

# SOMPO JAPAN

2008

ANNUAL REPORT



**SOMPO JAPAN INSURANCE INC.** (Sompo Japan) was founded on July 1, 2002, with the merger of The Yasuda Fire and Marine Insurance Company, Limited and The Nissan Fire and Marine Insurance Company, Limited.

Sompo Japan immediately set to work realizing its vision of becoming “a new business presence suited to a new age” and establishing a new corporate image as a comprehensive service provider group for risk and asset management.

Continuing liberalization and deregulation as well as harsh economic conditions present the insurance and financial industries with an increasingly challenging business environment.

## CONTENTS

Financial Highlights .....	1
Message from the President .....	2
Sompo Japan Business Strategy .....	4
Compliance .....	8
Risk Management System and Reinsurance .....	10
Strengthening Customer Loyalty and Satisfaction .....	12
Corporate Governance .....	13
Sompo Japan at a Glance .....	14
Operating Review .....	15
Financial Review .....	25
Consolidated Financial Statements .....	29
Non-Consolidated Financial Statements .....	53
Selected Financial Statements (Non-Audited) .....	68
Overseas Network .....	72
Board of Directors, Officers and Auditors .....	76
Corporate Data .....	77

### Forward-Looking Statements:

This annual report contains certain forward-looking statements relating to future plans and targets, and related operating investments. We caution that there can be no assurance that such targets and plans can or will actually be achieved.

## Management Philosophy of Sompo Japan Insurance Inc.

Sompo Japan will offer excellent risk solutions to individuals and corporations. With services that always exceed customer expectations, Sompo Japan will create shareholder value and grow together with our employees. Sompo Japan will be a high-profile Japanese corporation, with progressive strategy and dynamic business activity.

## Policy of Sompo Japan Insurance Inc.: The 5 “S”s

### Service, not sales

We will supply the best coverage for the client’s particular situation and the finest service in the event of need

### Shareholder value

We will identify specific measures to increase shareholder value and put them into practice

### Set and stick to high targets

We will take bold action to keep ahead, refusing to be deterred by any obstacle, to meet the high targets we set ourselves

### Stimulating work environment

We will create a workplace that is open and filled with stimulation, inspiring each other to improve

### Spirit of fairness

We will act with a spirit of fairness and integrity based on high ethical standards and rational judgement



# FINANCIAL HIGHLIGHTS

## Consolidated Financial Highlights in FY2007

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Net premiums written	¥1,368,740	¥1,386,663	¥1,394,784	\$13,660,080
Total interest and dividend income	157,103	132,127	110,321	1,567,894
Net income	59,637	61,944	67,377	595,180
Total assets	6,450,734	7,002,180	6,774,813	64,378,583

Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥100.20=U.S.\$1.00, the approximate rate prevailing at March 31, 2008.  
2. Total interest and dividend income comprises "Interest and dividend income on deposits of premiums, etc." and net "Interest and dividend income."

## Non-Consolidated Financial Highlights in FY2007

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Net premiums written	¥1,345,025	¥1,362,785	¥1,370,920	\$13,423,403
Total interest and dividend income	135,606	113,625	95,040	1,353,354
Net income	44,667	48,159	67,858	445,778
Total assets	5,388,568	6,029,789	5,934,761	53,778,124

	Percent		
Loss ratio	65.1	64.3	61.3
Expense ratio	32.9	30.9	30.3

Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥100.20=U.S.\$1.00, the approximate rate prevailing at March 31, 2008.  
2. Total interest and dividend income comprises "Interest and dividend income on deposits of premiums, etc." and net "Interest and dividend income."

Net Premiums Written  
(¥ billion)

Total Interest and Dividend Income  
(¥ billion)

Net Income  
(¥ billion)

Total Assets  
(¥ billion)



# Toward a new era of growth for the Sompo Japan Group

Thank you all for your generous patronage of our company.

In FY2008 Sompo Japan celebrates its 120th year in business. It is entirely thanks to the support that we have received from our customers and business partners that we have been able to reach this latest milestone in our long history, and I would like again here to express my gratitude.

One feature of our business that has not changed over the past 120 years is the customer-first principle. With each and every employee firmly adhering to this customer-first principle while improving the quality of our service, we intend to achieve sustained growth and to marshal the full capabilities of Sompo Japan in creating a new era.

We highly appreciate your continued support and assistance.

### Achieving Sustained Growth

FY2008 marks the final fiscal year of the Three-Year Medium-Term Business Plan begun in FY2006.

During the first two years of the Plan, we endeavored to implement our customer-first principle by improving operational quality in claims handling, in the operations of our agencies serving as our customer liaisons, and in internal operational processes pertaining to the products and services we provide to customers.

We will step up our quality improvement efforts, actively expand our business primarily in domestic non-life insurance but also in the areas of life insurance, defined contribution pension plan, asset management, health care, and overseas business, and enthusiastically accept the challenge of becoming the Group that enjoys sustained growth while implementing customer-first principle.

In the domestic non-life insurance business, our New Retail Market Business Model Reform Project "PT-R" making the maximal use of IT is now underway. By developing easy-to-understand products and realizing greater operational efficiency in course of insurance service from sales to payment, we will work to improve profitability and expand our premium income. Our new automobile insurance "ONE-Step" was launched in February 2008 as the first product developed under "PT-R." We have simplified the terms and conditions applicable to compensation, produced an All-in-One Insurance Policy Handbook ("Insurance Handbook") in booklet form, and introduced other measures to ensure that customers comprehend the scope of coverage. We are committed to developing even more user-friendly products from a viewpoint of customers.

As for investment, we will shift from a focus on developed countries toward investments in shares with high growth potential in emerging countries in Asia and elsewhere, targeting greater profitability and investment efficiency, in adapting our investments to changes in the economic and market environments.

The life insurance business has seen the most notable growth of all our Group businesses, and it has proven a major contributor to profits. We will reinforce Sompo Japan Himawari Life's business model as a subsidiary of non-life insurer by consolidating the sales support organizations of Sompo Japan and Himawari Life and developing a more specialized and efficient agency support system. We will reinforce our comprehensive business alliance with Dai-ichi Life Insurance Mutual Company and mutually invest in each life insurance subsidiary.

The defined contribution pension plan and asset management businesses are core businesses that provide our customers with wealth building services. Both continue to establish themselves firmly in their respective markets, and we will augment their operations so that the

full capabilities of the Sompo Group can be utilized.

In the health care business, we will further pursue efforts that take advantage of our company's strengths in this fee-based business in order to address key contemporary changes, namely the progressive aging of our society and the increasing importance of mental health measures.

We will allocate management resources to our overseas business on a priority basis as a core sector for the Group. We will effectively apply the know-how cultivated in our domestic non-life insurance business in pursuing aggressive expansion into markets expected to see future growth, among these being the ASEAN countries of Southeast Asia and the BRIC countries (Brazil, Russia, India, and China), and in aiming to expand Group profits.

FY2008 marks the 120th anniversary of the founding of Tokyo Fire Insurance Company, the oldest company in our Group's long line of consolidation. Anecdote has it that Tokyo Fire fire brigades, private fire brigades of 30 firefighters each, would rush to customers' locations to fight fires at risk of life and limb, earning them great repute among customers as "insurance company firefighters." In keeping with its founding customer-first principle, Sompo Japan Group pledges to take maximum advantage of the synergistic effects of its diversified businesses to achieve sustained growth as a Group.



A handwritten signature in black ink that reads "M. Sato". The signature is fluid and cursive, with a long horizontal stroke at the end.

Masatoshi Sato  
President and Chief Executive Officer

Sompo Japan aims to strengthen its presence by accepting new challenges and freely exploring new ideas beyond the traditional scope of the non-life insurance business. Our goal is to achieve new growth and success as a comprehensive service provider group for risk and asset management.

## Basic Management Policy

Sompo Japan aims to live up to its corporate image as a comprehensive service provider group for risk and asset management by dynamically developing its business according to the following management philosophy:

- Sompo Japan will offer excellent risk “solutions” to individual and corporate customers.
- By providing services that always exceed customers’ expectations, Sompo Japan aims to create greater shareholder value and grow together with our employees.
- Sompo Japan aims to be a high-profile Japanese corporation with a progressive strategy and dynamic business activity.

## Medium-Term Business Strategy

FY2008 is the final year of Sompo Japan’s three-year medium-term management plan. In order to continue to be the non-life insurance company preferred by customers, we will focus on improving the service quality of our customer contact points, including the insurance claim payment division and our agencies.

Sompo Japan will also improve the quality of its in-house business operation processes related to products and services. We set up a Renovation Planning Department in August 2007 and have been carrying out various schemes, such as the New Retail Market Business Model Reform Project, to realize paperless business procedures and develop easy-to-understand products and insurance policies. As the first step in this project, we began to sell ONE-Step, a new automobile insurance product, in February 2008.

To diversify revenues, we are expanding our operations in life insurance, defined contribution pensions, asset management and

overseas operations, all of which we regard as business fields that follow the current domestic non-life insurance business.

Sompo Japan has also entered into the healthcare business, with a particular focus on the prevention of lifestyle-related diseases, which are expected to increase as Japan’s elderly population expands.

We believe that, over the medium term, these businesses will greatly contribute to our revenues and help to build business portfolios that are unaffected by any external environment, thereby increasing the shareholder value of the Sompo Japan Group.

## Management Targets

Under the medium-term management plan launched in FY2006, Sompo Japan adopted management targets based on indicators of scale and profitability. We will do our utmost to achieve these targets in order to increase its shareholder value.

### Management Targets (Amended on November 20, 2007)

#### 1. Scale

Net premiums written (non-consolidated)

➡ FY2008

¥1,139 billion

(Average annual growth of 2.0%, excluding the premium of the compulsory automobile liability insurance. See Note 1.)

(Note 1) The premium of the compulsory automobile liability insurance was revised in April of FY2008. However, because the difference in the premium before and after the revision is wide and the ratio of this insurance premium to the premiums of all the other types of insurance is high, the continuity of scale is difficult to maintain. In addition, because the compulsory automobile liability insurance is based on the principle of no loss and no profit, and the insurance is neutral where underwriting profit on insurance policies is concerned, the premium of the compulsory automobile liability insurance is excluded from the net premiums written. According to the earnings forecast in FY2008, the net premiums written including the premium of the compulsory automobile liability insurance is expected to be ¥1,319 billion.

#### 2. Profitability

Adjusted consolidated ROE\*

➡ FY2010

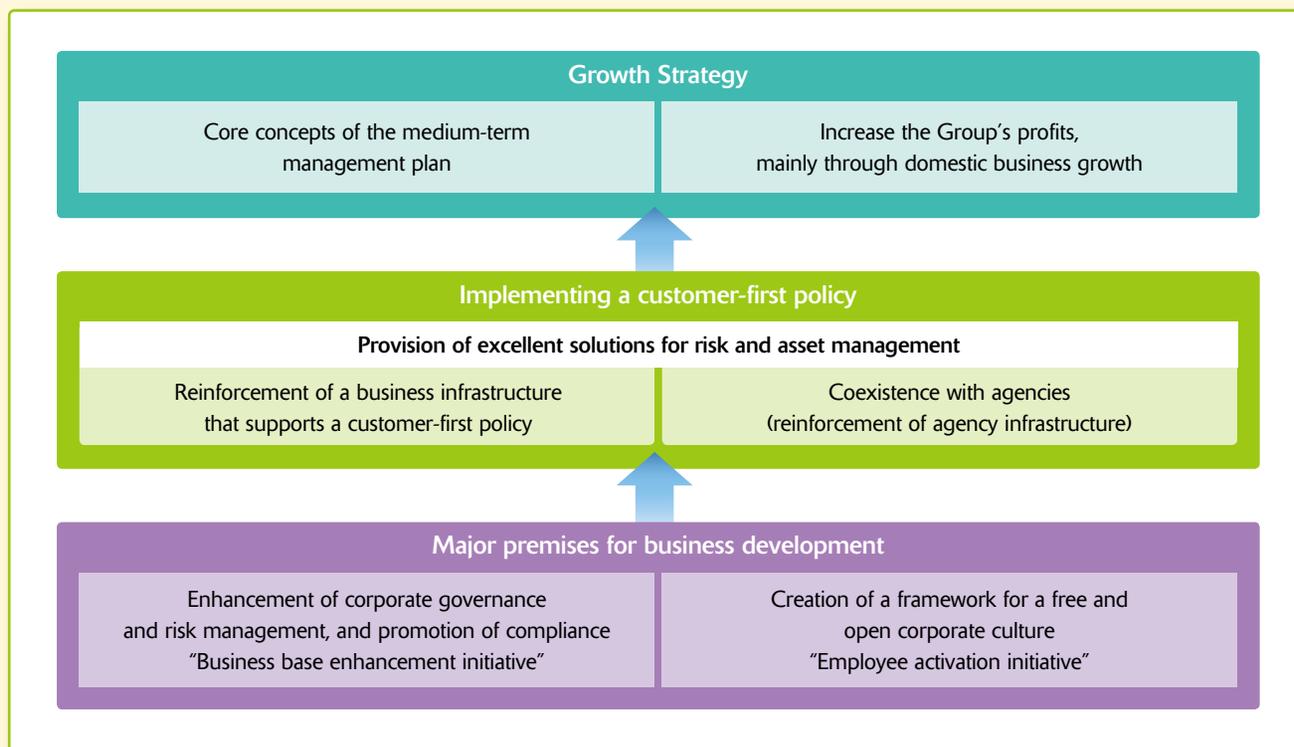
13%

(Note 2)

Adjusted consolidated ROE =

$$\frac{\text{Consolidated net income} - \text{Consolidated gains on sales and unrealized losses on shares and real estate (after taxes)}}{\text{Average balance of (consolidated net assets} - \text{unrealized gains on shares (after taxes))}}$$

## Overview of Sampo Japan's Medium-term Management Plan (FY2006 to FY2008)



## Core Concepts of the Medium-Term Management Plan

1. Reforming the retailing business model for non-life insurance business
2. Focusing on the life insurance business, defined contribution (DC) pension business, and the asset management business, and starting healthcare business
3. Contributing to profits through overseas business

## Shareholder Returns

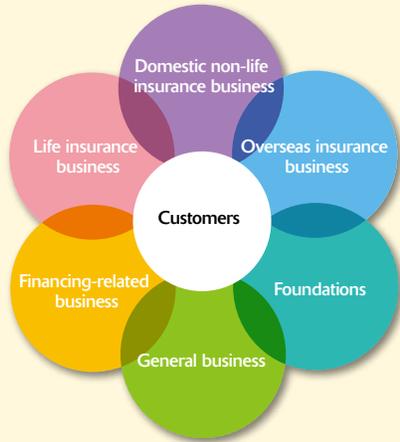
Sampo Japan's policy on shareholder returns is to maintain steady growth in actual dividend payments. Its medium- to long-term target for the dividend on equity (DOE) (Note) is 2%.

In line with this policy, the dividend per share for FY2008 was increased by ¥4 over the previous year's level to ¥20. Sampo Japan will continue its efforts to maximize shareholder value and raise shareholder returns.

DOE → The medium- to long-term target is 2%.

$$\text{(Note) DOE} = \frac{\text{Total dividend}}{\text{Consolidated net assets (average balance)}}$$

**Sompo Japan Group**



**Non-Life Insurance Business**

Yasuda Fire & Marine Insurance Company was established in 1888 as Japan’s first fire insurance company. Nissan Fire & Marine Insurance Company, Japan’s first personal accident insurance company, was founded in 1911. Taisei Fire & Marine Insurance Company was established in Taiwan in 1920. With the subsequent growth of motor vehicle use in Japan, automobile insurance became the main source of expansion for these three companies.

These three companies, together with Dai-ichi Property & Casualty Insurance Co., Ltd., a wholly owned subsidiary of Dai-ichi Mutual Life Insurance Company founded in 1996, merged to form Sompo Japan in 2002. Ranked second in Japan in terms of net premiums written, Sompo Japan has emerged from a prolonged period of industry restructuring as a major presence in the Japanese insurance market.

The merger brought synergy benefits based on decades of knowledge and expe-

rience in product development, services and marketing. The resulting capabilities in these areas are reflected in our strong customer support.

**New Retail Market Business Model Reform Project**

For Sompo Japan to achieve sustainable growth, we must work together with our insurance agencies to ensure that we and our agencies continue to be the customers’ preferred choice. For this reason, Sompo Japan has launched the New Retail Market Business Model Reform Project.

