	Sompo Japan America	(1.0)	(0.2)
New Business	Sompo Japan DIY Life	0.0	(0.3)
	Sompo Japan DC Securities	(1.3)	(1.0)
	Sompo Japan Himawari Life	(3.5)	(1.7)
Subsidiaries Total		(4.4)	(0.3)

-100% subsidiary for life insurance business

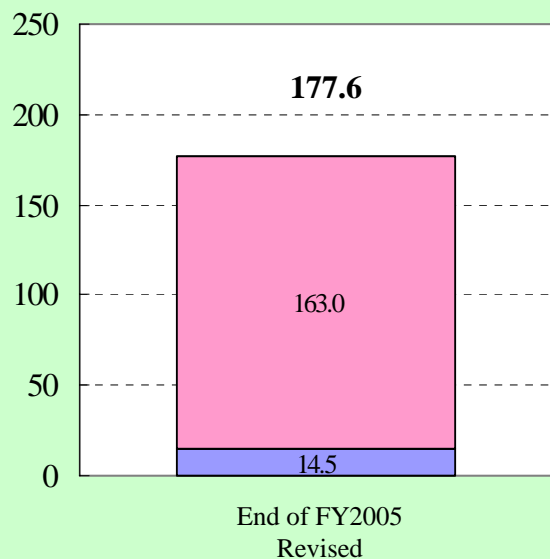
■ Annualized Premiums : 213.6 bil. JPY (growth +12.9%)

■ Annualized New Premiums : 45.6 bil. JPY (growth +8.0%)

-3.1 bil. yen of net income is expected in FY2006.

■ Embedded Value

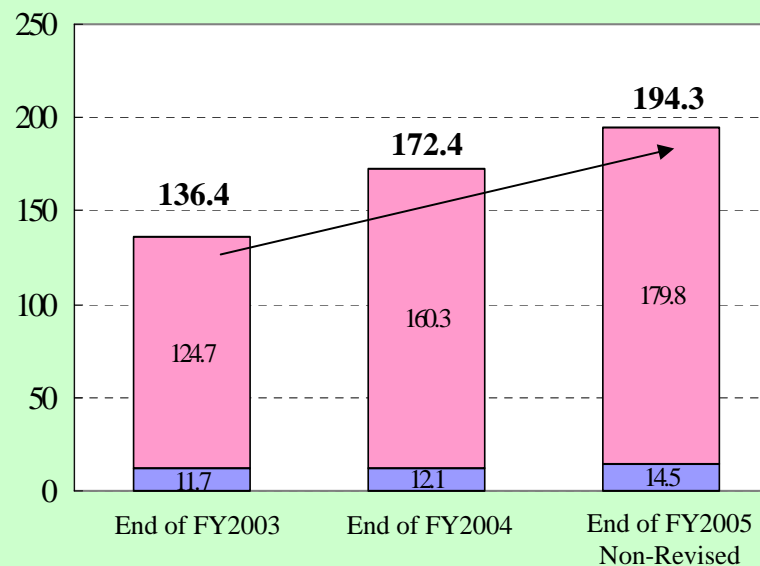
(bil. JPY)



Method of EV calculation was revised in FY2005 to more conservative investment return assumption.

■ Existing Business Value
■ Adjusted Book Value

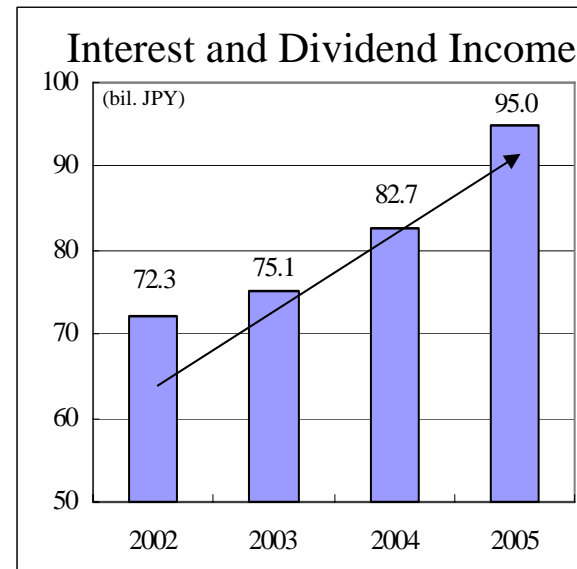
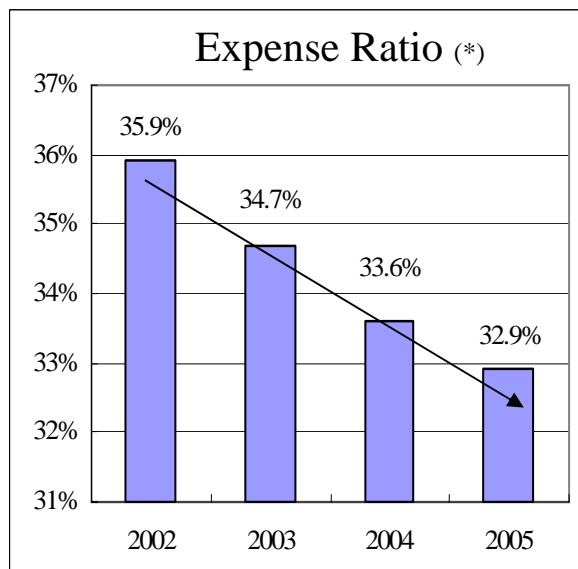
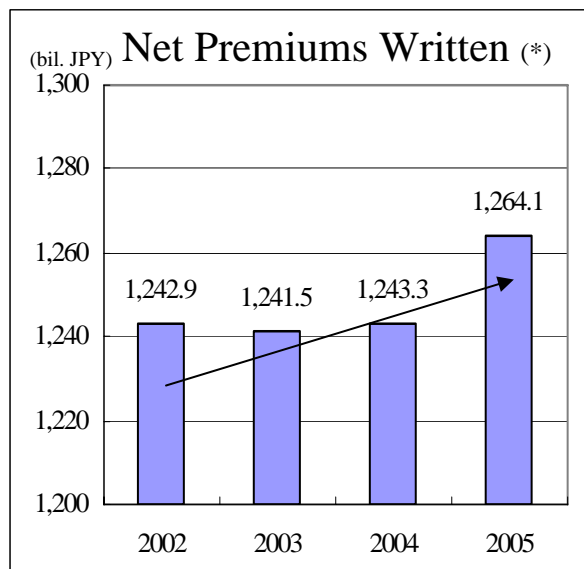
(bil. JPY) <Reference / Non-Revised Basis >



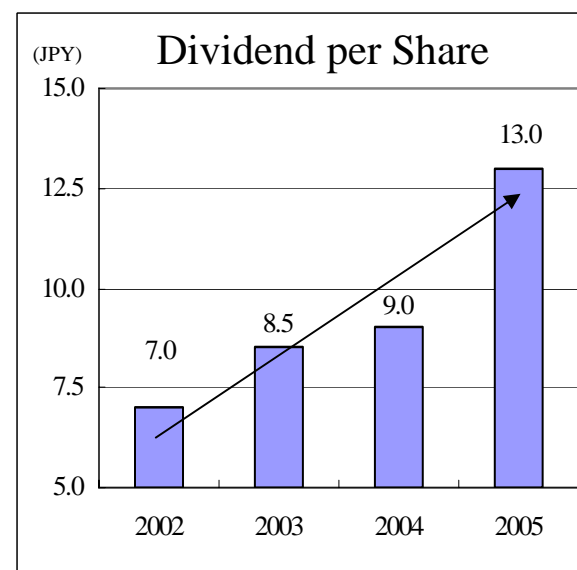
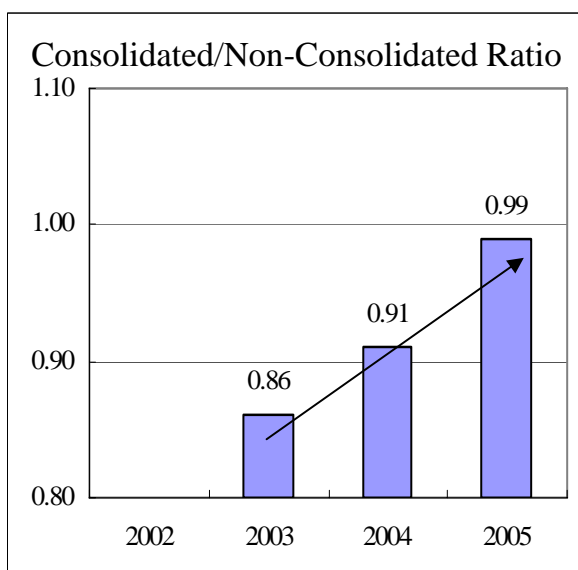
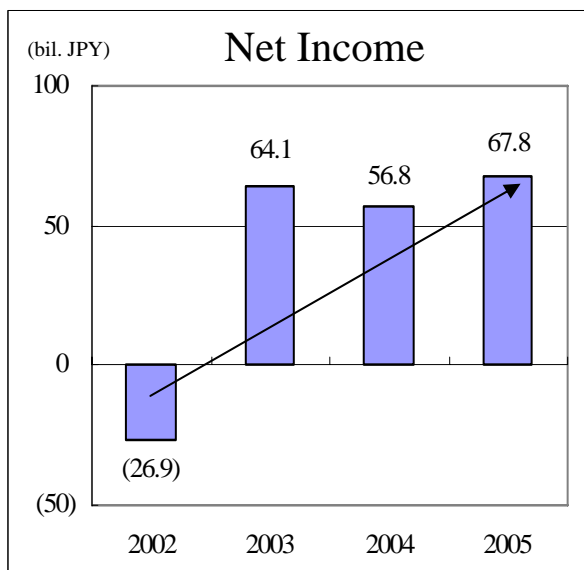
Medium-Term Business Plan

FY2006-FY2008





*Excluding impact of the abolition of the government reinsurance program for CALI and impact of reinsurance contracts handled by Fortress Re.



Japanese insurance market will expand in the aforementioned environment.

1

Designating domestic business as core domain

2

Enhancing IT infrastructure

3

Creating new business models in the retail market

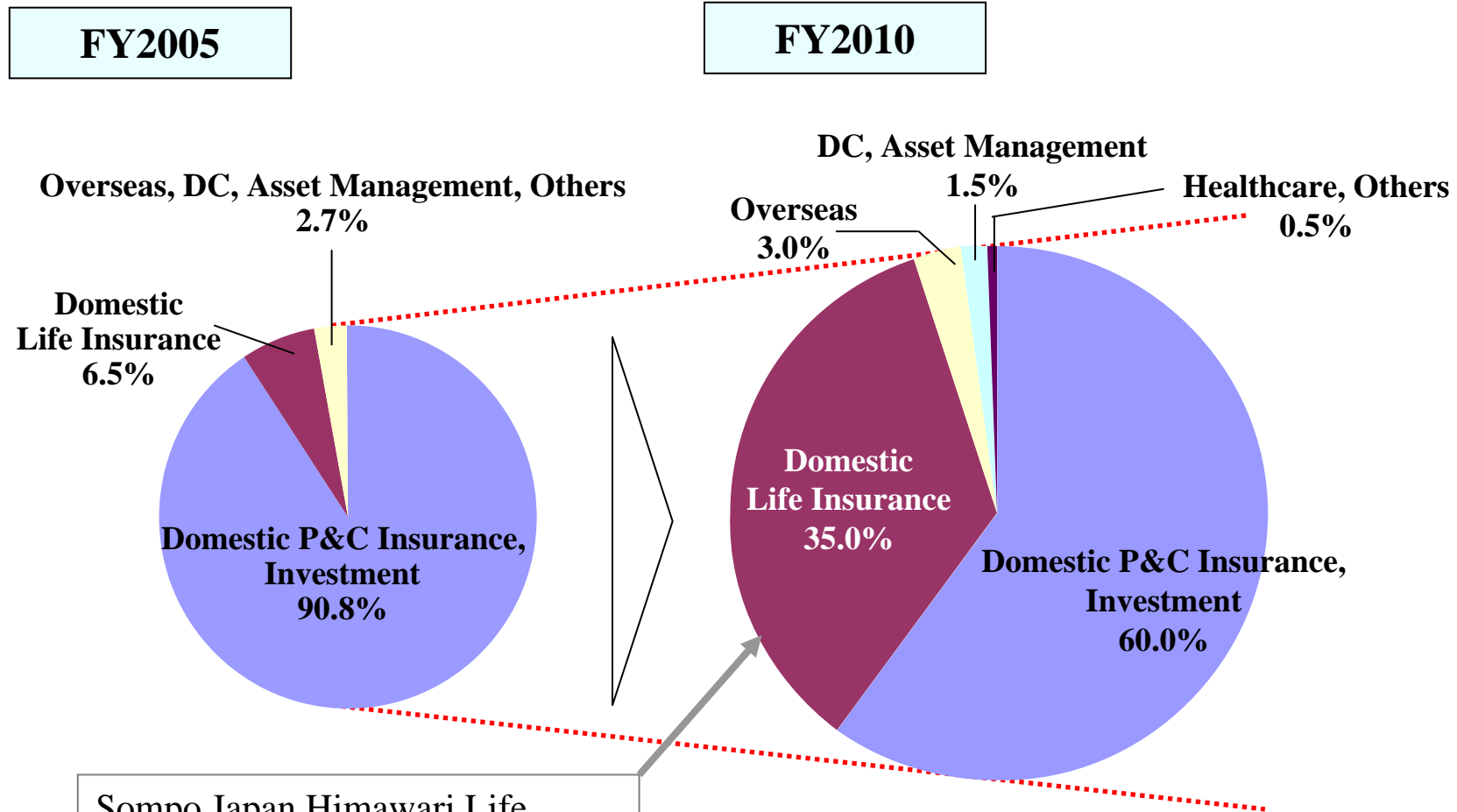
4

Focusing on overseas business only in profitable markets

5

Reinforcing Life and Defined Contribution Pension businesses

Business Portfolio : Pro-forma Profit Contribution



Sompo Japan Himawari Life

- Using solid database with 25-year history
- Cross-selling to P&C customers
- Expanding sales by tax accountants and certified public accountants

*Himawari Life Insurance uses "Increase of adjusted EV" (note); others use net income.

(Note) The impacts of (1) interest rate fluctuations, (2) discount rate fluctuations, and (3) capital increases and shareholder dividends are deducted from the EV increase.

Medium-Term Targets

	FY2005	FY2008	FY2010
Net Premiums Written	1,370.9 bil. JPY	1,510.0 bil. JPY	Medium-Term Targets
Consolidated Net Income	67.3 bil. JPY	74.0 bil. JPY	110.0 bil. JPY
New Adjusted Consolidated ROE(*)	10.9 %	11.4%	15.0%

(*)New Adjusted Consolidated ROE

$$= \frac{\text{Consolidated net income} - \text{Gains from sales and unrealized losses of stocks and real estate (after taxes)}}{\text{Average balance of (consolidated shareholders' equity} - \text{unrealized gains of stock [after taxes])}}$$

■ Sompo Japan seeks steady increase of the actual amounts of dividends.

■ Target : Dividend on Equity (DOE) of 2% (FY2005 = 1.1%)

$$\text{DOE} = \frac{\text{Total Dividend}}{\text{Consolidated Shareholder's Equity}} = \frac{\text{Total Dividend}}{\text{Net Income}} \times \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

Payout Ratio ROE

■ Sompo Japan is to improve both “Payout Ratio” and “ROE.”

Impact of Higher Interest Rate (Non-Consolidated)

22

Impact
on
Stock

Duration

Assets : approx. 5 years

Liabilities: approx. 9 years

100 bps rise leads to
approx. 100 bil. yen increase
in Net Asset Value.

Higher
interest rate
is favorable.

Impact
on
Flow

Improvement of investment yield for new money

Decrease of negative yield burden in saving account

FY2006 1st Quarter Results (Non-Consolidated)

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	Net Premiums Written	Growth	Net Claims Paid	Growth
Fire and allied	32.9 bil. yen	(7.7%)	17.0 bil. yen	(10.9%)
Marine	6.4 bil. yen	4.7%	2.9 bil. yen	8.2%
Personal accident	35.7 bil. yen	(1.7%)	12.3 bil. yen	11.4%
Voluntary automobile	171.8 bil. yen	(0.1%)	93.8 bil. yen	0.5%
CALI	53.0 bil. yen	(4.4%)	39.2 bil. yen	5.3%
Others	47.9 bil. yen	0.5%	21.2 bil. yen	(10.0%)
Total	348.0 bil. yen	(1.5%)	186.6 bil. yen	(0.3%)

Summary of Administrative Order by FSA

■ The facts which caused the Administrative Order

- Investigation procedure regarding failure in claim payments
- Irregularity in connection with the underwriting of overseas liability insurance contract
- Marketing control structure of entrusted life insurance
- Possessions of a large number of name stamps

■ Administrative Order (received on May 25th)

- Business Suspension Order for 2 weeks in June, etc.
- Business Improvement Order

■ Action Plan (announced on June 26th)

- Establishing “Corporate Governance Policy”
- Introducing “Appointment and Remuneration Committee” and “Business Audit and Compliance Committee”

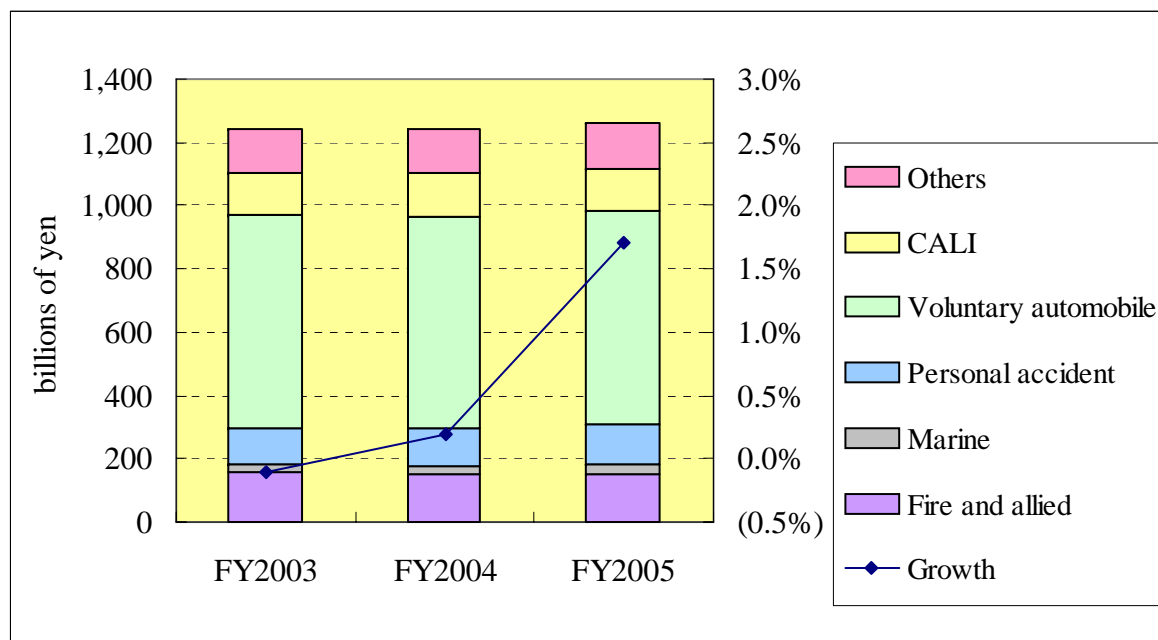
*If the influence on business results would be objectively recognized,
FY2006 forecast and Medium-Term Business Plan may be altered.