Under this project, we will review all of the Company’s service processes, from the conclusion of an insurance contract through to payment of insurance claims, from the customers’ perspective. The aim is to deliver high-quality services that bring customers peace of mind and satisfaction, principally because they are convenient and easy to understand.

We will build mechanisms to prevent administrative errors by ensuring that contractual procedures follow the navigational structure of the computer system used by insurance agencies, and help customers fully understand products and contractual procedures by developing easy-to-follow audio and video explanations, as well as a handbook with contract guidelines that will be handed over to customers at the time of contracting. We will also work to further improve the functions of the insurance agency system, and support the daily operations of the insurance agencies and customer service.

To accommodate the increasingly diverse lifestyles of our customers, we will enhance the functions of the Customer Center and My Page (which lets customers carry out a variety of procedures, such as changing contract details, over the Internet). In addition,

we will increase convenience by enabling customers to use mobile phones and other means to carry out procedures at their preferred time and with their preferred method.

Regarding the handling of incidents, we will prioritize customers’ peace of mind at all times. Through measures that include asking customers how they would like to be contacted and when they would like to receive interim progress reports, we can provide optimal handling of incidents to each and every one of our customers.

Furthermore, by thoroughly reviewing current operational processes and simplifying administrative procedures, including carrying out system revisions, we will build systems that enable fast payment of insurance claims.

**Life Insurance Business**

Sompo Japan Himawari Life Insurance Co., Ltd. was established in 1981 as a Japanese subsidiary of CIGNA Corporation, which is headquartered in Philadelphia, U.S.A. In 1983, it formed a business alliance with Yasuda Fire & Marine Insurance Company (now Sompo Japan), and, in December 2001, it became a wholly owned subsidiary of that company. With a long record of achievement as a foreign-owned life insurance company, Sompo Japan Himawari Life led the Japanese life and non-life insurance industry in the introduction of third-sector insurance products, such as medical insurance, and remains a leading provider of these products. Its extensive product range also includes a variety of death cover products, such as income guarantee insurance with no surrender value.

Sompo Japan DIY Life Insurance Co., Ltd. markets life insurance products using non-face-to-face methods, such as mail order, telephone sales and Internet sales.

In November 2007, the company increased its capital to ¥3.5 billion, and, in FY2007, it posted a surplus for two consecutive years.

Our goal is to build Japan's strongest and best-integrated life and non-life insurance group. We are working toward this goal in partnership with Dai-ichi Mutual Life Insurance Company, which has further strengthened our extensive product range with its own unique service systems and product concepts, which have all been carefully designed to meet customer needs.

### **Defined Contribution (DC) Pension Business**

Established in May 1999 as Yasuda Kasai CIGNA Securities Co., Ltd., Sompo Japan DC Securities Co., Ltd. specializes in defined contribution pension products. It began to offer products and services in November 2001.

Sompo Japan DC Securities offers business proprietors and pension scheme members convenient solutions in the form of bundled services that encompass all aspects of DC scheme management, including scheme design, investment education, member account management and record management. In addition to the timely, efficient establishment of schemes, it also maintains the quality and consistency of member services after their establishment.

With its highly effective scheme design consultation services, full-range bilingual services and more, Sompo Japan DC Securities has gained top ratings in customer satisfaction surveys conducted by non-profit organizations. Its security systems are also extremely effective. In March 2006, it achieved certification under the ISMS standard, and in September 2006 it was authorized to use the Privacy Mark.

### **Mutual Fund and Investment Advisory Business**

Sompo Japan Asset Management Co., Ltd. was established in 1986 to conduct investment advisory business. In March 1998, the company became the first Japanese non-life insurance-related asset management company to enter into the mutual fund business, a move based on expertise acquired through its pension asset management in the investment advisory business.

In February 1999, it formed a capital alliance with TCW Group Inc., a leading U.S. asset management company, in order to strengthen its ability to manage assets globally and develop products.

Sompo Japan Asset Management offers a variety of investment products, developed using the expertise that the Sompo Japan Group has accumulated through its involvement in environmental issues and corporate social responsibility (CSR) issues. These products include an eco-fund, the Sompo Japan Green Open, which was established in September 1999 and invests in companies that are actively dealing with environmental issues.

Another product is an SRI fund called Sompo Japan SRI Open, which was established in March 2005 and invests in companies that are actively involved in CSR issues. As of the end of March 2008, more than 100 distribution channels have handled the Sompo Japan Green Open and the fund has been added to product portfolios in the increasingly large number of corporate defined contribution pension systems.

### **Healthcare Business**

To provide services for preventing lifestyle-related diseases, Sompo Japan established Healthcare Frontier Japan Inc. (HFJ) in 2005 through a joint venture with Omron Healthcare Co., Ltd. and NTT Data Corporation. As our first strategic subsidiary in the healthcare field, HFJ proposes and offers new services designed to help customers improve their lifestyles.

Due to the recent revision of the healthcare system, public medical care insurers, such as health insurance associations, have since April 2008 been required by law to conduct medical examinations focused on "metabolic syndrome," as well as follow-up observations that include health guidance, for instance on lifestyle improvement. Therefore, the outsourcing needs of public medical care insurers are increasing.

In April 2007, Sompo Japan also established Sompo Japan Healthcare Services Inc. (SJHS) to provide comprehensive support to employers in the area of employee mental health. SJHS offers not only Employee Assistance Programs (EAPs) to employees, but also comprehensive solutions to issues faced by top management, human resource divisions and/or industrial safety and health staff, including industrial physicians. Within a year of its establishment, SJHS had offered services to more than 50 corporate customers and built a network of about 100 psychiatrists throughout the country. The company is now working towards full-scale expansion of the healthcare business to reach companies nationwide in FY2008.

## Compliance

As a corporation and member of society, Sompo Japan has a special responsibility to contribute to the good of the public. Above all, as an insurance company, we play a very public role and must earn the trust of society by meeting its expectations through dealings that are transparent, fair and appropriate. Sompo Japan continuously works to strengthen the confidence given to it by customers, the local community and all of its shareholders, by implementing various initiatives, conducting itself according to the norms of society and tirelessly promoting compliance.

## Strengthening Compliance

Sompo Japan regards compliance as a fundamental prerequisite for all of its business development.

To guarantee fairness, appropriateness and greater transparency in our business operations, we have placed our internal control system under review by a “second pair of eyes” through the establishment of the Business Audit and Compliance Committee in September 2006 (within the Business Audit Department), and by appointing its chairman and a majority of its members from outside the Company. The committee receives progress reports on compliance measures being implemented and gives advice and recommendations to an advisory panel of the Board of Directors (the Compliance Implementation Department in the Compliance Department) and to all company divisions.

The Compliance Implementation Department consists of corporate direc-

tors and executive officers, and is responsible for proposing, planning and implementing company-wide compliance promotion activities.

Also, Regional Compliance Committees were set up in all regional headquarters in March 2006 and placed under the Compliance Implementation Department in September 2006. This enables the Company to remain fully updated on the state of business operations at local offices while, under direction from the Compliance Implementation Department, making company-wide compliance improvements.

In addition, to promptly discover and resolve compliance-related problems, the Company uses information from such sources as the Business Audit Department, the Compliance Officers in each region, and the network of Compliance Implementation Officers, who have been appointed to all local departments as well as the headquarters.

## Compliance Promotion

Sompo Japan is actively working to raise its employees’ awareness of compliance issues. To this end, the Company has established Compliance Regulations, which stipulate the basic compliance framework and include methods of compliance promotion and of responding to incidents, and the Code of Conduct, which all employees must follow. There is also a Compliance Manual, which explains the Compliance Regulations as well as other laws and regulations relevant to the Company’s operations, and a pocket-sized Compliance Handbook, which employees can carry with them. The Compliance Handbooks have been distributed to all employees.

Annual compliance is driven by the basic

policy of the promotion plan set by the Board of Directors at the beginning of the fiscal year. Upon receiving the basic policy, each department draws up and carries out its own action plan. The status of the company-wide compliance promotion plan and the departmental action plans are deliberated by the Compliance Implementation Department, which reports to the Board of Directors. In this way, Sompo Japan can maintain a better overview of compliance promotion initiatives across the Company.

## Compliance Initiatives Policy

Sompo Japan is striving to strengthen compliance further throughout the entire Sompo Japan Group by focusing on the following initiatives:

### Fiscal 2008 Basic Compliance Promotion Policy

#### Continuous assertion and demonstration of management’s commitment to compliance

Executives and management shall always make compliance a top priority in the execution of business, and unflinchingly adhere to Sompo Japan’s commitment to deal with others in good faith. Furthermore, they shall share this stance on compliance with employees and insurance agencies, and lead by example through specific actions.

#### Acting in accordance with laws, regulations and high ethical standards

All employees and agencies shall think and act in accordance with laws and regulations and based on high moral values.

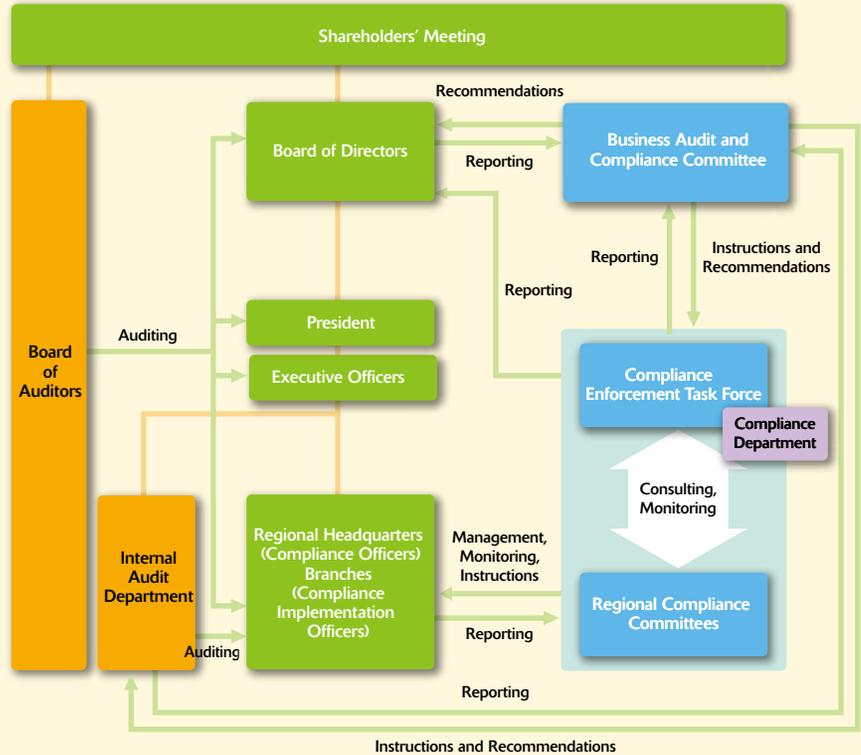
**Ensuring proper insurance sales solicitation and insurance payments**

The Company shall at all times ensure proper insurance sales solicitation and insurance payments, and in addition, continuously strengthen its business foundation premised on compliance.

**Implementing organization-wide initiatives for prompt understanding and resolution of problems**

Information about problems shall be shared within the organization to promote their resolution. For instance, we are strengthening the effectiveness of compliance meetings at local departments and branch offices to promote active communication in the workplace, and to enhance our ability to quickly grasp the nature of problems and find solutions through a team approach.

**Internal Management System**



**Compliance Hotlines**

Sompo Japan is actively resolving compliance problems by offering direct consultation to handle compliance concerns from company staff, through an internal compliance hotline that was set up in the Compliance Department in May 2002 and an external hotline that was set up in an outside law office in December 2005. Consultation is provided during normal business hours via telephone, e-mail and in writing.



# RISK MANAGEMENT SYSTEM AND REINSURANCE

## Risk Management System

### Risk Management System

As the management environment surrounding the insurance business changes, insurance companies face increasingly diverse and complex risks. For this reason, it is more important than ever for insurance company management to have an accurate understanding and appropriate control of risk.

The Board of Directors has established a Basic Policy on the Establishment of Internal Control Systems, which defines rules and systems concerning the risk management of loss, as well as a Basic Policy on Risk Management. Based on these basic policies, the Enterprise Risk Management Rule is enacted. It provides the organizational structure for the risk management and

important particulars related to execution of operations.

Sompo Japan has established Risk Management Rules for risks that may have a significant effect on the company, namely insurance underwriting risk, asset risk, operational risk, liquidity risk and group risk. It has developed the organizational structures for controlling each risk, and for consolidating and managing such risks.

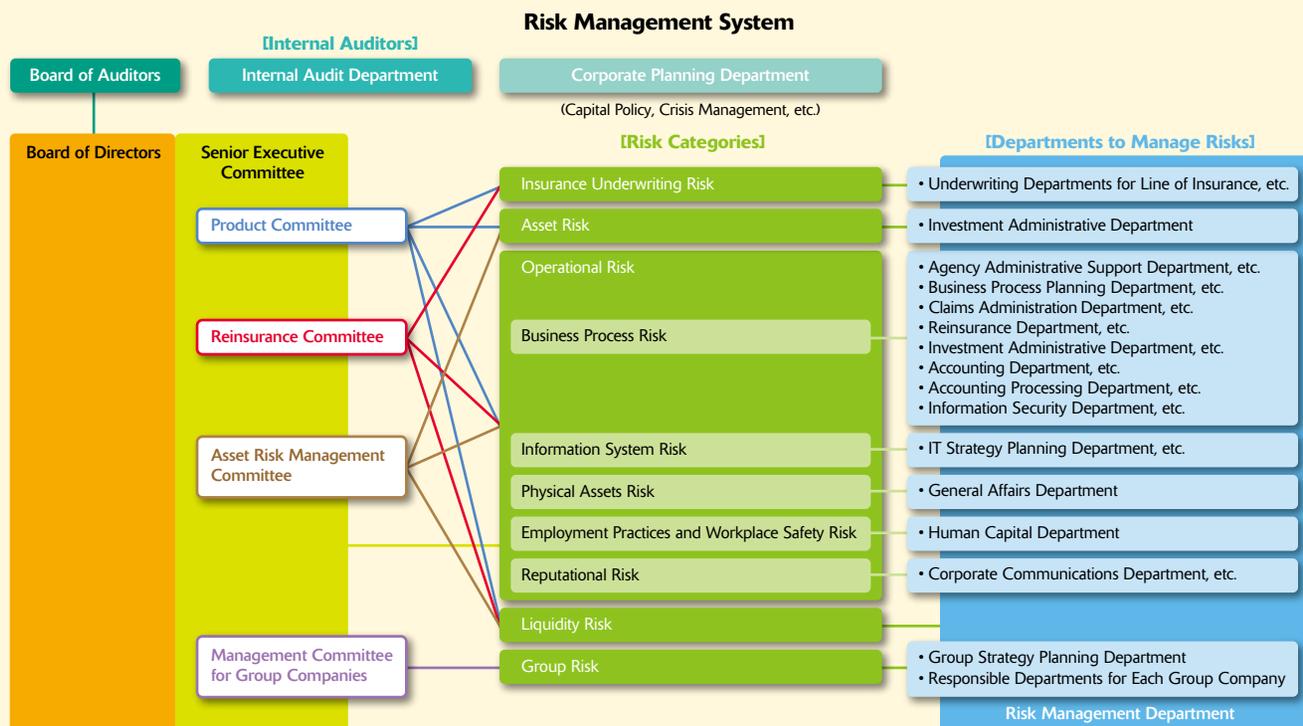
The Board of Directors and the Senior Executive Committee discuss and approve business strategies, business plans, and principal policies with respect to risk management. Accepting reports on important issues concerning risk management, they secure effectiveness of our risk management and then take active steps to strengthen our risk management system. Moreover, dedicated committees, namely, the Product

Committee, the Reinsurance Committee, the Asset Risk Management Committee, and the Management Committee for Group Companies are established in order to have professional and thorough discussion. Each committee is authorized to make appropriate decisions on its defined responsibility, based on risk reports and precise understanding of risk circumstances.

### Integrated Risk Management

Sompo Japan measures insurance underwriting risk, asset risk and operational risk, using a common measure. It also confirms its financial soundness by comparing the total risk obtained from aggregation of each risk with financial strength (i.e. equity capital).