<Reference>

FY2005 Results



Net Premiums Written (ex. special factors)



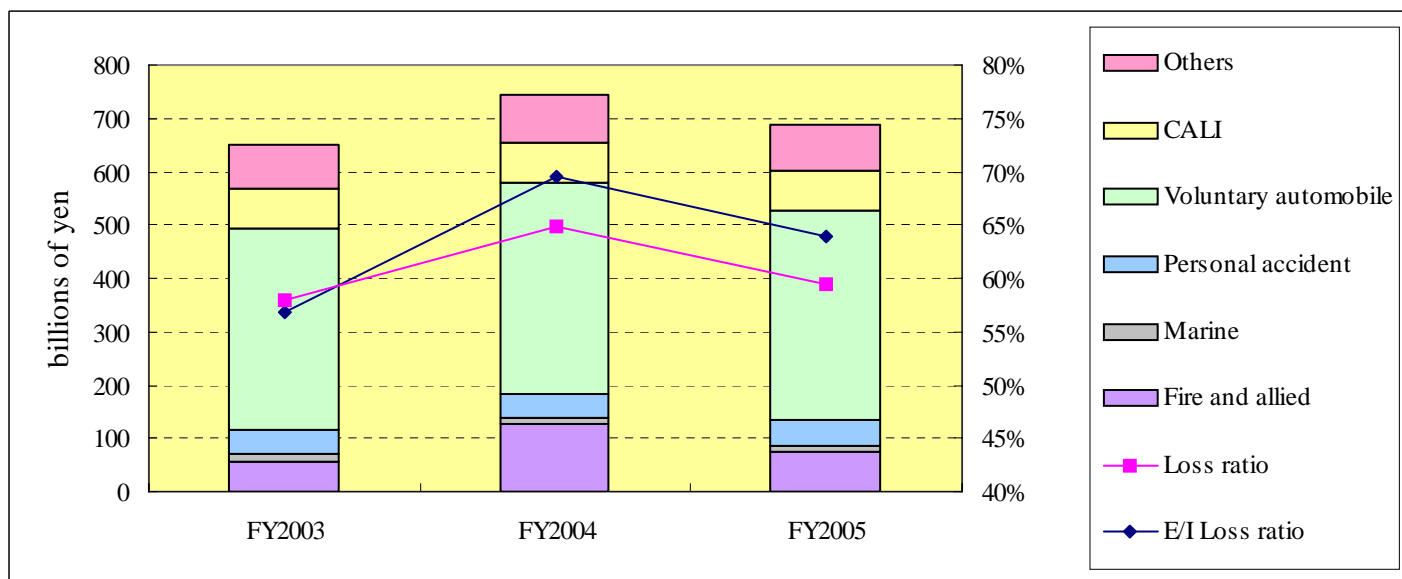
(Unit: billions of yen)

Line	FY2003		FY2004		FY2005	
	Amount	Growth	Amount	Growth	Amount	Growth
Fire and allied	157.4	(3.4%)	150.3	(4.5%)	152.0	1.1%
Marine	24.8	0.4%	25.1	1.4%	28.3	12.5%
Personal accident	114.8	(2.2%)	120.7	5.2%	127.6	5.7%
Voluntary automobile	673.5	(0.5%)	669.0	(0.7%)	674.0	0.7%
CALI	135.8	6.7%	136.6	0.6%	133.2	(2.5%)
Others	134.9	1.1%	141.2	4.7%	148.6	5.2%
Total	1,241.5	(0.1%)	1,243.3	0.2%	1,264.1	1.7%

<Special factors>

Impact of the abolition of the government reinsurance program for CALI and impact of reinsurance contracts handled by Fortress Re.

Net Claims Paid (ex. special factors)

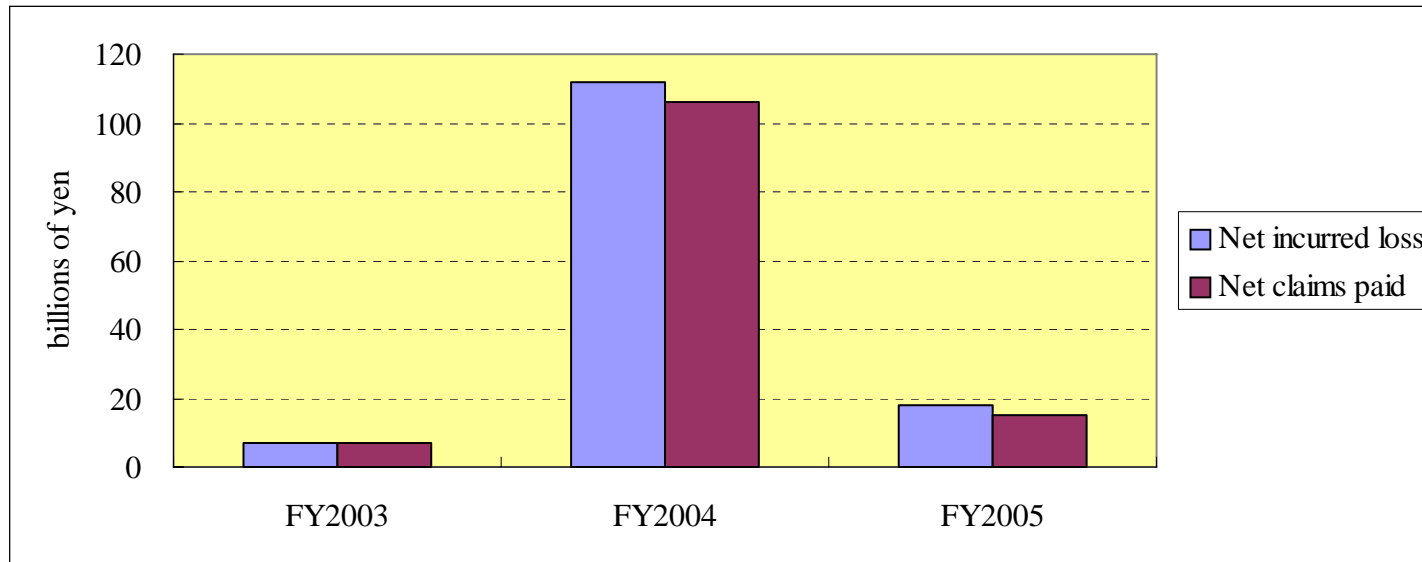


(Unit: billions of yen)

Line	FY2003		FY2004		FY2005	
	Amount	L/R	Amount	L/R	Amount	L/R
Fire and allied	55.6	36.6%	126.8	86.3%	74.0	50.5%
Marine	15.3	66.9%	12.9	55.2%	12.4	47.5%
Personal accident	46.7	45.4%	44.5	40.5%	48.0	41.3%
Voluntary automobile	375.6	61.3%	395.8	64.2%	393.7	63.6%
CALI	74.8	66.0%	74.4	65.2%	74.2	66.4%
Others	83.1	66.8%	88.5	67.1%	84.7	61.3%
Total	651.4	58.0%	743.2	64.8%	687.1	59.4%
E/I Loss ratio		56.9%		69.5%		63.9%

Note 1) "L/R" = (Net claims paid + Loss adjustment) / Net premiums written

2) "E/I Loss ratio" = (Net incurred loss + Loss adjustment) / Earned premiums : ex. Household earthquake, CALI

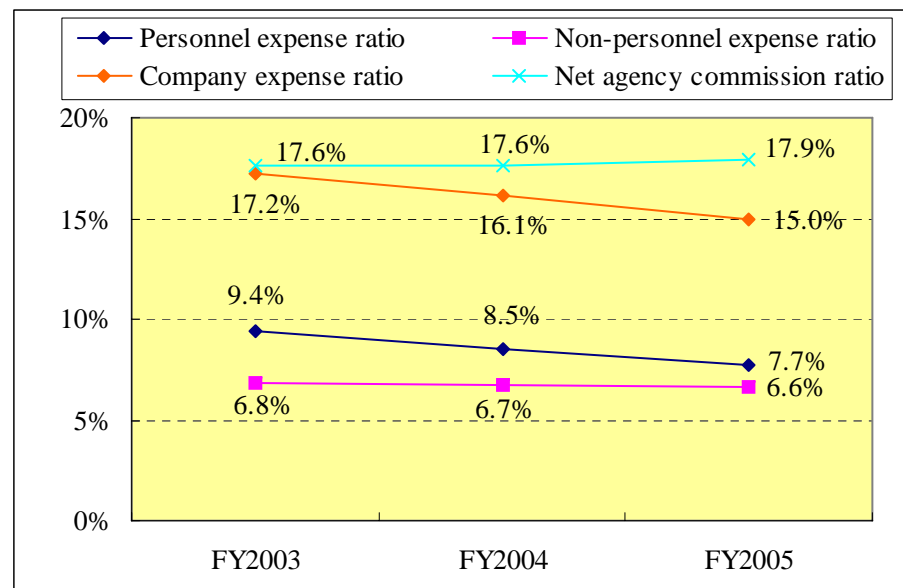
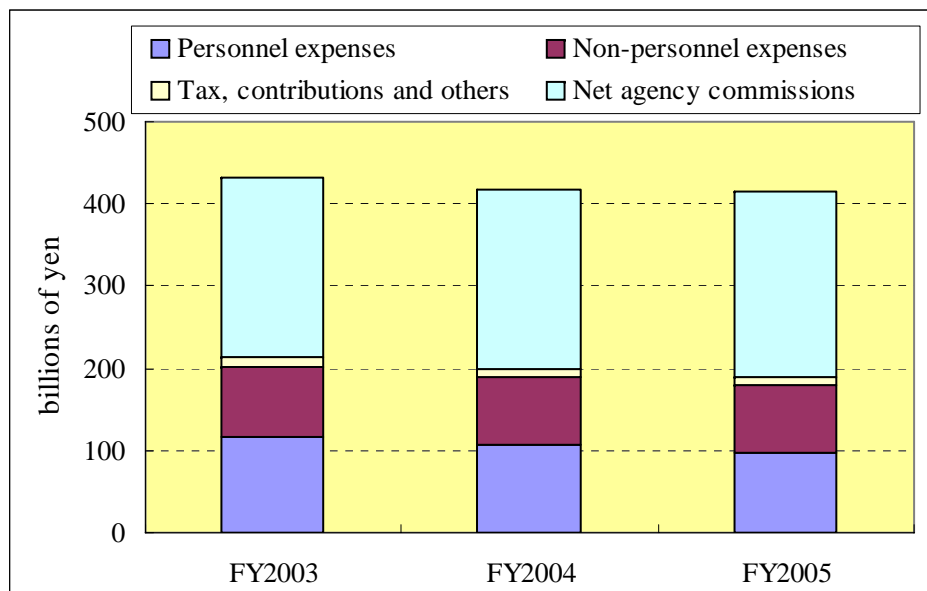


(Unit: billions of yen)

Line	Net incurred loss			Net claims paid		
	FY2003	FY2004	FY2005	FY2003	FY2004	FY2005
Fire and allied	4.9	88.8	14.9	4.7	85.0	12.8
Voluntary automobile	1.8	16.5	1.6	1.8	16.3	1.6
Others	0.4	6.5	1.1	0.4	4.4	0.7
Total	7.2	112.0	17.7	6.9	105.8	15.2

Notes) The above figures include the loss and claims paid related to the natural disasters incurred in each fiscal year and do not include those incurred in previous years.

Expense Ratio (ex. special factors)



(Unit: billions of yen)

Item
Personnel expenses
Non-personnel expenses
Tax, contributions and others
Total company expenses
Net agency commissions (ex. FR)
Total operating expenses

FY2003		FY2004		FY2005	
Amount	Change	Amount	Change	Amount	Change
117.0	0.6	106.0	(11.0)	97.0	(9.0)
84.6	(4.2)	82.6	(1.9)	82.9	0.2
11.6	(1.2)	10.8	(0.8)	9.8	(0.9)
213.3	(4.8)	199.5	(13.7)	189.8	(9.7)
218.0	(9.8)	218.4	0.3	226.1	7.6
431.3	(14.6)	418.0	(13.3)	415.9	(2.1)

FY2003		FY2004		FY2005	
Expense ratio	Change	Expense ratio	Change	Expense ratio	Change
9.4%	0.1%	8.5%	(0.9%)	7.7%	(0.9%)
6.8%	(0.3%)	6.7%	(0.2%)	6.6%	(0.1%)
0.9%	(0.1%)	0.9%	(0.1%)	0.8%	(0.1%)
17.2%	(0.4%)	16.1%	(1.1%)	15.0%	(1.0%)
17.6%	(0.8%)	17.6%	0.0%	17.9%	0.3%
34.7%	(1.1%)	33.6%	(1.1%)	32.9%	(0.7%)

<Reference>

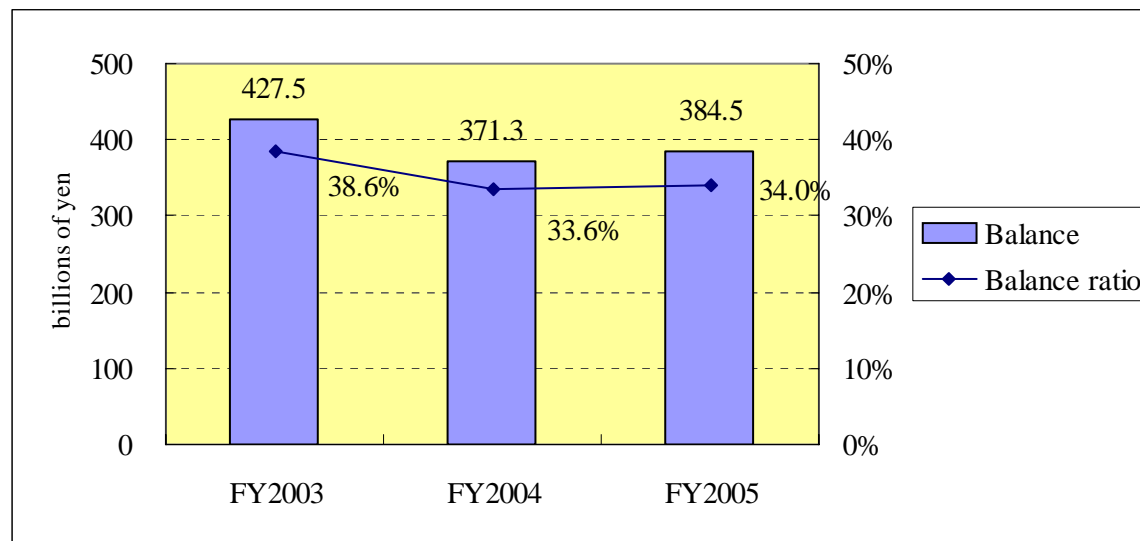
Net premiums written (ex. special factors)
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1,241.5	(1.4)	1,243.3	1.8	1,264.1	20.7
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Notes) Figures above are operating expenses regarding underwriting business.

Catastrophic Loss Reserve

Total



(Unit: billions of yen)

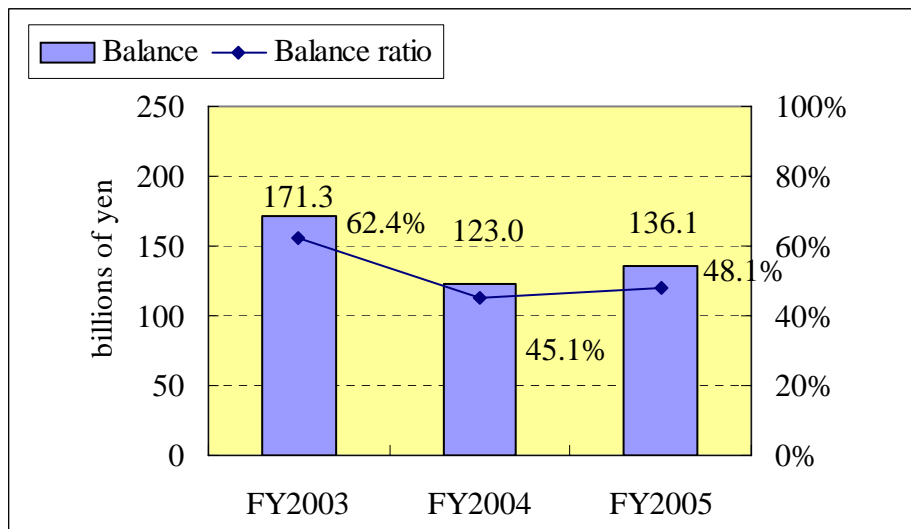
	FY2003	FY2004	FY2005
Balance	427.5	371.3	384.5
Change	25.6	(56.2)	13.2
Balance ratio	38.6%	33.6%	34.0%

Provision	64.5	66.6	68.5
Reversal	38.8	122.9	55.2

Notes) "Balance ratio" = Catastrophic loss reserve balance / Net premiums written
(ex. CALI, Household earthquake)

Catastrophic Loss Reserve

Fire Group



(Unit: billions of yen)

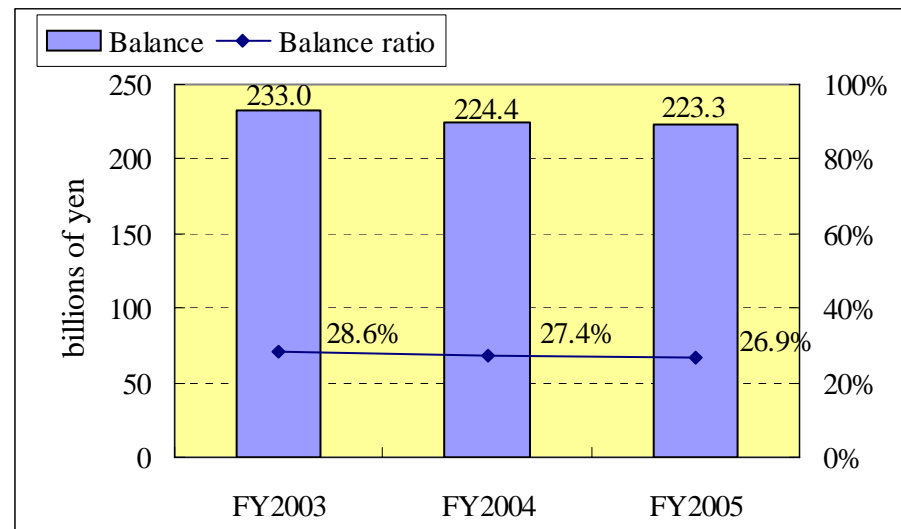
	FY2003	FY2004	FY2005
Balance	171.3	123.0	136.1
Balance ratio	62.4%	45.1%	48.1%

Provision	17.8	20.6	21.3
Reversal	-	68.9	8.2

Fire Group:

Fire (ex. Household earthquake), Cargo, Liability, Transit, Constructions' all risk, Movables' all risk, Windstorm & Flood

Automobile Group



(Unit: billions of yen)