The common measure which Sompo Japan uses is the Tail Value at Risk (TVaR) measure, with one year holding period and a



(As of July 2008)

99th percentile confidence interval. In addition to risk capital for the total risk, a certain minimum capital is defined, which is a capital to be left even if a loss equivalent to the total risk realizes.

Sompo Japan manages its risk and capital so that the required capital, the sum of the total risk and the minimum capital are less than its financial strength (i.e. equity capital).

### Insurance Underwriting Risk Management

Sompo Japan carries out profitability analysis on an ongoing basis and puts in place underwriting standards for each line of insurance, as well as conducts a quantitative analysis of insurance underwriting risk.

In development and revision of insurance products, we not only address insurance underwriting risk but also examine such areas as compliance, sales forecasts, system development, and the moral hazard involved in insurance products.

Furthermore, we avoid over-concentration of risk by establishing retention limits for each product and diversifying risk through reinsurance arrangements.

In addition, we establish reinsurance strategies, making full use of stress testing, in which we measure overall results of large natural catastrophes.

### Asset Risk Management

Sompo Japan uses a proprietary, comprehensive financial risk management model to integrate market risk, credit risk, real estate risk and interest rate risk of savings-type insurance.

In stress testing, we assume the largest market decline and the highest default rate in the past and measure the impact upon the current value of assets, profits and other key indicators.

In order to avoid excessive accumulation

of exposure for specific debtors, we manage credit risk by placing credit limits for each debtor by means of an internal credit rating system. We write off assets and provide appropriate reserves based on strict self-assessment standards.

### Operational Risk Management

Operational risk is categorized as business process risk, information system risk, physical assets risk, employment practices and workplace safety risk, and reputational risk. We strive to prevent occurrence of these risks and/or minimize losses, assigning the most suitable departments to manage them.

### Liquidity Risk Management

Sompo Japan manages liquidity risk by monitoring cash flows on a daily basis, and by securing enough liquid assets to meet projected insurance claims that may be caused by a large natural disaster.

### Group Risk Management

Sompo Japan manages risks of Group companies in order to ensure financial soundness of the Group as a whole and that of each Group company as well. Moreover, Sompo Japan provides support and guidance for Group companies so that they can construct risk management frameworks and implement risk management systems.

## Reinsurance

### Principle for Retention and Reinsurance Cession

The principle for retention and reinsurance cession is determined in consideration of the composite factors such as the status of risk and capital, volatility of the underwriting result and the reinsurance market envi-

ronment. Internal guidelines for reinsurers' security are set up to avoid possible deterioration of reinsurance recoverables due to the reinsurers' insolvency. In accordance with the guidelines, Sompo Japan selects the reinsurers with certain credit rating level or above to mitigate the credit risk. Furthermore, the cession to any one reinsurer is limited to avoid excessive accumulation.

### Protection for Natural Catastrophic Risks

Sompo Japan quantifies the probable maximum loss arising out of a natural catastrophic event across the class of business, utilizing stochastic models including in-house ones.

The optimal retention and reinsurance for natural catastrophic risks is determined through careful deliberation by the Management Board. The material factors are considered such as status of risk and capital affected, by the worst case scenario, status of catastrophic loss reserves, and efficiency and sustainability of the reinsurance scheme, when the reinsurance scheme is developed.

### Principle for Inward Reinsurance Underwriting

Sompo Japan has a conservative underwriting principle, selecting risks with the following considerations:

- Evaluate contract individually in view of the balance between risk and return.
- Examine underwriting result of acceptances periodically and reflect the result in our policy.
- Evaluate the exposure quantitatively and stochastically utilizing models to underwrite natural catastrophic risks.
- Diversify the portfolio to avoid significant accumulation or excessively uneven distribution of exposure over countries or regions.

We monitor reinsurance market trends closely and respond to the changes of the market without delay.

## Measures to Confirm Policy Content

### 1) Written Confirmation of Intent

Following an amendment by the Financial Services Agency to the general supervision guidelines for insurance companies, a new system was introduced in April 2007, which requires insurance companies to obtain a written confirmation of intent from the customer before an insurance policy agreement\* is signed.

\*Excluding insurance policies relating to business activities.

### 2) Introduction of Policy Confirmation Forms

From April 2007, we introduced new Policy Confirmation Forms to ensure that customers signing up to products such as third-sector, fire and automobile insurance, have understood our explanation of the key points of the policy, and that the policy reflects their intentions.

### 3) Measures Being Taken to Ensure the Confirmation of Policy Content

From April 2007, we started to implement measures to confirm policy content for fire and long-term third-sector insurance, and we are continuing to extend this in turn to other products. Since April 2008, we have also been carrying out reforms to improve the quality of our services. These include measures such as the integration of the Policy Proposal and Policy Confirmation Forms and the revision of their content, which we continually introduce into the process of drawing up new policy agreements.

## Providing a High-Quality Accident Response Service

### 1) Working to Create an Accident Response Service of Ever-higher Quality

Following administrative action in 2006,

Sompo Japan has taken steps to restore its customers' trust by focusing on structural reform, delivering services properly, and improving the payment system for claims. With these enhanced systems and a new foundation for business, in 2008 we have been working to offer a high-quality accident response service, which draws on high levels of expertise.

### 2) Easy-to-follow Guidance on Making Insurance Claims

As part of our efforts to help all of our customers in claiming money against their policies, from May 2008 we began sending out our new Guide to Making Insurance Claims (officially known as Request of Confirmation for Accident Response and Policy Coverage).

The guide is created on demand for customers who contact us concerning insurance coverage in the case of car accidents, and is tailored to the particular circumstances of each accident and policy coverage of each individual customer. It explains in simple terms whether or not the customer is eligible for payment under the policy, and provides the customer with comprehensive guidance in the claims process.

We will continue our efforts to offer an accident response service based on customers' perspective and to ensure that all claims are dealt with fairly and properly.

### 3) Renewal of the Clover Support Accident Response System

As a means of improving the quality of our accident response services, we have started to deploy the Clover Support accident response system. February 2008 saw some wide-ranging innovations, based around the aims of creating an easier-to-use system in order to facilitate a faster service, and providing system support to allow appropriate customer response.

We will continue to revise our system to ensure that customer claims are always settled in an appropriate manner.

## Putting our Customers' Words into Action

### 1) Creation of a New Customer Services Department

In July 2006, a Customer Relations Office was established to respond to customer complaints and other feedback. In April 2008, with the aim of making the Company even more responsive to the voices of our customers, we set up a new Customer Services Department (the Customer Relations Office is now incorporated into the Customer Services Department).

Working together with each relevant department in the Company, our aim is to improve the quality of our services by processing all customer complaints, call center inquiries and surveys, and utilizing this feedback to enhance our services.

### 2) Improving the Function of the Customer Relations Office

In 2008, we increased the number of staff at the Customer Relations Office. While we continue to respond ever more carefully to customer complaints, we are also enhancing the support and follow-up procedures of the complaints response department, as well as examining the progress of our response capabilities and measures for improvement. Within the Customer Services Department, we analyze the causes of complaints, give advice on how to remedy them, and give advice and support to all the relevant departments within the Company.

## Corporate Governance Policy and Basic Policy on the Establishment of Internal Control Systems

### Corporate Governance Policy

Sompo Japan provides various economic entities, including consumers and businesses, with cover against different types of risk. We firmly believe that insurance companies have a mission and a public responsibility to contribute to the maintenance of national living standards and economic development through these activities, and that sound, effective corporate governance is essential to the fulfillment of this role.

Accordingly, Sompo Japan will maintain high standards of soundness and transparency in its corporate governance systems.

### Overview of Governance Organization

Sompo Japan operates under the “company with auditors” structure. Our directors have extensive knowledge of the insurance business, and their management decisions are

checked by corporate auditors.

We have also adopted an executive officer system, under which executive functions performed by the executive officers are separated from the supervisory role of the Board of Directors. This structure combines effective management supervision with the efficient performance of business operations. In addition to these structures, we have also invited people from outside the Company to serve as directors and have established committees comprised mainly of outside experts. Their task is to ensure high standards of soundness and transparency by exposing our corporate governance structure to external scrutiny under a “second pair of eyes.”

### Basic Policy on the Establishment of Internal Control Systems

Sompo Japan believes that sound business development depends not only on the timely and efficient performance of business operations, but also on the promotion of compliance in all facets of corpo-

rate activities, as well as the establishment of sophisticated and highly independent risk management systems covering insurance underwriting and asset management and an internal auditing structure which is highly independent. The specialist units that we have established for these purposes are the Compliance Department, Risk Management Department and the Internal Audit Department. To maintain independence and enhance the effectiveness of internal control systems, the officers responsible for these three departments avoid concurrent responsibilities in income-generating departments.

At its meeting on April 28, 2006, the Board of Directors passed a resolution adopting a basic policy on the establishment of internal control systems, and the Company has now developed a structure for internal control based on this policy. This policy was partially amended on June 26, 2006, March 16, 2007, May 1, 2007, and May 2, 2008.

### Meeting the Requirements of the J-SOX Law

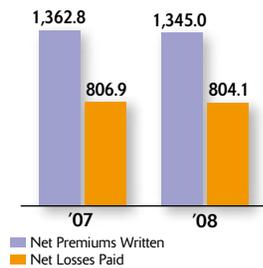
The Financial Instruments and Exchange Act promulgated on June 14, 2006 (known as “J-SOX” for its similarities with the U.S. Sarbanes-Oxley Act), comes into effect in FY2008. Sompo Japan recognizes the development of internal controls to ensure the appropriateness of financial reporting as a key management priority. Therefore, we established specialized departments within the Corporate Planning Department in July 2006 and the Internal Audit Department in February 2008 that are now working with Group companies to strengthen internal controls in line with the requirements of the new law. The Director, Senior Managing Executive Officer in charge of corporate planning, is the person responsible for promotion of this project.



# SOMPO JAPAN AT A GLANCE

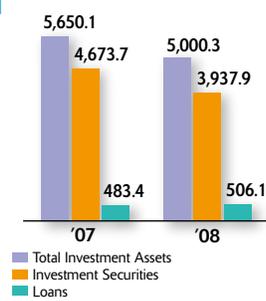
## Underwriting Operations

### Net Premiums Written and Net Losses Paid (¥ billion)



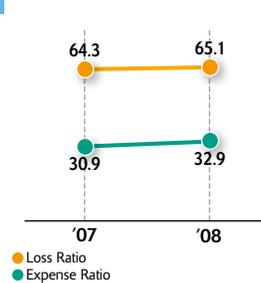
## Investment Operations

### Investment Assets (¥ billion)



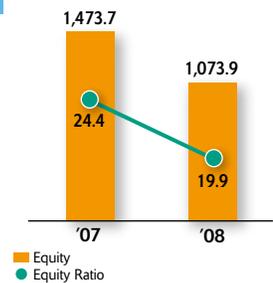
## Operating Indicators

### Loss Ratio and Expense Ratio (%)

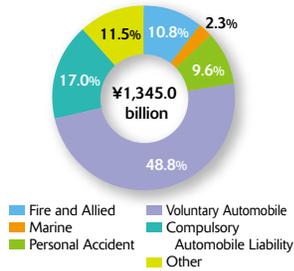


## Financial Soundness

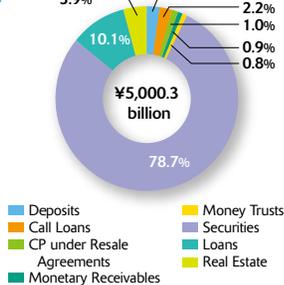
### Equity Ratio (¥ billion/%)



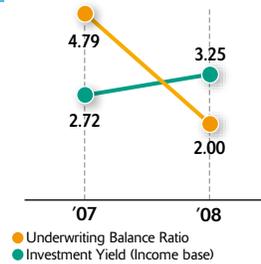
### Breakdown of Net Premiums Written (For the year ended March 31, 2008)



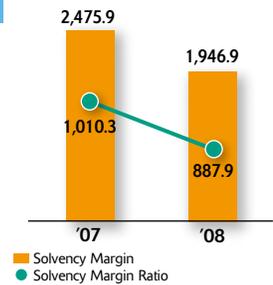
### Breakdown of Investment Assets (March 31, 2008)



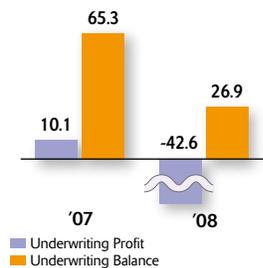
### Underwriting Balance Ratio and Investment Yield (Income base) (%)



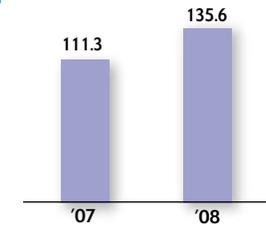
### Solvency Margin (¥ billion/%)



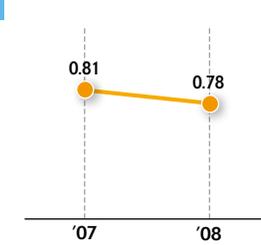
### Underwriting Profit (¥ billion)



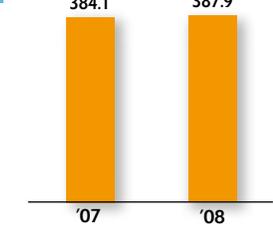
### Interest and Dividend Income on Investment Assets (¥ billion)



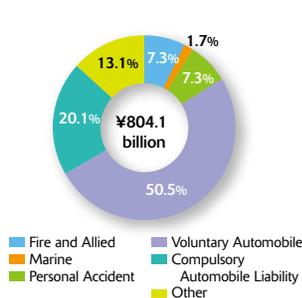
### Return on Assets\* (%)



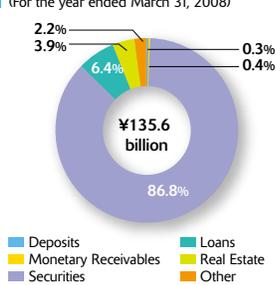
### Catastrophic Loss Reserves (¥ billion)



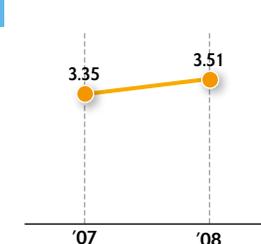
### Breakdown of Net Losses Paid (For the year ended March 31, 2008)



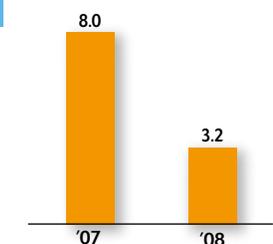
### Breakdown of Interest and Dividend Income on Investment Assets (For the year ended March 31, 2008)



### Return on Equity\* (%)



### Risk-Monitored Loans (¥ billion)



\* The Company changed the denominators for calculating return on assets and return on equity, total assets and equity, from ending balances to average balances.

## Overseas Activities

### Sompo Japan's Overseas Strategy

Contribution to profit through overseas business activities is one of the cornerstones of Sompo Japan's growth strategy. We have started to see real development in the potentially lucrative BRIC countries (Brazil, Russia, India and China) and the ASEAN (Association of Southeast Asian Nations) region.

While paying close attention to development in overseas economies and insurance markets at both the regional and national level, our plan is to continue to enhance our efforts in the high-growth markets of the emerging economies.

We are offering global insurance services of high quality to Japanese companies as they expand their businesses overseas.

#### Sompo Japan Insurance (China) Co., Ltd. Opens New Branch Office in Shanghai

Sompo Japan Insurance (China) Co., Ltd., established in 2005, received official approval from the China Insurance Regulatory Commission on September 25, 2007 to set up a Shanghai branch office. The new office opened for business on October 15, 2007.

With the creation of the Shanghai branch office, Sompo Japan Group became the first Japanese insurance group to establish busi-

ness strongholds in cities in China, such as in Dalian and Shanghai.

As well as being the first Japanese non-life insurance company to have established a local subsidiary in the Chinese insurance market, Sompo Japan Insurance (China) Co., Ltd. will develop a strong presence in the Guangzhou and Suzhou area, where most Japanese business activity is concentrated, in order to be able to offer insurance services directly to those of our customers who have business interests in the region.

#### New Subsidiary Launched in India

In November 2006, we concluded an agreement and began preparations to establish a subsidiary insurance company in India in partnership with two Indian state banks and one private bank. On February 11, 2008, the Indian subsidiary, Universal Sompo General Insurance Co., Ltd. opened for business.

In addition to the main office in Mumbai, we have also established offices in Delhi, Calcutta and Chennai, and run our Indian business as a four-region system. We will continue to develop business infrastructure across this huge country, for instance by establishing branches in the main cities.