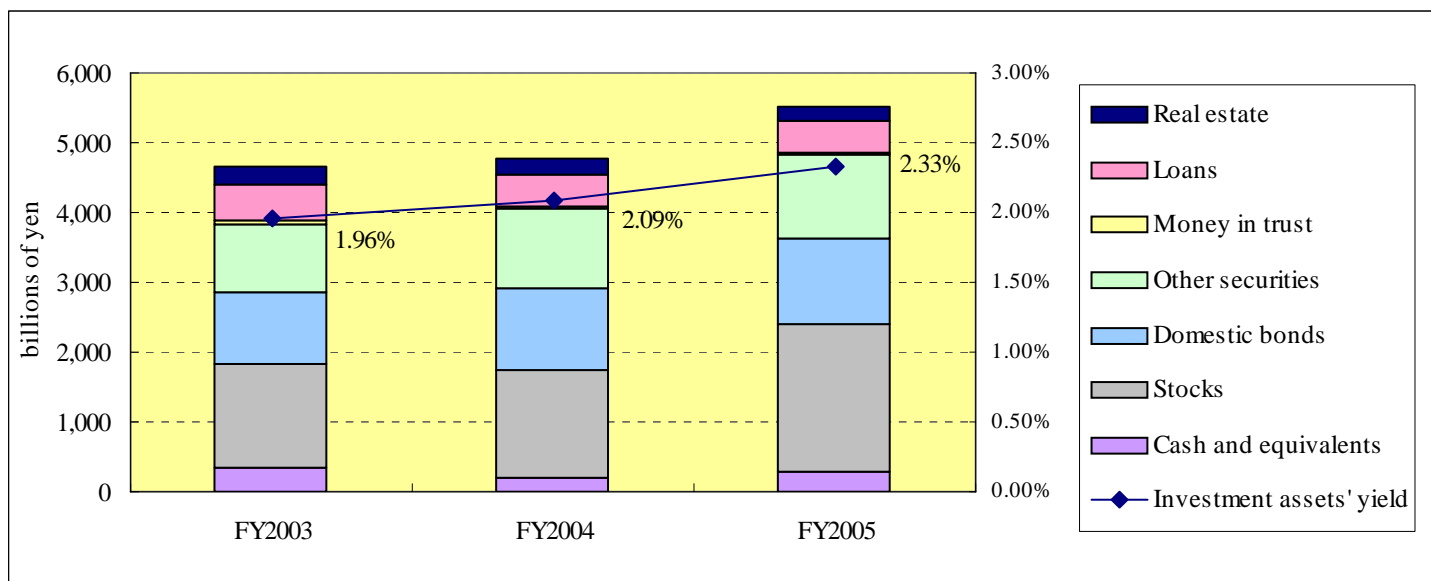
	FY2003	FY2004	FY2005
Balance	233.0	224.4	223.3
Balance ratio	28.6%	27.4%	26.9%

Provision	44.7	44.8	45.5
Reversal	36.8	53.5	46.6

Automobile Group:

Voluntary automobile, Personal accident, Ship passenger liability, Fidelity & Credit, Guarantee, Glass, Machinery, Burglary, Animal, Workers' compensation, Boiler, Business interruption (ex. Nursing care expense)

Investment Asset Portfolio



(Unit: billions of yen)

	FY2003		FY2004		FY2005	
	Balance	Yield	Balance	Yield	Balance	Yield
Cash and equivalents	337.3	0.22%	195.1	0.13%	289.1	0.14%
Stocks	1,495.0	1.92%	1,539.4	2.24%	2,099.9	2.81%
Domestic bonds	1,021.9	1.51%	1,177.9	1.36%	1,229.0	1.31%
Other securities	973.9	3.03%	1,149.2	3.41%	1,217.2	3.95%
Money in trust	44.8	1.59%	27.2	1.67%	33.2	1.84%
Loans	521.7	1.95%	463.1	1.88%	448.5	1.66%
Real estate	248.5	2.75%	213.8	2.37%	206.2	2.47%
Total investment assets	4,643.4	1.96%	4,765.9	2.09%	5,523.3	2.33%

Definition	
Balance	Amount on the balance sheet (including unrealized gains)
Yield	Numerator: Interest and dividend income on investment assets (net of amortization) + Interest and dividend income within the return of "Money in trust"
	Denominator: Average investment assets (excluding unrealized gains)

Investment Profit

(Unit: millions of yen)

		FY2003	FY2004	FY2005	
					Increase (decrease)
Net interest and dividend income	(+)	29,390	36,411	49,354	12,943
Interest and dividend income		75,114	82,705	95,039	12,333
Assumed interest for policyholders, etc.		(45,723)	(46,294)	(45,685)	609
Gains on Money in trust	(+)	4,730	1,442	2,808	1,365
Gains on Trading securities	(+)	1,670	(83)	(74)	9
Realized gains on securities	(+)	54,732	36,401	40,898	4,497
Redemption gains on securities	(+)	503	31	103	72
Devaluation losses on securities	(-)	5,521	1,626	308	(1,318)
Gains on derivatives*	(+)	5,983	(9,225)	(4,661)	4,563
Gains on foreign exchange transactions*	(+)	(1,677)	(2,069)	82	2,151
Other investment balance	(+)	(1,841)	(650)	(1,145)	(494)
Gross investment margin		87,970	60,631	87,057	26,426
Investment expenses	(-)	9,924	8,203	7,119	(1,083)
Allowances and losses for bad debts*	(-)	(5,477)	(5,969)	(1,624)	4,344
Written-off expense and devaluation allowances for equities and bonds	(-)	64	72	(109)	(181)
Investment profit		83,459	58,324	81,672	23,347

* Excluding gains and/or losses below

-Gains/losses on derivatives other than asset management purpose

-Gains/losses due to foreign exchange fluctuation on credits to foreign agencies, etc. incurred not by investment divisions

-Allowances and losses for bad debts which are held not for the investment purpose

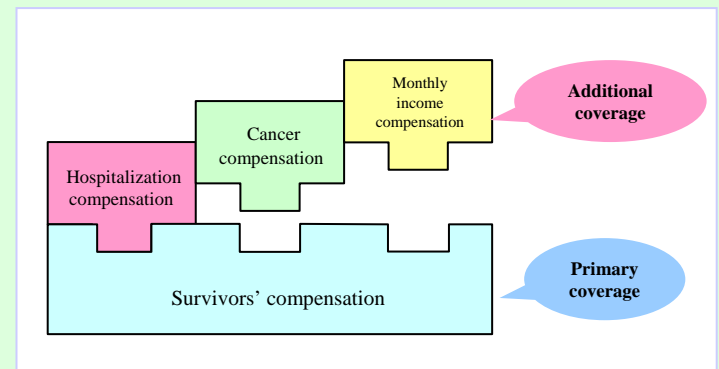
P&C Insurance Business: by Distribution Channels

	Sales Premiums FY2005	Growth Rate	Overview
Auto Dealer	259.6 bil. JPY	8.0%	<ul style="list-style-type: none"> • Evaluation of comprehensive support capabilities such as Agency IT systems
Dai-Ichi Life	35.2 bil. JPY *total for all lines	9.0%	<ul style="list-style-type: none"> • Business model toward cross-selling between P&C and life insurance is to be re-established
Enterprise	252.4 bil. JPY	2.7%	<ul style="list-style-type: none"> • Revenues increased, mainly in liability insurance, as corporate business activities recovered
Bank OTC	16.6 bil. JPY	(1.5%)	<ul style="list-style-type: none"> • Decreased under the competitive circumstances vs. other distribution channels
Professional Agents	388.0 bil. JPY	0.7%	<ul style="list-style-type: none"> • Establishment of new agents with solid sales capabilities
Total	1,395.0 bil. JPY	3.0%	

Sompo Japan DIY Life

■ Product

- One year term life insurance with free arrangement of additional coverage.
- Additional coverage can be amended every year to fit policyholders' life stage.



■ FY2005

- Premiums : 2.9 bil. JPY (growth +15.2%)
- Policies in force : 42,591 (growth +15.1%)
- Renewal rate : 96.7 % (growth +0.2point)

-Income before taxes is forecasted to exceed 1 bil. JPY in FY 2010

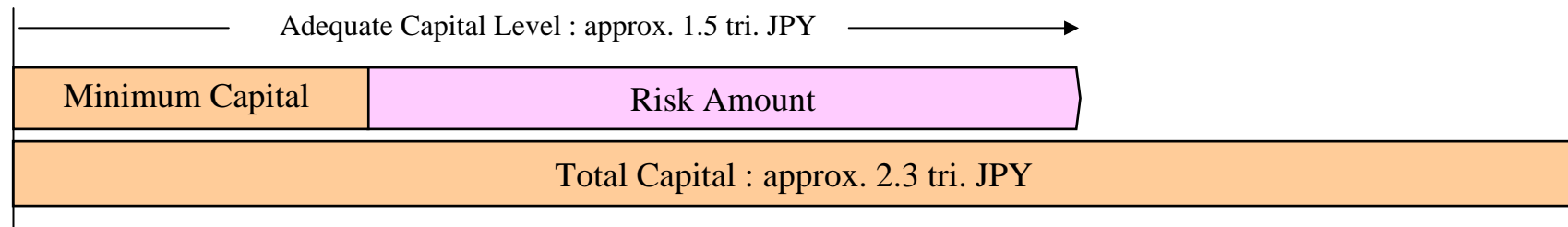
Sompo Japan DC Securities

■ End of FY2005

- Commercial type : ranked 2nd with market share 11.3%
- Personal type : ranked top with market share 27.2%

■ Developing approaches tailored by respective market, focusing on profitability and growth

BRICs	SJ China	<ul style="list-style-type: none"> • First Japanese non-life insurer to establish local subsidiary in Dalian in June 2005; Net income : 80 mil. JPY in FY2005 • Pursuit of alliances with the leading players ; Ping An Life, PICC, Sunshine P&C
	Yasuda Seguros S.A. (Brazil)	<ul style="list-style-type: none"> • Net income : 1.43 bil. JPY in FY2005 ; all-time high
	India	<ul style="list-style-type: none"> • Probing profitability and potential of the market with possibility of establishment of local subsidiary
	Russia	<ul style="list-style-type: none"> • Moscow Representative Office was opened in December 2005 • Tie-up with Ingosstrakh and Allianz Russia
Asia	SJ Asia	<ul style="list-style-type: none"> • Net income : 1.08 bil. JPY in FY2005 ; all-time high
Europe	SJ Europe	<ul style="list-style-type: none"> • Net income : 310 mil. JPY in FY2005 ; turned to black
U.S.	SJ America	<ul style="list-style-type: none"> • Net loss 240 mil. JPY in FY2005 ; expected to be black in FY2006



[Risk Amount] Underwriting Risk, Investment Risk, Operational risk
⇒ Quantified by Tail-VaR method with 99% reliance interval

[Minimum Capital] Required capital to maintain Solvency Margin Ratio of 200%
even after occurrence of losses equal to total risk amount

[Total Capital] Total present value of existing policies' future cash flow, shareholders' equity after
necessary adjustments, quasi-capital reserves and unrealized gains on real estate

- Approximately 800 billion JPY surplus, stemming primarily from increased unrealized gains on securities. Since this is not realized surplus, Sompo Japan is not presently considering share buyback.
- Sompo Japan will seek a steady increase in the actual amounts of dividends. Dividend on Equity (DOE) will be used as an indicator with the long-term target 2%.
- Surplus earmarked for capital allocation to risk-taking toward higher investment return and expansion of profit in existing and new business.

<Reference>

FY2006 Forecast



FY2006 Forecast (ex. special factors)

	FY2005 Results	FY2006 Forecasts
Net Premiums Written	1,264.1 bil JPY (growth: +1.7%)	1,297.0 bil. JPY (growth: +2.6%)
Combined Ratio	92.3%	92.7%
Loss Ratio (Incl. Loss Adjustments)	59.4%	59.2%
Expense Ratio	32.9%	33.5%
Underwriting Profit	19.9 bil. JPY	40.0 bil. JPY
Investment Profit	81.6 bil. JPY	59.2 bil. JPY
Ordinary Profit	114.2 bil. JPY	101.0 bil. JPY
Net Income	67.8 bil. JPY	62.0 bil. JPY

FY2006 Forecast by Business Line (ex. special factors)

37

(Unit: billions of yen)

	FY2005 Results		FY2006 Forecasts	
<u>Net premiums written</u>	Amount	Growth	Amount	Growth
Fire and allied	152.0	1.1%	155.6	2.3%
Marine	28.3	12.5%	29.1	2.6%
Personal accident	127.6	5.7%	139.9	9.6%
Voluntary automobile	674.0	0.7%	684.8	1.6%
CALI	133.2	(2.5%)	131.8	(1.1%)
Others	148.6	5.2%	155.8	4.8%
Total	1,264.1	1.7%	1,297.0	2.6%
<u>Net claims paid</u>	Amount	L/R	Amount	L/R
Fire and allied	74.0	50.5%	71.4	47.7%
Marine	12.4	47.5%	13.6	50.9%
Personal accident	48.0	41.3%	50.0	38.7%
Voluntary automobile	393.7	63.6%	402.0	63.9%
CALI	74.2	66.4%	70.2	65.2%
Others	84.7	61.3%	94.8	65.0%
Total	687.1	59.4%	702.0	59.2%

Note) L/R = (Net claims paid + Loss adjustment) / Net premiums written

-Payment of loss for natural disasters expected to be 23.0 bil. JPY, including 18.0 bil. JPY for Fire, 4.0 bil. JPY for Auto

FY2006 Forecast : Principal Subsidiaries

38

(Unit : bil. JPY)

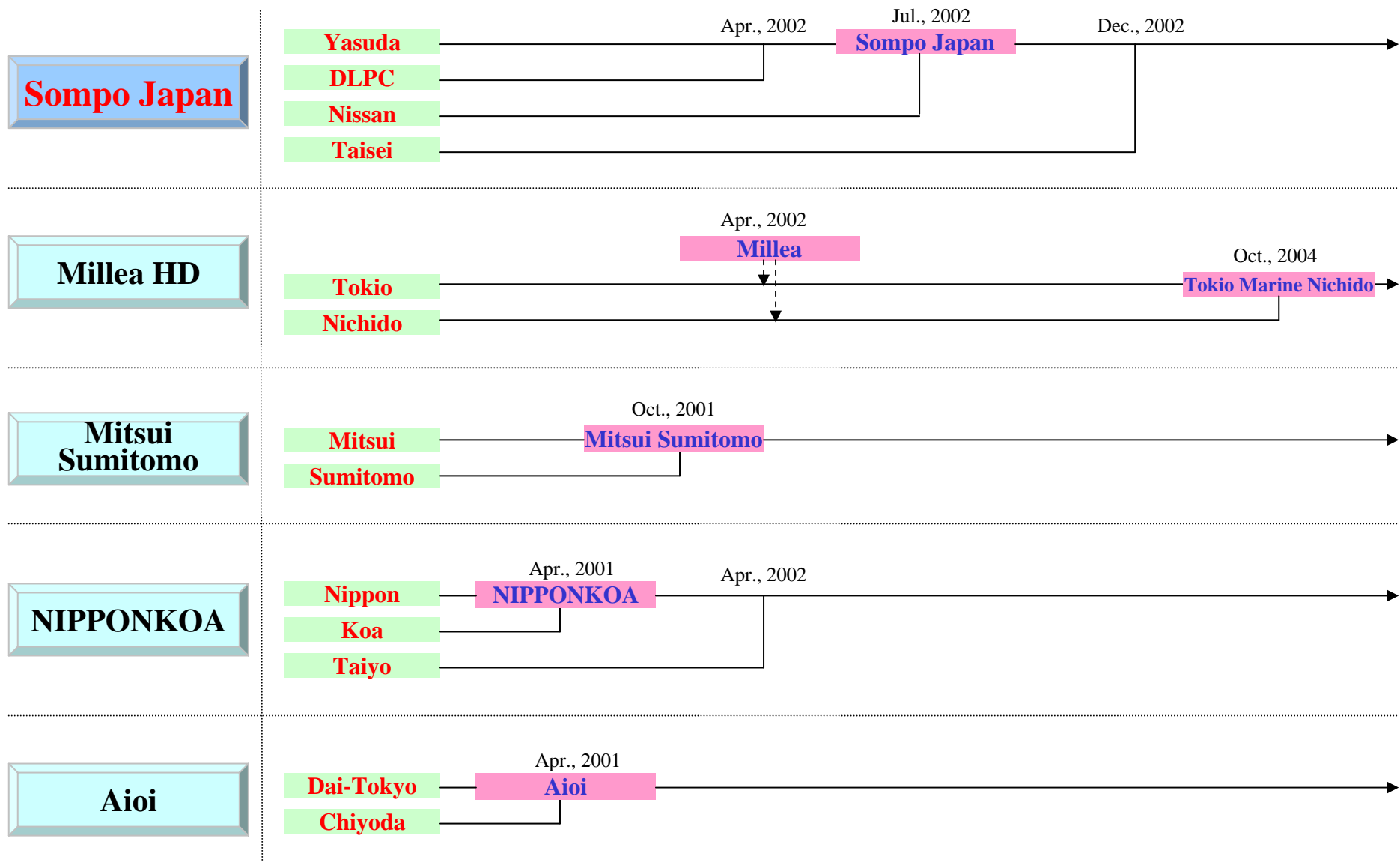
		Ordinary Profit	Net Income after Consolidation Adjustment
Overseas Business	Yasuda Seguros S.A. (Brazil)	1.6	1.2
	Sompo Japan Asia	0.6	0.5
	Sompo Japan Europe	0.7	0.5
	Sompo Japan America	0.5	0.5
New Business	Sompo Japan DIY Life	0.0	0.0
	Sompo Japan DC Securities	(0.8)	(0.8)
	Sompo Japan Himawari Life	9.5	3.1
Subsidiaries Total		12.5	5.4

Appendix



Apr. 1996	New Insurance Business Law enforced
Oct. 1996	Mutual entry of life and P&C insurance companies by their subsidiaries
Nov. 1996	Japanese Financial System Reform Plan (Japanese “Big Bang”) put forward
Dec. 1996	The Japan-US Insurance Talks concluded
Sep. 1997	Approval of risk-segmented automobile insurance
Jul. 1998	P&C Insurance Rating Organization System reformed
Dec. 1998	Mutual entry of financial companies by their subsidiaries / holding companies (partially)
Jan. 2001	Subsidiaries of life and P&C insurance companies allowed to sell third sector insurance products
Apr. 2001	Insurance sales by banks partially permitted
Jul. 2001	Mutual entry of life and P&C insurance companies into third sector in their own right

Consolidation in Japanese P&C Industry



Consolidated Balance Sheet

(Millions of yen)

Item	Books closed		End of previous consolidated fiscal period (at March 31, 2005)		End of this consolidated fiscal period (at March 31, 2006)		Increase (decrease)
			Amount	% of total	Amount	% of total	
Assets:							
Cash and deposits			221,284	3.77	241,823	3.57	20,538
Call loans			4,000	0.07	55,000	0.81	51,000
Receivables under resale agreements			4,999	0.09	19,998	0.30	14,999
Monetary receivables bought			11,957	0.20	18,005	0.27	6,047
Money in trust			27,237	0.46	33,278	0.49	6,041
Securities			4,464,644	76.00	5,262,320	77.67	797,675
Loans			471,245	8.02	458,164	6.76	(13,080)
Property and equipment			239,695	4.08	230,409	3.40	(9,286)
Other assets			422,228	7.19	442,174	6.53	19,946
Deferred tax assets			1,313	0.02	5,832	0.09	4,519
Consolidation goodwill			30,585	0.52	28,713	0.42	(1,872)
Allowance for possible loan losses			(24,183)	(0.41)	(20,903)	(0.31)	3,280
Allowance for possible losses on investment securities			(149)	(0.00)	(4)	(0.00)	145
Total assets			5,874,858	100.00	6,774,812	100.00	899,953
Liabilities:							
Underwriting reserves:			4,620,254	78.64	4,798,495	70.83	178,240
Reserve for outstanding losses and claims			644,501		695,167		50,666
Liability reserves			3,975,753		4,103,327		127,574
Other liabilities			224,971	3.83	232,963	3.44	7,992
Accrued severance benefits			84,931	1.45	91,089	1.34	6,157
Reserve for bonus payments			12,557	0.21	12,650	0.19	92
Price fluctuation reserve			17,582	0.30	24,057	0.36	6,474
Deferred tax liabilities			11,870	0.20	253,503	3.74	241,633
Total liabilities			4,972,168	84.63	5,412,760	79.90	440,592
Minority interests			396	0.01	469	0.01	73
Shareholders' equity:							
Common stock			70,000	1.19	70,000	1.03	-
Additional paid-in capital			24,229	0.41	24,229	0.36	-
Retained earnings			254,744	4.34	313,357	4.63	58,613
After-tax unrealized gains on securities available for sale			563,708	9.60	959,485	14.16	395,777
Foreign currency conversion adjustments			(7,666)	(0.13)	(2,633)	(0.04)	5,033
Treasury stock			(2,722)	(0.05)	(2,857)	(0.04)	(135)
Total shareholders' equity			902,294	15.36	1,361,582	20.10	459,288
Total liabilities, minority interests and shareholders' equity			5,874,858	100.00	6,774,812	100.00	899,953