Our partners in this corporate joint venture have a combined total of approximately 4,000 outlets across the whole of

India, as well as a solid customer base and proven track records in retail insurance sales. Through Universal Sompo General Insurance Co., Ltd., which will leverage Sompo Japan's insurance business expertise and the nationwide sales networks of four of our partners, we aim to expand our retail activities in the steadily growing economy of India. We also aim to offer insurance services to the spate of Japanese companies that have recently started developing business in the region.

#### Establishment of Regional Headquarters in Asia

In September 2008, Sompo Japan Asia Holdings (provisional name) was established in Singapore as an umbrella organization for the Asia region. Its purpose is to enhance the Sompo Japan Group's administrative organization in Asia, particularly in the ASEAN region.

Through the establishment of this organization, we are able to bring all of our South-East Asian subsidiaries and affiliated companies closer into the fold. This will allow us to enhance our planning support and business administration with a strategy based on a region-wide perspective, and ensure even greater business expansion as well as internal control.



Shanghai branch office, opened October 15, 2007



Universal Sompo General Insurance Co. Ltd.

Joint-venture subsidiary serving India

## Expanding Global Activities

To establish a sales system covering every major area of the world, Sompo Japan has set up a network of overseas subsidiaries and underwriting agencies in Europe, Africa and the Middle East, and North, Central and South America, as well as in China, Southeast Asia and Oceania.

### Worldwide Service Network

#### International Operations

Sompo Japan's international network encompasses operations covering almost the entire world, including North America (comprising the United States, Canada and Mexico, with the regional base in New York), South America (regional base in Sao Paulo), Europe, Africa and the Middle East (regional base in London), East Asia (regional base in Dalian), and South Asia and Australasia (based in Singapore). This expansive network allows us to provide cus-

tomers with a wide range of support as they work to expand their worldwide operations.

At present, we have offices and subsidiaries in 26 countries providing insurance services and risk management expertise, with approximately 130 expatriates from Japan working together with highly motivated local employees.

#### Reinsurance

Reinsurance Department offers worldwide reinsurance services in Tokyo and Hong Kong. With a particular focus on insurance companies in Asia, Sompo Japan provides reinsurance capacity through Sompo Japan Reinsurance Company Limited based in Hong Kong. Sompo Japan has been also a corporate member of Lloyd's of London since 1993.

#### East Asia

As the East Asian economies continue to expand, many companies from all over the world, including Japan, are making inroads

into these markets, especially into China.

On June 1, 2005, Sompo Japan Insurance (China) Co., Ltd. was established in Dalian, China. Furthermore, upon the official approval from China Insurance Regulatory Commission, Sompo Japan Insurance (China) Co., Ltd. established a Shanghai branch office on October 15, 2007.

The establishment of the Shanghai branch office has enhanced Sompo Japan's presence in China as the first Japanese non-life insurance company to have underwriting capabilities both in Dalian and Shanghai.

#### South Asia and Australasia

Sompo Japan has established a network centered on its wholly-owned subsidiary Sompo Japan Insurance Company (Asia) Pte. Ltd. in Singapore. The network consists of Asian subsidiaries in Indonesia, the Philippines, Thailand and Vietnam, as well as the hub subsidiary in Singapore, which also operates a liaison office in Myanmar.

Sompo Japan's Australian branch office





has more than 35 years of operating history.

In 2007, we developed our business in Malaysia drastically by purchasing a 30% equity stake of Berjaya General Insurance Bhd. Subsequently, the company changed its name to Berjaya Sompo Insurance Berhad to reflect this partnership. It now provides insurance products and services nationwide.

In 2008, we established an overseas subsidiary insurance company in India, Universal Sompo General Insurance Limited (main office in Mumbai), as a joint enterprise with two Indian state banks and one private bank. Through Sompo Japan's insurance business expertise and the nationwide sales network offered by our partners in this venture, we aim to expand our business activities in the steadily growing economy of India, and offer insurance services to the Japanese companies rapidly taking root in the region.

#### Europe

Sompo Japan has been serving clients in Europe for about 50 years since it first set up a liaison office in London in 1958.

At present, a wholly-owned subsidiary, Sompo Japan Insurance Company of Europe Limited, conducts underwriting and provides claim settlement, risk management and insurance information mainly to Japanese companies.

With offices in the U.K., Belgium, France, Germany, Italy, the Netherlands and Spain, our operations cover the insurance markets of Europe as well as those of Africa and the Middle East.

#### North America

In North America, Sompo Japan conducts property and casualty insurance operations through its U.S. subsidiary, Sompo Japan Insurance Company of America, which has its main regional base in New York. The company has branch offices in Los Angeles, Chicago, Atlanta, San Francisco and Nashville, and also operates SJA Insurance Agency, LLC in Charlotte, North Carolina, to strengthen its own underwriting capability and administrative processing functions. In addition, Sompo Japan provides

insurance services in Canada through its Toronto office and in Mexico by its subsidiary, Sompo Japan Insurance De Mexico, S.A. de C.V., which started operation in March 1998.

#### South America

Sompo Japan's main base of operations in South America is its subsidiary in Brazil, Yasuda Seguros S.A., which was established in 1958. In 1959, this company became the first subsidiary of a Japanese insurance company licensed to underwrite insurance in Brazil.

At present, the company provides services for the insurance needs of affiliates of Japanese companies, but the majority of its clients are local businesses and individuals.

# Support for Business Continuity Management

Business Continuity Management (BCM) is a strategic process that helps an organization to ensure that critical operations can be continued or promptly restored after natural disasters and accidents, so as to prevent key customers from being driven away by an interruption of critical operations and protect the organization from declines in market share and corporate value.

Recently, increasing numbers of companies have started to engage in BCM. Based on the current trend, Sompo Japan Risk Management (SJRM) has reorganized its BCM Department from a conventional three-division system to a new five-division system to further strengthen its ability to provide timely BCM consulting services corresponding to various potential risks sur-

rounding customers, such as earthquakes and pandemic influenza.

## BCM Consulting

### BCM Consulting for Pandemic Influenza

There has been great concern that the avian influenza may become a global pandemic in a very short period of time, if the avian influenza virus mutates in a way that would allow it to easily transmit from human to human.

In the event of an occurrence of pandemic influenza, companies will face numerous challenges, including decision-making on whether employees stationed

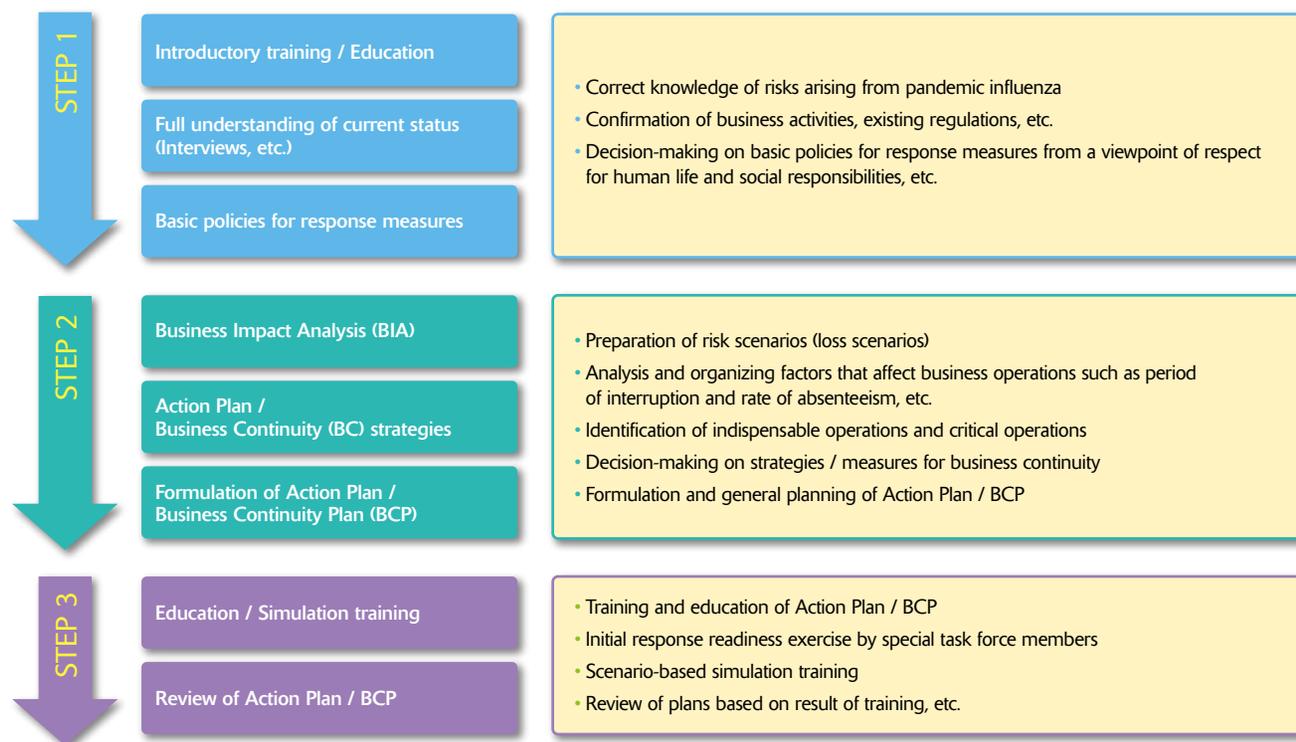
overseas should remain or return, timing of the initial emergency response, as well as whether business operations should be continued if an employee stationed overseas has been infected with the virus.

To help companies guard against such eventualities, SJRM launched BCM consulting services for pandemic influenza on November 8, 2007 as a part of our pandemic influenza countermeasures.

### Consulting for Attainment of BS25999 Certification

With the increasing globalization of business transactions, the operational obstacles faced by some companies, for instance a large-scale natural disaster affecting a particular region, can easily impact on their business

## Process of BCM Consulting for Pandemic Influenza



partners and customers as well.

Pressed to deal with such situations, many countries are now considering the need to standardize and draw up guidelines associated with BCM and Business Continuity Planning (BCP). The British Standards Institute (BSI) published "BS25999-Part 1," a code of practice for BCM, in November 2006 and "BS25999-Part 2," containing the specifications for the world's first third-party certification for Business Continuity Management systems, in November 2007.

Under such circumstances, SJRM began offering consulting for the attainment of BS25999 certification from November 12, 2007 as one of the approaches to complement efforts towards BCM and BCP.

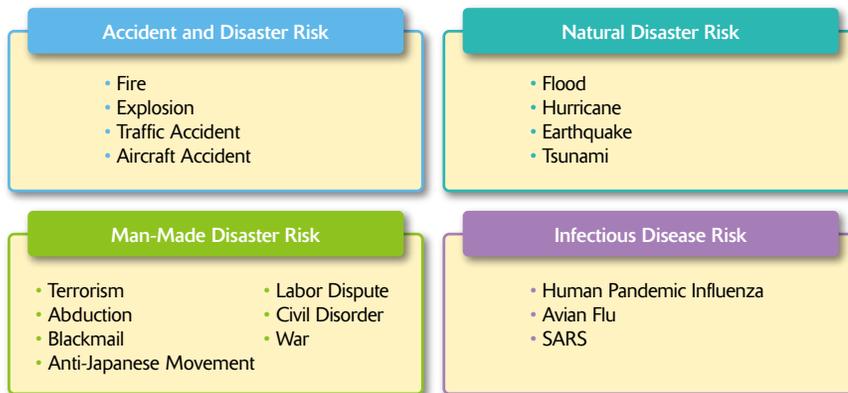
### Amendments to the Consumer Product Safety Law and Support for Recall Measures

With the amendments to the Consumer Product Safety Law, in force from May 2007, companies have been required to review and strengthen their product recall activities.

After enforcement of the law, the Ministry of Economy, Trade and Industry prepared and published a "Consumer Product Recall Handbook 2007" to provide guidelines for recall activities by companies. It is worth mentioning that a PL (Product Liability) consultant from SJRM joined in the advisory committee to study this handbook as the sole private organization representative among other committee members.

In addition, SJRM has become the first Japanese company to successfully obtain the right to use a Japanese language version of the "Rapid Alert System for non-food consumer products (RAPEX)," a rapid alert system used by European Union (EU) member

### Areas Covered by Sampo Japan's BCM Solutions for Businesses Overseas



states to exchange information when a product is deemed a serious health and safety risk to consumers within the EU. In June 2007, this information was translated and released in Japan for the first time ever as the European Product Recall Bulletin. With this move, product recall information is now available for Japan, the U.S., and Europe through the Japan Product Recall Bulletin, the U.S. Product Recall Bulletin and the European Product Recall Bulletin. All three are now being supplied through the SJRM PL Club, a membership system through which companies can receive information about product liabilities.

### Asset Management Policy

#### Basic Investment Policy

We establish it as our basic investment policy "to maximize the total return with providing an appropriate degree of risk control." While paying full consideration on safety, liquidity and profitability, as is appropriate for an insurance company to do in the area of asset management, we conduct our investment activity fiducially.

#### Risk Control by Diversified Investments

For stable long-term investment returns, we control risk by diversifying our portfolios, incorporating both traditional asset classes, such as equities, bonds and loans, and alternative investments, such as hedge funds and private equities.

#### Asset and Liability Management

To meet with the liability of savings-type accounts, we are taking appropriate investment steps to secure stable earnings that can cover the payment of maturity refunds and other underwriting costs by using the Asset and Liability Management approach (ALM).

#### Strengthening the Efficiency and Flexibility of Our Asset Management Operations

To maintain sound asset quality, we are firmly committed to strengthening the efficiency and flexibility of our asset management operations further, through a tireless effort to advance our investment skills and investment management structure.

# Enhancing Our Ability to Meet Customer Needs

## ONE-Step Comprehensive Personal Automobile Insurance Now on Sale

### Working to Turn Our Customers' Words into Action

In February 2008, our new personal automobile insurance, ONE-Step, went on sale. ONE-Step, Sampo Japan's key product for non-business customers, was developed to embody the idea of a new kind of automobile insurance, taking a step forward toward insurance coverage that really meets customers' demands, and allows customers and their families to enjoy driving safely and with full peace of mind.

The product comes complete with an Insurance Handbook that includes the insurance policy and coverage details, and is intended as a tool for making life easier for the customer. This, the new and original coverage, as well as other services designed to make driving more fun, have all been very well received. At the end of April, total sales had reached a million units, making ONE-Step a true hit product.



The ONE-Step Insurance Handbook

## Strengthening the Partnership with Dai-ichi Mutual Life Insurance

### Creating Greater Cooperation between the Two Corporate Groups

In April 2008, Sampo Japan and Dai-ichi Mutual Life Insurance Company agreed to increase their level of cooperation to make more effective use of their partnership. The terms of the agreement state that: (1) in the fall of 2008, Sampo Japan will acquire a maximum equity stake of 10% in Dai-ichi Frontier Life Insurance Co., Ltd. (hereinafter Dai-ichi Frontier Life Insurance), a member of the Dai-ichi Mutual Life Insurance Group, and that Dai-ichi Mutual Life Insurance Company will acquire a maximum equity stake of 10% in Sampo Japan DIY Life Insurance Co., Ltd., a member of the Sampo Japan Group; (2) Sampo Japan will assume responsibility for providing business support and services to branches of Dai-ichi Frontier Life Insurance.

## Declaration of Conformity to ISO 10002

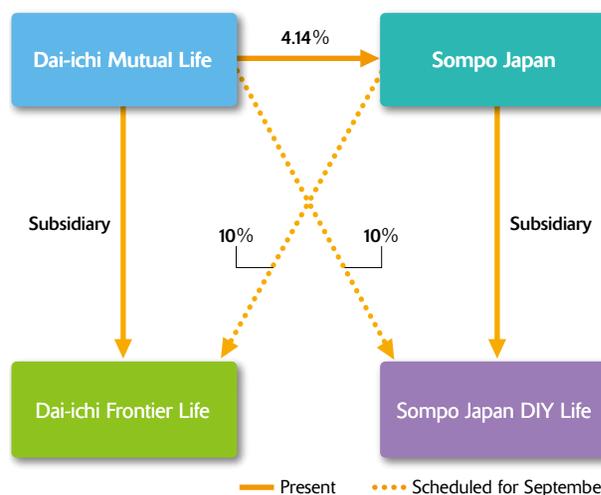
### Efforts to Improve Customer Satisfaction

Having implemented various measures to bring our complaints response procedures in line with the international ISO 10002 standard, on April 1, 2008 we were able to make a declaration of conformity.