Consolidated Statement of Income

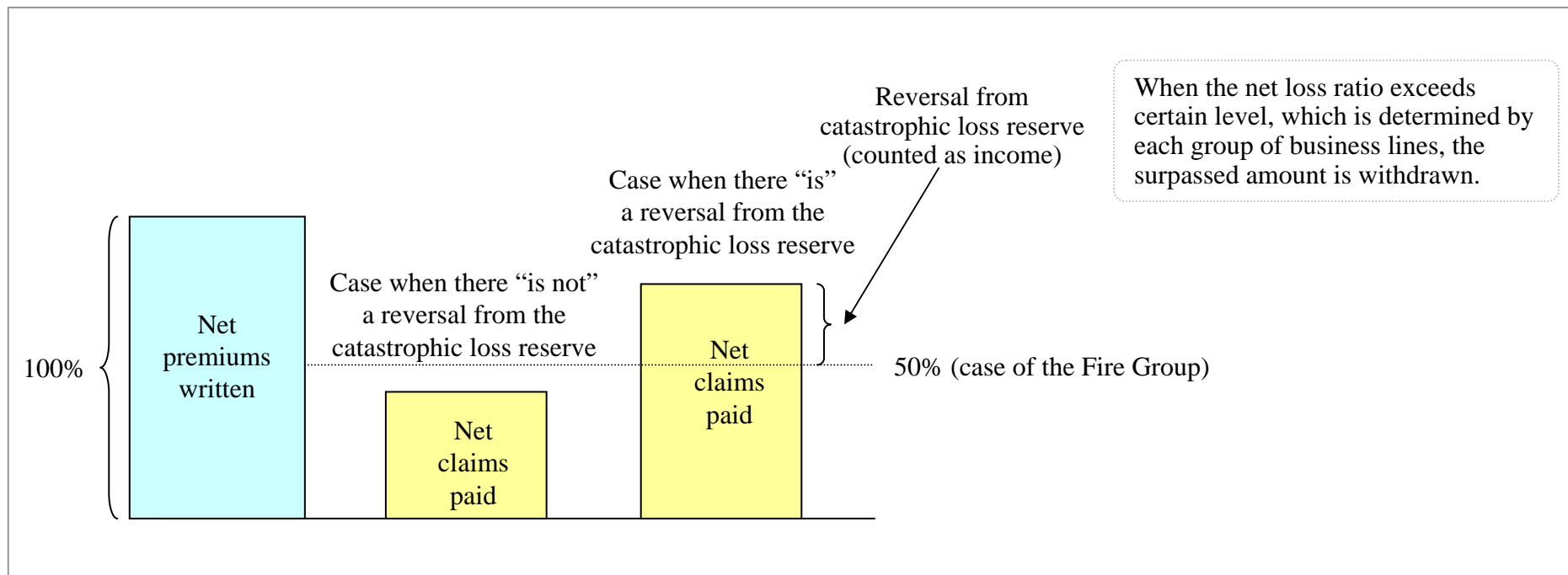
(Millions of yen)

Item	Term	Previous consolidated fiscal period (April 1, 2004 to March 31, 2005)		This consolidated fiscal period (April 1, 2005 to March 31, 2006)		Increase (decrease)
		Amount	% of total	Amount	% of total	
Ordinary income:		1,899,801	100.00	1,931,473	100.00	31,672
Underwriting income:		1,792,712	94.36	1,802,073	93.30	9,361
Net premiums written		1,376,232		1,394,783		
Deposits of premiums by policyholders		192,801		157,477		
Interest and dividend income on deposits of premiums, etc.		46,294		45,685		
Life insurance premiums written		174,625		196,508		
Other underwriting income		2,757		7,619		
Investment income:		93,837	4.94	116,518	6.03	22,681
Interest and dividend income		94,511		110,321		
Investment gains on money held in trust		1,701		2,808		
Realized gain on sales of securities		994		41,511		
Gain on redemption of securities		334		313		
Investment gains on special account		543		2,340		
Other investment income		(46,294)		4,908		
Transfer of interest and dividend income on deposits of premiums, etc.		13,251	0.70	(45,685)	0.67	(370)
Other ordinary income:		-		12,881		
Investment gains on the equity method		13,251		302		
Other ordinary income		-		12,578		
Ordinary expenses:		1,830,556	96.36	1,816,600	94.05	(13,956)
Underwriting expenses:		1,553,618	81.78	1,559,857	80.76	6,239
Net loss paid		828,493		791,268		
Loss adjustment expenses		63,770		64,986		
Net commissions and brokerage fees		245,444		253,748		
Maturity refunds to policyholders		272,878		235,317		
Dividends to policyholders		61		44		
Life insurance claims paid		33,427		36,898		
Provision of reserve for outstanding losses and claims		50,183		46,827		
Provision of liability reserves		57,017		128,213		
Other underwriting expenses		2,341		2,551		
Investment expenses:		20,552	1.08	7,465	0.39	(13,087)
Loss on money in trust		258		-		
Investment loss on securities for trading purposes		83		74		
Realized loss on sales of securities		4,896		617		
Devaluation loss on securities		1,608		317		
Loss on redemption of securities		1,123		318		
Loss on derivative products		9,759		4,556		
Other investment expenses		2,822		1,580		
Operating, general and administrative expenses		254,975	13.42	246,465	12.76	(8,509)
Other ordinary expenses:		1,410	0.07	2,811	0.15	1,401
Interest paid		206		207		
Loss from bad debt		141		1,055		
Investment loss on the equity method		422		-		
Other ordinary expenses		639		1,548		
Ordinary profit		69,244	3.64	114,873	5.95	45,628
Special gain:		53,547	2.82	12,817	0.66	(40,730)
Gain on sale of property and equipment		37,344		1,319		
Other special gain		16,203		11,497		
Special loss:		31,830	1.68	10,094	0.52	(21,736)
Loss on sale of property and equipment		5,407		1,466		
Impairment losses		15,671		233		
Provision for price fluctuation reserve		6,289		6,474		
Loss on reduction of property and equipment		0		-		
Unrealized loss on property		2,260		108		
Other special loss		2,201		1,810		
Income before income taxes and minority interests		90,961	4.79	117,596	6.09	26,635
Income taxes (corporate income tax, inhabitant tax, etc.)		3,389	0.18	21,462	1.11	18,072
Deferred income taxes		35,768	1.88	28,691	1.49	(7,076)
Gain on minority interests		38	0.00	65	0.00	27
Net income		51,765	2.72	67,377	3.49	15,611

Note) Amounts less than the minimum unit are rounded down, whereas percentages are rounded to the nearest whole number.

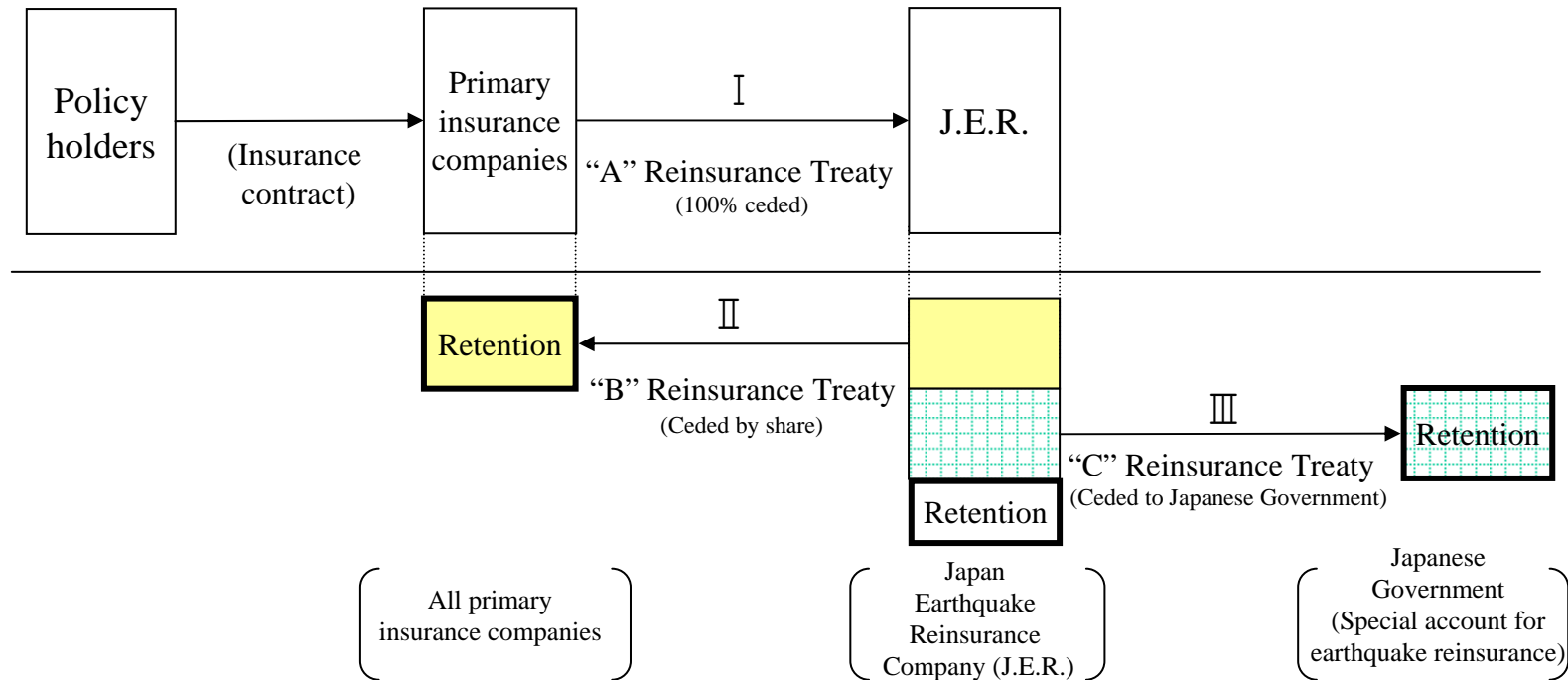
Catastrophic Loss Reserve

- Reserve to prepare for losses by typhoon or catastrophic disaster etc. in which Law of Large Numbers does not work.
- Certain portion of the premiums income is reserved as Liability.
- When the loss ratio (percentage of net claims paid to net premiums written) exceeds certain level, reversal from the reserve is counted as income.
- One of mechanism to level the profit (loss) and cover the solvency of insurance companies.