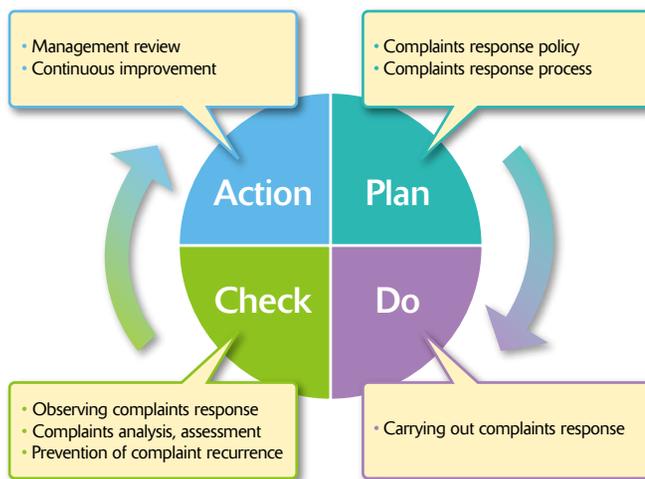
Our aim is not simply to try and solve complaints, but to heed the words of our customers and actively use all feedback to improve the quality of our business, products and services. We recognize the importance of enhancing customer satisfaction by continuously reviewing the complaints response procedure and following the Plan-Do-Check-Action (PDCA) cycle.

We will continue to foster awareness of the customer as number one in all of our employees, while actively developing measures for turning our customers' words into actions.

### Investment Relationship between Dai-ichi Mutual Life and Sampo Japan



### The PDCA Cycle of Complaints Response



U.S., Japan and Singapore. With the addition of the European patent, we can now offer this system as a legally secure service in all of the key markets around the globe.

### Offering a Packing and Loading Risk Consulting Service in China

#### New Partnership Enhances Damage Prevention

On February 20, 2008, Somo Japan and its China subsidiary, Somo Japan Insurance (China) Co., Ltd., signed an operating agreement with Japan's biggest maritime consulting company, the Nippon Kaiji Kentei Kyokai (NKKK), and its China subsidiary, Tianjin Hua He Marine Surveyors & Sworn Measurers' Co., Ltd. (C-NKKK), to establish a Packing and Loading Risk Consulting Service.

Through its association with C-NKKK, Somo Japan and Somo Japan (China) have decided to start offering its existing China Logistics Risk Consulting Service (intended for companies developing business in China) as a new service option, targeted mainly at consumer electronics makers and precision equipment manufacturers.

Accidents happen to freight in transit for various reasons, but by implementing simple preventative measures it is possible to avoid a great deal of damage. We base each new service on a customer questionnaire, after which a surveyor carries out an on-site assessment and a diagnostic report is submitted in Japanese and Chinese.

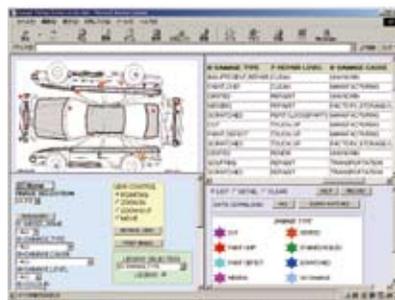
Somo Japan aims to enhance its damage prevention activities through the effective use of this partnership.

### Damage Analysis System Earns European Patent

#### New System Now Available in All Key Markets

In May 2008, Somo Japan was awarded a European patent for its car accident analysis system. The system, developed in January 2000, allows the customer to make an easy, visual assessment and analysis of the extent and causes of surface damage inflicted on freight, such as new cars, sustained during transit. In the rapidly changing world of commodity distribution, it can also be utilized as a time-effective method for investigating ways to reduce or prevent occurrences of this kind of damage.

Somo Japan is developing various system services around the world in order to support the risk management of companies that are developing business activities overseas. We hold patents for this system in the



Somo Japan's innovative car accident analysis system



Patent certificates from the patent office of Japan, Singapore, Europe and the U.S.

# Contributing to the Creation of a Sustainable Society

With corporate social responsibility (CSR) growing in importance, Sompo Japan established the Corporate Social Responsibility Office in December 2003 to address various CSR-related issues, such as environmental problems and social contributions. Since then, Sompo Japan has maintained a policy of active communication with all stakeholders.

## CSR Activities—Four Priority Issues

To be a corporate group that continues to grow with society, the Sompo Japan Group needs to leverage the strength it possess in its respective business areas (including its non-life insurance business) in order to address social problems, while its individual employees must consistently think and act in a way that satisfies stakeholders' expectations.

Based on the expectations and issues brought up in dialogues with stakeholders, Sompo Japan has selected four key CSR priorities, known as the Four Priority Issues, from among the sustainability issues regarded as highly important. In addressing these issues, we will work from two perspectives. First, we will consider the degree of influence on stakeholders' assessments and decision processes; second, we will consider the degree of significance on Sompo Japan's business management.

### Four Priority Issues

- (1) Adaptation and mitigation on the climate change
- (2) Risk management for safety and security
- (3) CSR financing
- (4) Promoting cooperation within communities

## Support for "Caring for Climate"

In June 2007, Sompo Japan declared its support for "Caring for Climate: The Business Leadership Platform," a declaration that promotes cooperation between businesses as a response to climate change, advocated by the United Nations Global Compact, the World Business Council for

Sustainable Development and the United Nations Environment Programme.

## Promoting Sompo Japan's Eco-Funds

### Continued Strong Performance by the Sompo Japan Green Open

Sompo Japan's eco-fund product, the Sompo Japan Green Open, was developed in September 1999 by Sompo Japan Asset Management Co., Ltd. This is an investment trust that invests in companies highly valued for both their engagement in environmental issues and their degree of undervaluation, which is revealed by investment value analysis. The fund has performed well and maintained a strong base value ever since its launch, outperforming the TOPIX (Tokyo Stock Price Index), which is used as a performance guide, by 16.1% (as of March 31, 2008).

The number of sales agents that handle the Sompo Japan Green Open has been steadily increasing throughout the country since the launch of the fund in 1999. In FY2007, ten companies participated in the group of sales agents, and 115 agents in total now sell the product. In addition, in FY2007, more companies added the fund to their lineup of investment products for corporate defined contribution (DC) pension schemes, and as a result, the fund is expected to attract an increasing number of SRI (Socially Responsible Investment) investors.

Performance of the Sompo Japan Green Open (Compared to TOPIX)



\* The base price to be compared with TOPIX is calculated on the assumption that all dividends are reinvested at the base price as at the end of the fiscal year.

\* Both the base price and the benchmark (TOPIX, excluding dividends) have been indexed as 10,000 on the date of inception.

### Development of Eco-funds for Qualified Institutional Investors

Sompo Japan Asset Management Co., Ltd.

developed an eco-fund for pensions in June 2006, and an eco-fund for qualified institutional investors in February 2007. The investment methods behind SRI have been attracting attention from not only personal investors but also institutional investors, such as corporate pension funds and financial institutions.

### Development of a New Type of Eco-Fund

In April 2008, Sompo Japan Asset Management Co., Ltd. and Aeon Bank Ltd. co-developed Aeon Fat Dividend Green Balance Open, an eco-fund dedicated to Aeon Bank Ltd. in which the investment product has been incorporated into 50 percent of the bank's operating assets. The product is presently sold at the main office and branch offices of Aeon Bank.

In addition, in April 2008, Sompo Japan Asset Management developed Sompo Japan Ecology Open, an eco-fund with a concept similar to that of the Sompo Japan Green Open, which focuses on ecologically responsible dividend yields.

Sompo Japan Asset Management Co., Ltd.  
<http://www.sjam.co.jp>

## Sompo Japan Included in the Dow Jones Sustainability Indexes for Eight Consecutive Years

### Sompo Japan Shares Recommended in SRI Indexes

Sompo Japan is the only Japanese insurance company to have been included in the Dow Jones Sustainability Indexes, an SRI index co-developed by the Swiss SAM Group Holding AG and the U.S. Dow Jones Inc., for eight consecutive years. We are also included, with shares recommended for investment, in the FTSE4Good, a sustainability index developed in the U.K., as well as in the Ethibel Sustainability Index (ESI) developed in Belgium and the Japanese Morningstar SRI Index.



### **Symposium Commemorating the Public Seminar on the Environment Held in Hokkaido, Mie and Tokyo**

Sompo Japan's Public Seminar on the Environment was held in Hokkaido and Mie Prefectures in mid-2007 and early 2008. In Tokyo, a symposium that commemorated the 15th anniversary of the seminar was held in December 2007.



The 15th Anniversary of the Seminar  
(in December 2007)

### **Agreement on Tree Planting Programs Concluded with Kagawa, Tottori and Mie Prefectures**

Sompo Japan supports tree planting in regional communities as an activity for curbing climate change. In FY2007, Sompo Japan concluded an agreement on tree-planting programs with the prefectures of Kagawa, Tottori, and Mie. Through tree planting, Sompo Japan will raise the environmental awareness of its employees and sales agents, and promote exchanges with people in regional communities.

### **Contributing to the Solution of Environment Problems**

Under the Sompo Japan Environmental Principles, positive and ongoing efforts are being made to solve environmental problems from three perspectives: (1) provision of financial products, insurance products and

services, (2) promotion of activities to save energy and resources, and (3) contribution to society.

### **Provision of Financial Products, Insurance Products and Services**

Sompo Japan is making positive efforts to develop and provide financial products, insurance products and services that will contribute to environmental conservation.

#### **Insurance Covering Environmental Risks**

In recent years, companies have gradually become more aware of environmental risks, such as illegal waste disposal and land pollution. Sompo Japan provides a wide range of insurance products covering environmental and climatic risks, such as medical waste disposal liability insurance, industrial waste disposal liability insurance, land pollution insurance and weather derivatives.

#### **Consulting for the Acquisition of ISO 14001 Certification**

Sompo Japan Risk Management Inc. and Sompo Japan Agency Support Inc., both of which are Sompo Japan Group companies, provide consulting services to companies and maintenance workshops that aim to acquire ISO 14001 certification, the international standard for environmental management.

### **Promotion of Energy- and Resource-Saving Activities**

Both Sompo Japan's Head Office (in Shinjuku Ward) and its Data Processing Center (in Nishitokyo City) have acquired ISO 14001 certification, the international standard for environmental management.

In FY2002, the Data Processing Center became the first domestic financial organization to achieve zero emissions by reducing its output of solid waste destined for landfill sites to zero. In addition, Sompo Japan's own environmental management system, the E-Koto Project, has been introduced at its regional office and branch buildings across

the country with specific reduction targets set for electricity, gas, water, and paper, and activities have been carried out to conserve resources and energy.

Furthermore, Sompo Japan has carried out a variety of initiatives to raise environmental awareness in each workplace and promote green activities. This includes attaching seal labels onto all company-owned cars to promote environment-friendly driving, introduction of environment-conscious novelties, and creation of business cards and business reports with paper made from thinned wood.

### **Corporate Citizenship Activities**

The Sompo Japan Corporate Citizenship Principles were formulated in October 2002. These principles make it clear that Sompo Japan is committed to carrying out continuous social contribution activities to bring value to society and its wide range of stakeholders, and to increase the corporate value of the Sompo Japan Group.

We are making proactive efforts centered on three key areas, art and culture, welfare and the environment, and also support volunteer activities by individual employees.

#### **Initiatives in the Area of Art and Culture**

##### **Seiji Togo Memorial Sompo Japan Museum of Art**

##### **Sompo Japan Fine Art Foundation**

To commemorate the completion of Sompo Japan's head office building in 1976, the Sompo Japan Fine Art Foundation was established and the Seiji Togo Memorial Sompo Japan Museum of Art opened on the building's 42nd floor. The museum aims to provide space for enjoying art to as many people as possible, and houses many works by Seiji Togo, as well as works from Japan and overseas collected during his lifetime.

The museum has built an extensive collection currently on display, including works by Grandma Moses and Van Gogh's "Sunflowers," along with works by artists from the later impressionist school, such as

Contributing to the Creation of a Sustainable Society



Van Gogh's "Sunflowers," displayed at the Seiji Togo Memorial Sompō Japan Museum of Art

Gauguin, Cezanne and Renoir. Exhibitions held during FY2007 included the "Exhibition of Perugino, the Painter of the Luscious Holy Mother," the "Exhibition of the Circus: Liberated Images," and the "Exhibition of Berthe Morisot." The museum attracts some 160,000 visitors annually, and about 4.11 million people have enjoyed the collection since its opening. In addition, the museum allows elementary and junior high school students to see all exhibitions for free, and gives a "Sunflower Study Tour," on which a curator explains artworks, as a program for elementary and junior high school students. The museum also holds workshops, and issues art museum news and booklets for young people.

**Contribution to Social Welfare**  
**Sompō Japan Foundation**

The Sompō Japan Foundation was established in October 1977. It grants subsidies to social welfare-related organizations throughout the country and to research in social welfare areas, such as social insurance and non-life insurance. It also holds lectures, publishes libraries and fosters researchers in the field of social welfare via the Sompō Japan Foundation Award. Through these activities, the foundation aims to contribute to the improvement of Japan's social welfare.

The total amount of money that the foundation has used so far in these activities is about ¥1.96 billion.

The foundation commemorated the 30th anniversary of its establishment in FY2007 and published "Achievements Accomplished by The Sompō Japan Foundation over 30 Years."

**Efforts in the Area of the Environment**  
**Sompō Japan Environment Foundation**

The Sompō Japan Environment Foundation was established in April 1999. It fosters human resources with the skills and mindset needed to solve environmental problems, and grants subsidies to researchers.

The foundation invites applications for internships at environmental non-profit organizations (NPOs, also known as civil society organization or CSOs) from students who want to work there, and offers scholarships to the selected candidates. Under its CSO Learning Scholarship Program, 63 students were sent to 32 organizations and the total number of students who graduated from the internship was 388 in FY2007. For the scholarships offered to students, funds from the Earth Club Social Contribution Fund are used.

**Public Seminar on the Environment**

The Sompō Japan Environment Foundation has joined with the Japan Environmental Education Forum, an environmental NPO, to host a series of open public seminars on the environment, an initiative that entered its 15th year in FY2007. Launched in October 1993, the seminars, which include gatherings in local areas and outdoors,



Public Seminar on the Environment

had been attended by more than 13,400 people as of the end of March 2008. This includes company representatives, government officials, NPO workers, housewives and students.

**Improving and Furthering CSR Communication**

In addressing CSR issues, companies must start by listening and responding to the voice of their stakeholders. In order to promote continuous two-way communication with all of its stakeholders, Sompō Japan is working to create various opportunities to improve such communication.

**Publication of the CSR Communication Report**

The CSR Communication Report, which presents a general overview of Sompō Japan's CSR initiatives, is published every year.

The CSR Communication Report published in 2007 highlighted the Four Priority Issues that we should address in order to demonstrate our CSR approach to domestic and overseas stakeholders. The 2007 report also described how the Sompō Japan employees in charge of individual business operations integrate CSR-related issues into their respective business activities, and how they address those issues. More than 110 employees were involved in the creation of the report, including those who were interviewed.



CSR Communication Report 2007

## Non-Consolidated Financial Review

## Net Premiums Written by Category (Millions of yen)

Years ended March 31,	2008	2007	2006	2005	2004
Fire and Allied Insurance	¥ 145,999	¥ 148,865	¥ 152,077	¥ 150,367	¥ 157,448
Marine Insurance	31,384	31,050	28,362	25,199	24,849
Personal Accident Insurance	128,535	127,747	127,634	120,795	114,802
Voluntary Automobile Insurance	655,778	666,900	674,073	669,097	673,589
Compulsory Automobile Liability Insurance	228,503	232,716	237,918	244,156	241,858
Other Insurances	154,826	155,507	150,856	142,300	140,331
Total	¥1,345,025	¥1,362,785	¥1,370,920	¥1,351,915	¥1,352,877

## Highlights of the Year under Review

FY2007 was the second year of Sampo Japan's three-year medium-term business plan. Following a review of fair insurance sales practices, it became clear that a corrective process was required, and we have undertaken to make the issue of policy response our top priority. In order to maintain customer loyalty, we have improved the services offered by the claims departments and agents, which are key points of contact with customers, and focused our efforts on improving the quality of internal operations related to products and services.

In the domestic non-life insurance business, mainstay voluntary automobile insurance and fire and allied insurance revenues decreased, while revenues from marine insurance and general liability insurance increased year on year. As the domestic non-life insurance business is Sampo Japan's core business, as well as the driving force behind the development of the Group's business activities, we actively deploy enhanced sales measures to grow insurance premium income accompanied by profitability.

In response to the influence of the subprime loan crisis in the U.S., we have been offering guarantees for securitized paper as part of our financial security insurance, and have reserved approximately ¥30,000 million in reserve for outstanding losses and claims. In terms of asset management, the risk associated with derivatives and investment in subprime-related assets is limited. Falling prices due to turmoil in the global markets has caused depreciation in overseas companies' CDO securities, against which we have posted a devaluation loss on securities of approximately ¥100 million.

As for the insurance underwriting business, although there was slight influence from natural catastrophes, such as typhoons, the underwriting balance ended in a deficit due to the provision for reserve for outstanding losses and claims related to financial securities insurance and increased operating expenses related to the execution of the Sampo Japan Regeneration Plan. In terms of asset management, interest and dividend income increased, mainly due to foreign investment funds.

## Overview of the Insurance Underwriting Business

Net premiums written in underwriting income decreased by 1.3% from the previous year to ¥1,345,025 million, while net losses paid in underwriting expenses decreased by 0.3% from the previous year to ¥804,131 million. The loss ratio rose by 0.8 percentage points from the previous year to 65.1%. Operating, general and administrative expenses associated with insurance underwriting increased by 12.4% to ¥223,547 million. The expense ratio rose by 2.0 percentage points from the previous year to 32.9%.

As a result, the net underwriting balance, obtained by deducting net losses paid, loss adjustment expenses, net commissions and brokerage fees, and operating, general and administrative expenses associated with insurance underwriting from net premiums written, decreased by ¥38,392 million from the previous year to ¥26,899 million. After adjustment for such items as deposits of premiums by policyholders, maturity refunds and dividends to policyholders, provision for reserve for outstanding losses and claims, and reversal of underwriting reserves, the final balance for underwriting showed a loss of ¥42,578 million.

### Fire and Allied Insurance

Affected by a fall in long-term contracts relating to housing loans, net premiums written decreased by 1.9% from the previous year to ¥145,999 million. The loss ratio fell by 16.4 percentage points year on year to 41.7% due to the slight influence from natural catastrophes, such as typhoons.

### Marine Insurance

Due to brisk movement in the import-export trade, net premiums written increased by 1.1% from the previous year to ¥31,384 million. The loss ratio rose by 0.1 percentage points year on year to 47.1%.

### Personal Accident Insurance

Buoyed by strong sales of group medical insurance, net premiums written increased by 0.6% from the previous year to ¥128,535 million. The loss ratio rose by 3.7 percentage points to 49.5%.

### Voluntary Automobile Insurance

A drop in both unit prices and the number of policies in the non-fleet contracts sector caused net premiums written to decrease by 1.7% from the previous year to ¥655,778 million. The loss ratio rose by 2.8 percentage points to 68.8%.

### Compulsory Automobile Liability Insurance

Due to a decrease in the number of new car purchases, net premiums written decreased by 1.8% from the previous year to ¥228,503 million. The loss ratio rose by 1.8 percentage points to 76.2%.

### Other Insurances

Although there were brisk sales of general liability insurance and other business-related products, net premiums written decreased by 0.4% from the previous year to ¥154,826 million due to a decrease in overseas income. The loss ratio rose by 5.5 percentage points to 71.7%.

### Net Losses Paid (Millions of yen) Loss Ratio (%)

Years ended March 31,	2008		2007		2006		2005	
	Net Losses Paid	Loss Ratio						
Fire and Allied Insurance	¥ 58,799	41.7%	¥ 84,100	58.1%	¥ 74,049	50.5%	¥126,893	86.3%
Marine Insurance	13,883	47.1%	13,623	47.0%	12,416	47.5%	12,987	55.2%
Personal Accident Insurance	58,704	49.5%	53,527	45.8%	48,052	41.3%	44,534	40.5%
Voluntary Automobile Insurance	405,981	68.8%	397,805	66.0%	393,717	63.6%	395,819	64.2%
Compulsory Automobile Liability Insurance	161,338	76.2%	160,849	74.4%	155,311	71.2%	133,212	60.5%
Other Insurances	105,426	71.7%	96,968	66.2%	92,497	65.6%	99,652	74.4%
Total	¥804,131	65.1%	¥806,872	64.3%	¥776,042	61.3%	¥813,097	64.8%

## Overview of Asset Management

Total assets at the end of the fiscal year under review decreased by ¥641,221 million from the previous year to ¥5,388,568 million. Investment assets, such as securities and loans, decreased by ¥649,788 million to ¥5,000,282 million.

Unrealized gains on securities and money trusts decreased by ¥666,231 million from a year earlier to ¥883,983 million. Unrealized gains on securities available for sale (in the net assets section) after deducting the corresponding value of corporate income taxes decreased by ¥428,711 million to ¥570,558 million.

With regard to asset management, we continued our efforts to strengthen and improve our risk management system and to attain greater investment efficiency, while paying sufficient attention to safety and liquidity.

During the fiscal year under review, total interest and dividend income increased by ¥21,981 million from the previous year to ¥135,606 million, due to a big increase in income gained through foreign currency-denominated investment funds and other funds. Investment income after adjustment for such items as realized gain on sales of securities and transfer of interest and dividend income on deposits of premiums, etc. increased by ¥38,760 million year on year to ¥145,196 million.

Investment expenses, such as devaluation loss on securities and realized loss on sales of securities, increased by ¥5,073 million from the previous year to ¥20,208 million.

#### Assets by Category (Millions of yen)

Years ended March 31,	2008	2007	2006	2005	2004
Cash	¥ 109,245	¥ 118,582	¥ 186,255	¥ 162,897	¥ 200,796
Short-Term Investments	210,662	158,938	120,185	47,568	171,178
Investments in Securities	3,937,922	4,673,746	4,546,230	3,866,653	3,491,036
Loans	506,054	483,417	448,525	463,126	521,734
Accrued Investment Income	10,397	12,454	12,580	13,184	11,671
Tangible Fixed Assets, at Cost	447,092	447,266	450,785	466,467	513,494
Less Accumulated Depreciation	(229,344)	(225,650)	(222,503)	(228,556)	(238,769)
Intangible Fixed Assets	758	762	—	—	—
Premiums Receivable and Agents' Balances	112,470	113,677	110,919	101,782	86,133
Reinsurance Balances Recoverable	110,507	109,868	116,602	120,175	117,426
Other Business Balances Receivable	9,335	8,962	9,620	11,889	9,596
Other Assets	186,321	149,445	175,590	155,199	152,357
Deferred Tax Assets	—	—	—	—	64,144
Reserve for Possible Loan Losses	(16,403)	(15,915)	(20,023)	(23,154)	(28,352)
Reserve for Possible Losses on Investment Securities	(6,448)	(5,763)	(4)	(150)	(159)
Total	¥5,388,568	¥6,029,789	¥5,934,761	¥5,157,080	¥5,072,285

#### Solvency Margin Ratio (%)

Years ended March 31,	2008	2007	2006	2005
Solvency Margin (a) (Millions of yen)	¥1,946,855	¥2,475,904	¥2,378,680	¥1,719,839
Risk Total (b) (Millions of yen)	438,486	490,115	420,688	321,187
Solvency Margin Ratio (c=a/(b/2))	887.9%	1,010.3%	1,130.9%	1,070.9%

## Ordinary Profit and Net Income

Ordinary income in fiscal 2007 came to ¥1,725,635 million, a ¥38,539 million increase from the previous year. Ordinary expenses increased by ¥56,990 million to ¥1,652,318 million, resulting in a year-on-year decrease in ordinary profit of ¥18,451 million to ¥73,317 million. After adjustments for such items as special gains and losses and current and deferred income taxes, net income resulted in ¥44,667 million, a decrease of ¥3,492 million year on year.

# Consolidated Financial Review

## Profit and Loss

In the non-life insurance industry, marine insurance and general liability insurance in the corporate business insurance sector showed strong performance during the fiscal year under review. However, tough market conditions prevailed for voluntary automobile insurance, suffering from underperformance in the new car market and the decline in unit price due to progression of no-claims bonuses. Conditions were also challenging in the area of fire and allied insurance, affected by a decrease in new home construction.

In asset management, ordinary income increased as interest and dividend income increased through a big increase in income gained through foreign currency-denominated investment funds. However, in the insurance underwriting business, both net premiums written and life insurance premiums written decreased. As a result, consolidated ordinary income decreased by ¥7,479 million year on year to ¥1,894,121 million.

Provisions for underwriting reserves fell significantly, but because of factors including an increase in operating, general and administrative expenses, ordinary expenses increased by ¥8,998 million from the previous year to ¥1,800,057 million.

Ordinary profit, calculated by deducting ordinary expenses from ordinary income, came to ¥94,064 million, a decrease of ¥16,477 million from the previous year. By type of business, the non-life insurance business reported ordinary profit of ¥79,550 million, while the life insurance business generated ¥14,514 million.

After adjustments for such items as special gains and losses, current and deferred income taxes and minority interest, net income resulted in ¥59,637 million, a decrease of ¥2,307 million year on year.

## Segment Review

In the non-life insurance business, our efforts were focused on improving the quality of services. This led to a decline in revenues from mainstay voluntary automobile insurance and fire and allied insurance, decreasing net premiums written by ¥17,923 million from the previous year to ¥1,368,740 million. Ordinary income (net premiums written plus investment income and other items) decreased by ¥14,007 million to ¥1,713,604 million. Although losses paid for damage from typhoons and other natural disasters was low, the provision for underwriting reserves increased, causing ordinary expenses to increase by ¥36,232 million from the previous year to ¥1,634,054 million. In response to the influence of the subprime loan crisis in the U.S., we have been offering guarantees for securitized paper as part of our financial security insurance, and have reserved approximately ¥30,000 million in reserve for outstanding losses and claims.

In the life insurance business, life insurance premiums written decreased by ¥25,162 million from the previous year, for reasons including sluggish sales of new insurance policies at Sampo Japan Himawari Life Insurance Co., Ltd. Ordinary income decreased by ¥23,090 million to ¥184,059 million as a result. Due to a decrease in the provision for underwriting reserves at Sampo Japan Himawari Life Insurance Co., Ltd., ordinary expenses decreased by ¥28,838 million year on year to ¥169,545 million.

## Financial Position

Net cash provided by operating activities decreased by ¥88,808 million from the previous year to ¥91,848 million due to a decrease in income from insurance premiums.

Net cash used in investing activities decreased by ¥176,438 million year on year to finish at ¥37,209 million. Factors behind this included an increase in sales and redemption of securities.

Due to an increase in dividends paid, net cash used in financing activities increased by ¥2,998 million year on year to ¥15,902 million.

As a result, cash and cash equivalents at the end of the fiscal year under review was ¥319,999 million, an increase of ¥37,890 million compared with the end of the previous fiscal year.

# CONSOLIDATED FINANCIAL STATEMENTS

## Report of Independent Auditors

**The Board of Directors  
Sompo Japan Insurance Inc.**

We have audited the accompanying consolidated balance sheets of Sompo Japan Insurance Inc. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sompo Japan Insurance Inc. and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years 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 yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

*Ernst & Young ShinNihon*

June 25, 2008

# Consolidated Balance Sheets

Sompo Japan Insurance Inc. March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
<b>ASSETS</b>			
Cash (Note 11)	¥ 140,250	¥ 169,665	\$ 1,399,701
Short-term investments (Notes 3 and 11)	233,177	174,785	2,327,116
Investments in securities (Notes 4 and 11)	4,846,949	5,486,282	48,372,744
Loans (Note 5)	519,618	494,867	5,185,808
Accrued investment income	15,544	16,912	155,130
Tangible fixed assets, at cost (Note 6)	451,600	451,485	4,506,986
Less accumulated depreciation	(231,064)	(227,606)	(2,306,028)
	220,536	223,879	2,200,958
Intangible fixed assets	26,429	28,340	263,762
Insurance business balances receivable:			
Premiums receivable and agents' balances	122,092	122,764	1,218,483
Reinsurance balances recoverable	115,884	114,984	1,156,527
Other	9,588	9,116	95,689
	247,564	246,864	2,470,699
Other assets	207,024	168,346	2,066,108
Deferred tax assets (Note 7)	10,907	9,051	108,852
Reserve for possible loan losses	(17,264)	(16,807)	(172,295)
Reserve for possible losses on investment securities	—	(4)	—
<b>Total assets</b>	<b>¥6,450,734</b>	<b>¥7,002,180</b>	<b>\$64,378,583</b>

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Underwriting funds:			
Reserve for outstanding losses and claims	¥ 748,553	¥ 698,476	\$ 7,470,589
Underwriting reserves	4,221,266	4,193,207	42,128,403
	4,969,819	4,891,683	49,598,992
Insurance business balances payable:			
Reinsurance balances payable	74,443	93,862	742,944
Other	4,919	5,631	49,092
	79,362	99,493	792,036
Accrued taxes	44,850	22,997	447,605
Accrued severance benefits (Note 8)	96,517	94,960	963,244
Reserve for officers' retirement allowances	2,503	—	24,980
Reserve for decline in value of assets	37,909	30,700	378,333
Other liabilities	135,359	128,438	1,350,888
Deferred tax liabilities (Note 7)	13,239	279,165	132,126
Total liabilities	5,379,558	5,547,436	53,688,204
Net assets (Note 10):			
Common stock:			
Authorized 2,000,000,000 shares, issued 987,733,424 shares in 2007 and 2008	70,000	70,000	698,603
Additional paid-in capital	24,241	24,230	241,926
Retained earnings (Note 9)	407,051	362,683	4,062,385
Treasury stock, 3,266,091 shares in 2007 and 3,181,995 shares in 2008, at cost	(2,843)	(2,833)	(28,373)
Total shareholders' equity	498,449	454,080	4,974,541
Unrealized gains on securities available for sale	571,377	998,702	5,702,365
Translation adjustments	246	1,092	2,455
Stock options (Note 16)	558	315	5,569
Minority interests	546	555	5,449
Total net assets	1,071,176	1,454,744	10,690,379
Total liabilities and net assets	¥6,450,734	¥7,002,180	\$64,378,583

See accompanying notes to consolidated financial statements.