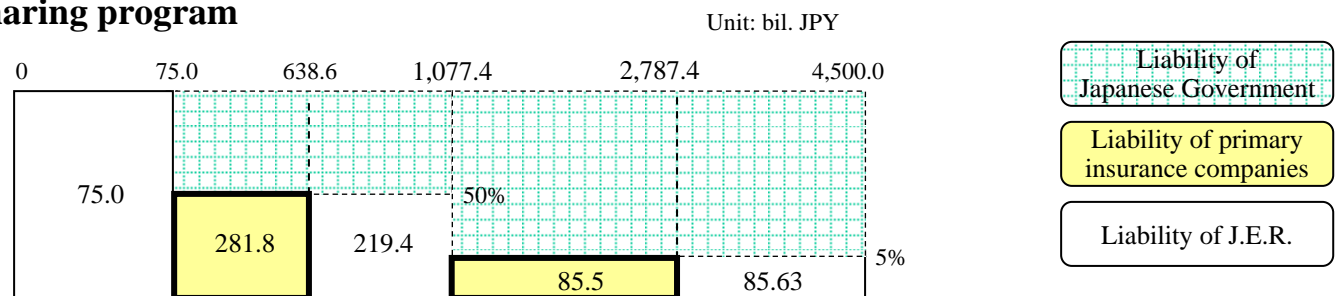


Reinsurance Program for Household Earthquake

1. Mechanism of the reinsurance program

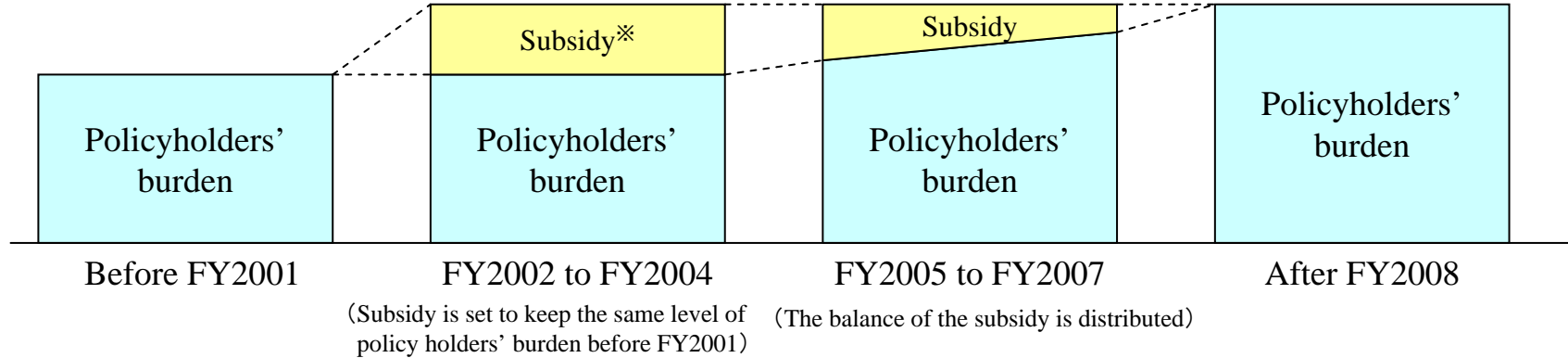


2. Liability sharing program



Overview of Revised CALI Program Effective April 1, 2005

1. Trend of policyholders' burden

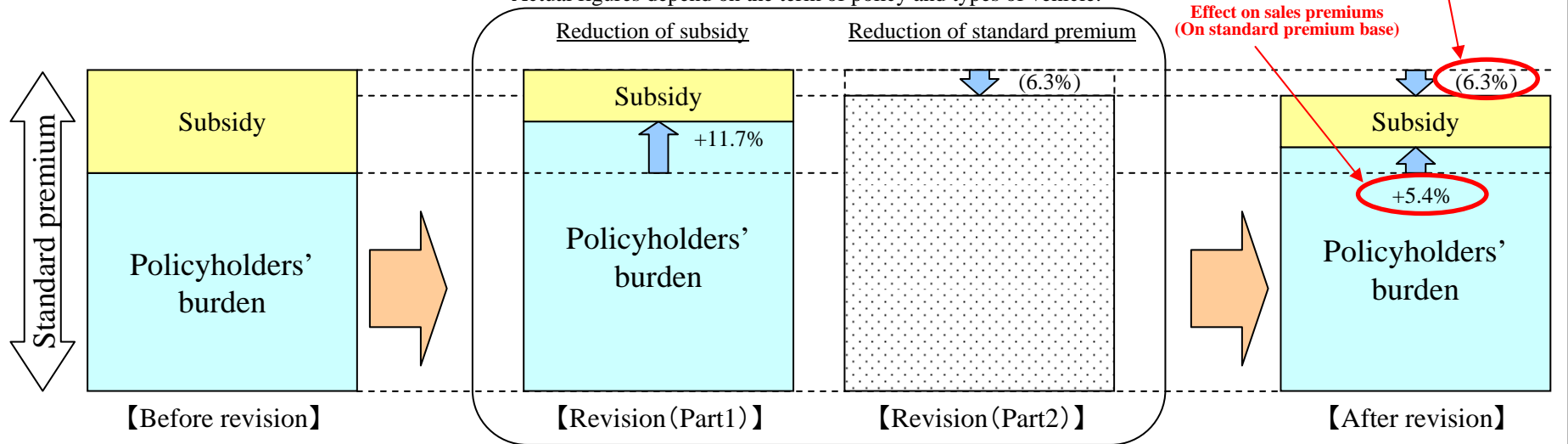


※Subsidy applied to premium etc.:

It was decided in FY2002 that the accumulated investment gains would be returned to policyholders over six years (FY2002 to FY2007).

2. Revision effective April 1, 2005

※The ratios below are based on the average of annual policy for all types of vehicles. Actual figures depend on the term of policy and types of vehicle.



Statistical IBNR (Incurred But Not Reported) reserve rules

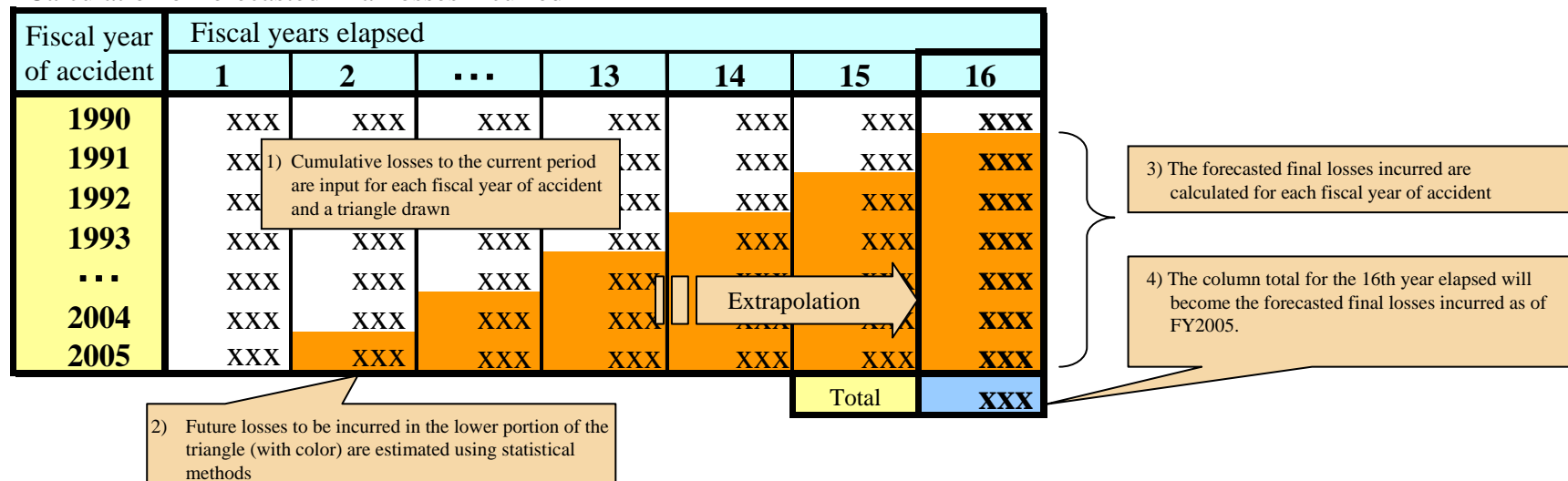
More precise reserve rules will be introduced in FY2006, because current calculation methods based on the reserve shortfalls in the past three years and the rate of increase in incurred losses have occasionally generated insufficiency in IBNR reserves for long-tail liability reserves.


Sompo Japan's approach

Anticipatorily introducing new-methods for IBNR reserves calculation in FY 2005 and additionally booking shortfalls

[Insurance Products to be adopted]
 Automobile (liability for personal injury), Liability, and Workers Compensation
 (approach already introduced as of FY2004 for certain special liability policies)

Calculation of forecasted final losses incurred





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