# Consolidated Statements of Changes in Net Assets

Sumitomo Mitsui Insurance Inc. For the years ended March 31, 2008 and 2007

	Thousands	Millions of yen							
	Thousands of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unrealized gains on securities available for sale	Translation adjustments	Stock options	Minority interests
<b>Balance at March 31, 2006</b>	987,733	¥70,000	¥24,230	¥313,357	¥(2,857)	¥959,486	¥(2,633)	¥ –	¥470
Net income	–	–	–	61,944	–	–	–	–	–
Cash dividends	–	–	–	(12,795)	–	–	–	–	–
Other increase in retained earnings	–	–	–	198	–	–	–	–	–
Increase in treasury stock – net	–	–	–	(21)	24	–	–	–	–
Changes in other than shareholders' equity, net	–	–	–	–	–	39,216	3,725	315	85
Total changes	–	–	–	49,326	24	39,216	3,725	315	85
<b>Balance at March 31, 2007</b>	987,733	70,000	24,230	362,683	(2,833)	998,702	1,092	315	555
Net income	–	–	–	59,637	–	–	–	–	–
Cash dividends	–	–	–	(15,752)	–	–	–	–	–
Other increase in retained earnings	–	–	–	483	–	–	–	–	–
Increase in treasury stock – net	–	–	11	–	(10)	–	–	–	–
Changes in other than shareholders' equity, net	–	–	–	–	–	(427,325)	(846)	243	(9)
Total changes	–	–	11	44,368	(10)	(427,325)	(846)	243	(9)
<b>Balance at March 31, 2008</b>	<b>987,733</b>	<b>¥70,000</b>	<b>¥24,241</b>	<b>¥407,051</b>	<b>¥(2,843)</b>	<b>¥571,377</b>	<b>¥ 246</b>	<b>¥558</b>	<b>¥546</b>

	Thousands of U.S. dollars (Note 2)								
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unrealized gains on securities available for sale	Translation adjustments	Stock options	Minority interests	
<b>Balance at March 31, 2007</b>	\$698,603	\$241,816	\$3,619,591	\$(28,273)	\$9,967,086	\$10,898	\$3,144	\$5,539	
Net income	–	–	595,180	–	–	–	–	–	
Cash dividends	–	–	(157,206)	–	–	–	–	–	
Other increase in retained earnings	–	–	4,820	–	–	–	–	–	
Increase in treasury stock – net	–	110	–	(100)	–	–	–	–	
Changes in other than shareholders' equity, net	–	–	–	–	(4,264,721)	(8,443)	2,425	(90)	
Total changes	–	110	442,794	(100)	(4,264,721)	(8,443)	2,425	(90)	
<b>Balance at March 31, 2008</b>	<b>\$698,603</b>	<b>\$241,926</b>	<b>\$4,062,385</b>	<b>\$(28,373)</b>	<b>\$5,702,365</b>	<b>\$ 2,455</b>	<b>\$5,569</b>	<b>\$5,449</b>	

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Sompo Japan Insurance Inc. For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
<b>Operating activities</b>			
Income before income taxes and minority interests	¥ 89,057	¥ 94,453	\$ 888,792
Depreciation	10,640	10,020	106,188
Impairment loss	—	791	—
Net amortization of excess of cost of investments over net assets acquired in subsidiaries	1,885	1,874	18,812
Increase (decrease) in reserve for outstanding losses and claims	50,733	(54)	506,317
Increase in underwriting reserves	27,746	89,221	276,906
Net provision for (reversal of) reserve for possible loan losses	449	(4,105)	4,481
Reversal of reserve for possible losses on investment securities	(4)	—	(40)
Provision for accrued severance benefits	1,514	3,780	15,110
Provision for reserve for officers' retirement allowances	2,503	—	24,980
Provision for reserve for decline in value of assets	7,208	6,642	71,936
Increase in other reserves	784	692	7,824
Total interest and dividend income	(157,103)	(132,127)	(1,567,894)
Profit on securities	(32,492)	(25,788)	(324,271)
Interest expense	146	213	1,457
Loss on loans	69	1,567	689
Equity in losses of affiliates	1,644	1,311	16,407
Other, net	(27,640)	31,187	(275,848)
Subtotal	(22,861)	79,677	(228,154)
Interest and dividends received	153,576	132,183	1,532,695
Interest paid	(142)	(213)	(1,417)
Income taxes paid	(38,725)	(30,991)	(386,477)
Net cash provided by operating activities	91,848	180,656	916,647
<b>Investing activities</b>			
Net increase in short-term investments	(1,043)	(23,312)	(10,409)
Purchases of investment securities	(793,731)	(686,505)	(7,921,467)
Proceeds from sales or maturity of investment securities	802,743	545,924	8,011,407
Loans made	(187,482)	(200,543)	(1,871,078)
Collection of loans	162,356	162,133	1,620,319
Purchases of tangible fixed assets	(9,549)	(7,158)	(95,299)
Proceeds from sales of tangible fixed assets	3,392	5,016	33,852
Other, net	(13,895)	(9,202)	(138,672)
Net cash used in investing activities	(37,209)	(213,647)	(371,347)
<b>Financing activities</b>			
Purchases of treasury stock	(256)	(394)	(2,555)
Proceeds from sales of treasury stock	257	397	2,565
Dividends paid	(15,735)	(12,787)	(157,036)
Dividends paid to minority shareholders	(87)	(1)	(868)
Other, net	(81)	(119)	(809)
Net cash used in financing activities	(15,902)	(12,904)	(158,703)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(847)</b>	<b>1,850</b>	<b>(8,453)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>37,890</b>	<b>(44,045)</b>	<b>378,144</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>282,109</b>	<b>326,154</b>	<b>2,815,459</b>
<b>Cash and cash equivalents at end of year (Note 11)</b>	<b>¥ 319,999</b>	<b>¥ 282,109</b>	<b>\$ 3,193,603</b>

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Sompo Japan Insurance Inc. March 31, 2008

## 1. Significant Accounting Policies

### (1) Basis of preparation

Sompo Japan Insurance Inc. (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements on the basis of the statutory accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

### (2) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The excess of cost of investments over net assets acquired in consolidated subsidiaries at their acquisition dates is amortized within twenty years on a straight-line basis.

### (3) Foreign currency translation

Revenue and expense accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, and, except for the components of shareholders' equity, the balance sheet accounts are also translated at the same exchange rates. The components of shareholders' equity are translated at the historical exchange rates.

### (4) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

### (5) Investments in securities

Trading securities are carried at fair value and held-to-maturity bonds are carried at amortized cost. Underwriting-Reserve-matching-bonds are carried at amortized cost in accordance with the Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Underwriting-Reserve-matching-bonds in the Insurance Industry" issued by the Japanese Institute of Certified Public Accountants. Sompo Japan Himawari Life Insurance Co., Ltd. previously established "Nonparticipating insurance policies on the general account with remaining period less than 20 years" as a subcategory to manage the interest exposure and achieved the duration matching of Underwriting-Reserve-matching-bonds with underwriting reserve in the subcategory. As a result of National Tax Authority's review of the tax treatment of premiums for increasing term products, the Company suspended the sale of these products effective April 1, 2007. This changed in the assumptions for the subcategory and also increased in volatility and uncertainty of duration of underwriting reserves. Therefore, this subcategory was closed and all Underwriting-Reserve-matching-bonds in the subcategory were transferred to securities available for sale. This transfer resulted in increase in investments in securities by ¥2,190 million (\$21,856 thousand), unrealized gains on securities available for sale by ¥1,397 million (\$13,942 thousand), and decrease in deferred tax assets by ¥793 million (\$7,914 thousand) for the year ended March 31, 2008. Marketable securities available for sale are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities available for sale are carried at cost or amortized cost. Shares of unconsolidated subsidiaries and affiliated companies are stated at cost. Cost of securities sold is determined by the moving average method.

When an impairment of an investment in non-marketable securities is considered not to be recovered in a reasonable period, the amounts of the securities are written down to their estimated realizable value and the impairment is treated as a realized loss on an investment in the consolidated financial statements.

Securities held by the foreign consolidated subsidiaries are primarily stated at fair value.

## **(6) Derivative financial instruments and hedge accounting**

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for hedge accounting under which unrealized gain or loss is not charged to or credited to operations.

The Company applies fair value hedges to equity swaps entered into for the hedge of the future price fluctuation risk arising from the investment in equity securities.

The Company reviews the hedge effectiveness on a regular basis and examines whether designated derivatives are highly effective in offsetting changes in fair value of hedged items for the period from the inception of the hedging instruments to date.

## **(7) Depreciation**

Depreciation of tangible fixed assets of the Company and the domestic consolidated subsidiaries is computed by the declining-balance method, except for buildings acquired in Japan subsequent to March 31, 1998 on which depreciation is computed by the straight-line method at rates based on the estimated useful lives of the respective assets.

Effective the year ended March 31, 2008, the Company and the domestic consolidated subsidiaries changed depreciation of tangible fixed assets in accordance with revisions to the Corporate Income Tax Law.

The depreciation of tangible fixed assets acquired on and after April 1, 2007 is calculated based on the revised Corporate Income Tax Law. Due to this change, "Ordinary profit" and "Income before income taxes and minority interests" were decreased by ¥262 million (\$2,615 thousand) for the year ended March 31, 2008.

For the tangible fixed assets, which are acquired on and before March 31, 2007 and depreciated to the 5% of the acquisition cost, the previous salvage value, under the previous Corporate Income Tax Law, the previous salvage value is amortized by the straight-line method over five years from the following business period when their book value has reached 5% of the acquisition cost. The effect of this change is recorded as "Loss adjustment expenses" and "Operating, general and administrative expenses" and due to this change, "Ordinary profit" and "Income before income taxes and minority interests" were decreased by ¥523 million (\$5,220 thousand) for the year ended March 31, 2008.

Depreciation of tangible fixed assets of the foreign consolidated subsidiaries is computed by the straight-line method.

## **(8) Reserve for outstanding losses and claims**

In accordance with the regulations of Insurance Business Law, the reserve for outstanding losses and claims, which represents the accumulation of the estimates for reported losses and includes provision for losses incurred but not reported (IBNR), has been established at an amount estimated to be sufficient, in the opinion of management, to discharge of all losses and claims incurred.

The scope of insurance contracts for which the Company provides IBNR reserves includes all lines of business of the Company except for compulsory automobile liability insurance and earthquake insurance, for which a premium reserve is calculated pursuant to the provisions of the Insurance Business Law and the related rules and regulations as stated in Note 1.(9). Furthermore, the Company is required to perform an analysis to categorize each line of business into long-tail lines of business or short-tail lines of business based on the loss development patterns, and if a line of business is determined as long-tail and material as a result of the Company's analysis, IBNR reserves for the line of business have been calculated based on the actuarial and statistical methods using the incurred and paid claims data by accident year. The IBNR reserves for the short-tail lines of business or the lines of business deemed immaterial have been calculated by a formula which approximates the estimated IBNR reserves based on the actual claims experience in a certain period of time in the past in accordance with the Insurance Business Law.

## **(9) Underwriting reserves**

Pursuant to the provisions of the Insurance Business Law and the related rules and regulations, the Company and the consolidated insurance subsidiaries in Japan are required to maintain underwriting reserves mainly calculated as follows:

### **(a) Premium reserve**

#### ***Insurance other than compulsory automobile liability insurance and earthquake insurance:***

The amount which is the greater of the unearned premiums or the underwriting balance at the end of the year for policies written during the year, by lines of business and types of policy.

#### ***Compulsory automobile liability insurance:***

The accumulated total sum of the premiums written less the losses and claims incurred, and the related net investment income less the related income taxes and 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:***

The accumulated total sum of the premiums written less the losses, claims incurred and net underwriting expense, and the related net investment income less income taxes.

***Catastrophe reserve:***

In addition to the above, in order to provide for any extraordinary risks which might arise from a catastrophe, the Company is required, under the standards for accounting practices of property and casualty insurance companies in Japan, to accumulate a catastrophe reserve at least calculated at rates varying by line of business and ranging from 3% to 4% of the net premiums written, except for nuclear energy insurance, for which the provision is calculated at 50%.

**(b) Policyholders' deposit funds**

Underwriting reserves include premium reserve and policyholders' deposit funds for long-term saving type products. Policyholders' deposit funds for long-term saving type products represent an accumulation of account deposits and credited income.

**(10) Policy acquisition costs**

The costs of acquiring and renewing business, which include agent commission and certain other costs directly related to the acquisition of business, are expensed when incurred as the Insurance Business Law in Japan does not permit insurance companies to defer and amortize these costs.

**(11) Income taxes**

Deferred tax assets and liabilities were initially recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax basis of the assets and liabilities, and were measured using the enacted tax rates and laws which would be in effect when the differences were expected to reverse.

**(12) Accrued severance benefits**

An employee whose employment is terminated is entitled, in most cases, to a lump-sum payment, the amount of which is determined by reference to the current basic rate of pay, length of service and conditions under which the termination occurs.

In addition to the lump-sum severance benefit plan, the Company and domestic consolidated subsidiaries have a defined benefit pension plan covering substantially all their employees.

Accrued retirement benefits for employees at March 31, 2008 and 2007 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of March 31, 2008 and 2007, as adjusted for unrecognized actuarial loss, and unrecognized loss on plan amendments.

Actuarial loss and prior service cost are amortized principally by the straight-line method over certain years within the average remaining years of service of the eligible employees.

**(13) Reserve for officers' retirement allowances**

Effective year ended March 31, 2008, the Company and the domestic consolidated subsidiaries presented separately reserve for officers' retirement allowance which was formerly included in "Accrued severance benefits", due to the issuance of the Audit and Assurance Practice Committee Report No.42 "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" issued by the Japanese Institute of Certified Public Accountants.

The Company and the domestic consolidated subsidiaries record reserve for officers' retirement allowances, based on internal regulations, at the amount payable if the officers terminated their services at the end of the year.

**(14) Reserve for possible loan losses**

The Company and the consolidated insurance subsidiaries in Japan provide a reserve for possible loan losses pursuant to their internal rules for self-assessment of asset quality and for providing reserves for possible credit losses.

For loans to borrowers who are classified as substantially bankrupt or who are bankrupt in the formal legal sense, a reserve is provided at 100% of the amount remaining after deduction of the estimated recoverable amounts from the disposal of collateral and from guarantees.

For loans to borrowers who, although neither substantially bankrupt nor bankrupt in the legal sense, have experienced serious management difficulties and whose failure is imminent, a reserve is provided at an amount deemed necessary out of that remaining after deduction of the disposal of collateral and from guarantees.

For loans to borrowers whose loan repayment capability is deemed uncertain in the light of their earnings and financial condition, a reserve is provided at an amount based on the estimated bad debt expenses over the following three years.

The classification of borrowers and calculation of provision for possible loan losses are based on the result of the self-assessment, which is performed in accordance with the Company's internal policy and guidelines and is independently reviewed by internal audit unit.

For other loans, a reserve is provided based on their historical loan loss experience.

The reserve relating to loans to certain developing countries is provided based on the prospective loss after consideration of the relevant country's political and economic situations, etc.

The other consolidated subsidiaries provide reserves at amounts deemed sufficient to cover their estimated future losses on individual accounts.

#### **(15) Reserve for possible losses on investment securities**

Reserve for possible losses on investment securities is based on the estimated possible losses on non-marketable investment securities.

#### **(16) Reserve for decline in value of assets**

In accordance with the Insurance Business Law, the Company and the consolidated insurance subsidiaries in Japan are required to set aside a reserve to cover any declines in the value of their assets at an amount calculated at rates varying by type of asset and, in case permission is granted by the Prime Minister of Japan, able to exclude all or a portion of this amount from such accounting treatment. Also, the Company and the consolidated insurance subsidiaries in Japan may reduce this reserve by an amount equivalent to the net loss resulting from reappraisals and sales of property and securities or from operations, or by a specified amount permitted by the Commissioner of Financial Services Agency for other reasons.

#### **(17) Amounts per share**

Basic 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 is computed based on the weighted average number of shares of common stock outstanding and potential shares outstanding at the end of each fiscal year.

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

#### **(18) Leases**

The Company and consolidated subsidiaries lease certain equipment under noncancelable lease agreements and account for them as finance leases. Finance leases other than those which transfer the ownership of the leased property to the Company and consolidated subsidiaries are accounted for as operating leases.

#### **(19) Amortization of software costs**

Amortization of software costs of a domestic consolidated subsidiary is computed by the straight-line method based on the estimated useful life.

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## **2. U.S. Dollar Amounts**

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥100.20 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2008. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

### 3. Short-Term Investments

Short-term investments as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Time deposits	¥ 32,003	¥ 26,356	\$ 319,391
CP under resale agreements	47,947	28,966	478,513
Money trusts	39,430	47,964	393,513
Call loans	108,800	69,000	1,085,829
Commercial paper	4,997	2,499	49,870
	¥233,177	¥174,785	\$2,327,116

The cost and related aggregate market values of money trusts as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cost	¥42,910	¥42,902	\$428,244
Market value	39,430	47,964	393,513
Net unrealized (loss) gain	¥ (3,480)	¥ 5,062	\$ (34,731)

The Company and its domestic consolidated subsidiaries recognized devaluation loss on marketable securities available for sale included in money trust if the market value is declined by 30% or more of their cost on the balance sheet date.

Devaluation loss on marketable securities available for sale included in money trust as of March 31, 2008 and 2007 were ¥1,849 million (\$18,453 thousand) and ¥24 million, respectively.

### 4. Investments in Securities

The components of investments in securities as of March 31, 2008 and 2007 and their fair value and other related information by holding intentions are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Domestic securities:			
Bonds	¥2,261,848	¥2,089,612	\$22,573,333
Stocks	1,435,334	2,017,946	14,324,691
Foreign securities	1,053,586	1,263,527	10,514,830
Other securities	96,181	115,197	959,890
	¥4,846,949	¥5,486,282	\$48,372,744

a) Trading securities included in investments in securities as of March 31, 2008 and 2007 were ¥13,251 million (\$132,246 thousand) and ¥14,846 million, respectively.

b) Information regarding marketable securities classified as held-to-maturity bonds as of March 31, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
	Carrying value	Market value	Unrealized gain (loss)	Carrying value	Market value	Unrealized gain (loss)
Securities whose market value exceeds their carrying value:						
Domestic bonds	¥600,010	¥614,427	¥14,417	¥295,052	¥298,373	¥ 3,321
Foreign bonds	63,909	64,991	1,082	106,636	108,524	1,888
Subtotal	663,919	679,418	15,499	401,688	406,897	5,209
Securities whose carrying value exceeds their market value:						
Domestic bonds	62,831	62,229	(602)	242,100	238,159	(3,941)
Foreign bonds	37,196	35,829	(1,367)	12,123	12,070	(53)
Subtotal	100,027	98,058	(1,969)	254,223	250,229	(3,994)
Total	¥763,946	¥777,476	¥13,530	¥655,911	¥657,126	¥ 1,215

	Thousands of U.S. dollars		
	2008		
	Carrying value	Market value	Unrealized gain (loss)
Securities whose market value exceeds their carrying value:			
Domestic bonds	\$5,988,124	\$6,132,006	\$143,882
Foreign bonds	637,814	648,613	10,799
Subtotal	6,625,938	6,780,619	154,681
Securities whose carrying value exceeds their market value:			
Domestic bonds	627,056	621,048	(6,008)
Foreign bonds	371,218	357,575	(13,643)
Subtotal	998,274	978,623	(19,651)
Total	\$7,624,212	\$7,759,242	\$135,030

c) Information regarding Underwriting-Reserve-matching-bonds as of March 31, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
	Carrying value	Market value	Unrealized gain (loss)	Carrying value	Market value	Unrealized gain (loss)
Securities whose market value exceeds their carrying value:						
Domestic bonds	—	—	—	¥ 72,210	¥ 73,255	¥1,045
Securities whose carrying value exceeds their market value:						
Domestic bonds	—	—	—	83,736	82,972	(764)
	—	—	—	¥155,946	¥156,227	¥ 281

	Thousands of U.S. dollars		
	2008		
	Carrying value	Market value	Unrealized gain (loss)
Securities whose market value exceeds their carrying value:			
Domestic bonds	—	—	—
Securities whose carrying value exceeds their market value:			
Domestic bonds	—	—	—
	—	—	—

d) Information regarding marketable securities available for sale as of March 31, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
	Cost	Market value	Unrealized gain (loss)	Cost	Market value	Unrealized gain (loss)
Securities whose market value exceeds their cost:						
Domestic securities:						
Bonds	¥1,266,716	¥1,296,996	¥ 30,280	¥ 542,376	¥ 555,335	¥ 12,959
Stocks	491,382	1,284,076	792,694	542,757	1,891,212	1,348,455
Foreign securities	389,556	491,332	101,776	735,099	907,051	171,952
Other securities	76,886	88,301	11,415	62,575	86,626	24,051
Subtotal	2,224,540	3,160,705	936,165	1,882,807	3,440,224	1,557,417
Securities whose cost exceeds their market value:						
Domestic securities:						
Bonds	299,605	296,111	(3,494)	843,464	834,990	(8,474)
Stocks	111,035	97,001	(14,034)	75,456	71,435	(4,021)
Foreign securities	362,925	336,747	(26,178)	136,886	135,654	(1,232)
Other securities	34,260	32,090	(2,170)	26,883	26,574	(309)
Subtotal	807,825	761,949	(45,876)	1,082,689	1,068,653	(14,036)
Total	¥3,032,365	¥3,922,654	¥890,289	¥2,965,496	¥4,508,877	¥1,543,381

	Thousands of U.S. dollars		
	2008		
	Cost	Market value	Unrealized gain (loss)
Securities whose market value exceeds their cost:			
Domestic securities:			
Bonds	\$12,641,876	\$12,944,072	\$ 302,196
Stocks	4,904,012	12,815,130	7,911,118
Foreign securities	3,887,785	4,903,513	1,015,728
Other securities	767,325	881,247	113,922
Subtotal	22,200,998	31,543,962	9,342,964
Securities whose cost exceeds their market value:			
Domestic securities:			
Bonds	2,990,070	2,955,200	(34,870)
Stocks	1,108,134	968,074	(140,060)
Foreign securities	3,622,006	3,360,749	(261,257)
Other securities	341,916	320,259	(21,657)
Subtotal	8,062,126	7,604,282	(457,844)
<b>Total</b>	<b>\$30,263,124</b>	<b>\$39,148,244</b>	<b>\$8,885,120</b>

The Company and its domestic consolidated subsidiaries recognized devaluation loss on marketable securities available for sale if the market value is declined by 30% or more of their cost on the balance sheet date. Devaluation losses on marketable securities available for sale for the years ended March 31, 2008 and 2007 were ¥7,174 million (\$71,597 thousand) and ¥2,715 million, respectively.

e) Underwriting-Reserve-matching-bonds sold during each year were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Proceeds from sales	¥42,506	—	\$424,212
Gain on sales	506	—	5,050
Loss on sales	—	—	—

f) Securities available for sale sold during each year were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Proceeds from sales	¥365,551	¥259,515	\$3,648,214
Gain on sales	40,596	30,123	405,150
Loss on sales	1,120	1,982	11,178

g) The redemption schedules as of March 31, 2008 and 2007 for securities available for sale, held-to-maturity bonds and Underwriting-Reserve-matching-bonds with maturity date were as follows:

	Millions of yen							
	2008				2007			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Domestic securities:								
Government bonds	¥ 94,222	¥ 477,653	¥223,573	¥547,649	¥ 38,800	¥ 446,174	¥200,424	¥441,080
Municipal bonds	29,509	61,841	61,848	1,000	33,335	82,855	80,330	2,407
Corporate bonds	80,123	316,422	208,912	154,200	91,254	262,506	280,597	124,971
Foreign bonds	49,215	274,852	142,287	101,011	89,414	285,314	191,004	128,224
Other securities	6,083	9,865	9,251	29,427	4,665	10,739	9,701	4,099
<b>Total</b>	<b>¥259,152</b>	<b>¥1,140,633</b>	<b>¥645,871</b>	<b>¥833,287</b>	<b>¥257,468</b>	<b>¥1,087,588</b>	<b>¥762,056</b>	<b>¥700,781</b>

	Thousands of U.S. dollars			
	2008			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Domestic securities:				
Government bonds	\$ 940,339	\$ 4,766,996	\$2,231,267	\$5,465,559
Municipal bonds	294,501	617,176	617,246	9,980
Corporate bonds	799,631	3,157,904	2,084,950	1,538,922
Foreign bonds	491,168	2,743,034	1,420,030	1,008,094
Other securities	60,708	98,453	92,325	293,683
<b>Total</b>	<b>\$2,586,347</b>	<b>\$11,383,563</b>	<b>\$6,445,818</b>	<b>\$8,316,238</b>

h) Total interest and dividend income for the years ended March 31, 2008 and 2007 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Interest on bank deposits	¥ 979	¥ 879	\$ 9,771
Interest on CP under resale agreements	580	198	5,788
Interest on call loans	649	208	6,477
Interest and dividends on securities	138,613	114,320	1,383,363
Interest on loans	9,165	8,193	91,467
Income from real estate	5,314	5,266	53,034
Total income from investment assets	155,300	129,064	1,549,900
Interest on other assets	1,803	3,063	17,994
<b>Total interest and dividend income</b>	<b>¥157,103</b>	<b>¥132,127</b>	<b>\$1,567,894</b>
Presentation in the consolidated statements of income:			
Interest and dividend income on deposits of premiums, etc.	¥ 46,608	¥ 45,826	\$ 465,150
Interest and dividend income	110,495	86,301	1,102,744
<b>Total interest and dividend income</b>	<b>¥157,103</b>	<b>¥132,127</b>	<b>\$1,567,894</b>

## 5. Loans

As of March 31, 2008 and 2007, the balances of loans included the following risk-monitored loans:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Loans to borrowers in bankruptcy	¥ 153	¥ 612	\$ 1,527
Overdue loans	2,228	2,256	22,236
Loans overdue for three months or more	—	8	—
Restructured loans	838	5,181	8,363
	¥3,219	¥8,057	\$32,126

Loans to borrowers in bankruptcy represent non-accrual loans to borrowers who are legally bankrupt as defined in Article 96-1-3 and 4 of the Corporate Income Tax Law Enforcement Regulation (Article 97 of 1965 Cabinet Order).

Overdue loans represent non-accrual loans other than (i) Loans to borrowers in bankruptcy and (ii) loans of which payments of interest are deferred in order to assist or facilitate the restructuring of borrowers in financial difficulties.

Loans overdue for three months or more represent loans on which the payment of principal and/or interest has not been received for three months or more from the due date, and which are not included in loans to borrowers in bankruptcy or overdue loans.

Restructured loans are loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.) and are not classified in any of the above categories.

## 6. Tangible Fixed Assets

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
	2008	2007	2008
Land	¥ 104,929	¥ 105,533	\$ 1,047,196
Buildings	284,235	284,732	2,836,677
Furniture and equipment	60,649	60,557	605,279
Construction in progress	1,787	663	17,834
	451,600	451,485	4,506,986
Less accumulated depreciation	(231,064)	(227,606)	(2,306,028)
	¥ 220,536	¥ 223,879	\$ 2,200,958

## 7. Income Taxes

Income taxes applicable to the Company include corporation and inhabitants' taxes, which, in the aggregate, resulted in statutory tax rates of approximately 36.09% for 2008 and 2007, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The provision for income taxes incurred is different from what would be obtained by applying the statutory tax rates to income before income taxes and minority interests due to the permanent difference and other items.

A reconciliation of effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2008 and 2007 to the statutory tax rate was as follows:

	2008	2007
Statutory tax rate	36.09%	36.09%
Effect of:		
Permanently nontaxable dividends received	(6.81)	(5.00)
Permanently nondeductible expenses	1.28	1.17
Change in valuation allowance	0.77	—
Amortization of excess of net assets acquired over cost of investment	0.76	0.72
Inhabitants' per capita taxes	—	0.57
Other, net	0.86	0.76
Effective tax rate	32.95%	34.31%

Deferred tax assets and liabilities as of March 31, 2008 and 2007 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets (liabilities):			
Underwriting reserves	¥ 188,288	¥ 181,531	\$ 1,879,122
Reserve for outstanding losses and claims	42,607	27,813	425,219
Accrued severance benefits	34,717	34,075	346,477
Devaluation loss on securities and real estate	33,728	30,858	336,607
Intangible fixed assets in tax matters	18,187	14,165	181,507
Tax loss carryforward	7,983	10,019	79,671
Unrealized gains on securities available for sale	(314,748)	(551,128)	(3,141,198)
Other, net	29,897	25,530	298,373
Valuation allowance	(42,991)	(42,977)	(429,052)
Net deferred tax liabilities	¥ (2,332)	¥ (270,114)	\$ (23,274)

## 8. Accrued Severance Benefits

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2008 and 2007 for the Company's and the consolidated subsidiaries' severance benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Retirement benefit obligation	¥(120,592)	¥(125,124)	\$ (1,203,513)
Plan assets at fair value	4,131	10,201	41,227
Unfunded retirement benefit obligation	(116,461)	(114,923)	(1,162,286)
Unrecognized actuarial loss	22,443	21,873	223,982
Unrecognized prior service costs	(2,499)	(1,910)	(24,940)
Net retirement benefit obligation	(96,517)	(94,960)	(963,244)
Accrued severance benefits	¥ (96,517)	¥ (94,960)	\$ (963,244)

Reserve for officers' retirement allowances (including pensions) which were included in accrued severance benefits amounted to ¥1,381 million for the year ended March 31, 2007.

The components of severance benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥ 4,521	¥ 6,992	\$ 45,120
Interest cost	1,735	1,848	17,315
Expected return on plan assets	—	(125)	—
Amortization of actuarial loss	3,754	3,176	37,465
Prior service costs	617	3,291	6,158
Subtotal	10,627	15,182	106,058
Payment into the defined contribution type pension plan	2,500	2,328	24,950
Total	¥13,127	¥17,510	\$131,008

The assumptions used in accounting for the above plans for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Discount rates	1.5%	1.5 ~ 2.0%
Expected return on plan assets	0.0%	4.5%

## 9. Retained Earnings

In accordance with the Insurance Business Law of Japan, the Company has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Insurance Business Law of Japan provides that an amount equal to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital equals 100% of the common stock. The legal reserve amounted to ¥32,150 million (\$320,858 thousand) and ¥29,000 million as of March 31, 2008 and 2007, respectively.

## 10. Changes in Net Assets

Types and numbers of issued shares and treasury stocks were as follows:

	Thousands of Shares			Shares issued at March 31, 2008
	Shares issued at March 31, 2007	Increase in shares	Decrease in shares	
Issued shares				
Common shares	987,733	—	—	987,733
Treasury stocks				
Common shares	3,266	195	279	3,182

The following dividend was paid during the year ended March 31, 2008.

	Millions of yen	Thousands of U.S. dollars
Cash dividend (¥16.0 = \$0.160 per share)	¥15,751	\$157,196

The following appropriation of retained earnings was approved at the meeting of the shareholders held on June 25, 2008.

	Millions of yen	Thousands of U.S. dollars	Record date	Effective date
Cash dividend (¥20.0 = \$0.200 per share)	¥19,691	\$196,517	March 31, 2008	June 26, 2008

## 11. Cash and Cash Equivalents

A reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows to "Cash" in the consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash	¥ 140,250	¥ 169,665	\$ 1,399,701
Short-term investments	233,177	174,785	2,327,116
Investments in securities	4,846,949	5,486,282	48,372,744
Short-term investments other than cash equivalents	(59,990)	(69,647)	(598,703)
Investments in securities other than cash equivalents	(4,840,387)	(5,478,976)	(48,307,255)
Cash and cash equivalents	¥ 319,999	¥ 282,109	\$ 3,193,603

## 12. Impairment of Fixed Assets

### (1) Method of grouping

The Company and the consolidated subsidiaries group their fixed assets by purposes of use and measure impairment loss for each of the group. Assets for insurance business operations are classified as a group. Lease assets and unused property, such as a building for lease, computer center and company housing etc., are classified as other groups based on identifiable cash flows.

### (2) The circumstances causing the impairment losses

The Company has accomplished its organization restructuring and its sales reorganization that resulted in some business premises being redundant.

Accordingly, the Company changed the purpose of these business premises into for lease or unused. Recoverable amount of some of these business premises significantly declined from their carrying value and impairment losses were recognized.

### (3) Impairment loss

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

		Millions of yen		
		2008		
Purpose of use	Asset group	Land	Buildings	Total
		—	—	—

		Millions of yen		
		2007		
Purpose of use	Asset group	Land	Buildings	Total
Lease assets	2 groups (Fukuoka Tenjin Building, etc.)	¥274	¥517	¥791

		Thousands of U.S. dollars		
		2008		
Purpose of use	Asset group	Land	Buildings	Total
		—	—	—

### (4) Recoverable amount

The impairment loss is recognized when carrying amount of property exceeds its recoverable amount. Recoverable amount used for the measurement of impairment loss on lease assets is determined at net realizable value on sale. Net realizable values are determined based on real estate appraisal and tax basis value. Recoverable amount for unused assets is determined at net realizable value on sale.

### 13. Leases

The following pro forma amounts represented the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2008 and 2007, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Furniture and equipment:			
Acquisition costs	¥4,292	¥2,694	\$42,834
Accumulated depreciation	1,437	1,282	14,341
Accumulated impairment loss	—	—	—
Net book value	¥2,855	¥1,412	\$28,493

Lease payments relating to finance leases accounted for as operating leases amounted to ¥859 million (\$8,573 thousand) and ¥631 million for the years ended March 31, 2008 and 2007, respectively.

Future minimum lease payments subsequent to March 31, 2008 for noncancelable operating leases and for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
	Operating leases	Finance leases	Operating leases	Finance leases
2009	¥ 85	¥1,013	\$ 848	\$10,110
2010 and thereafter	84	1,842	839	18,383
Total	¥169	¥2,855	\$1,687	\$28,493

### 14. Derivatives

The Company and domestic consolidated subsidiaries enter into forward foreign exchange contracts, currency options positions and currency swaps to reduce their exposure to fluctuations in foreign exchange rates relating to their assets denominated in foreign currencies. They also enter into interest rate swaps to reduce their exposure to fluctuations in interest rates relating to their debt securities and loans. In addition, they enter into equity swaps to offset their exposure to fluctuations in stock prices.

On the other hand, the Company and domestic consolidated subsidiaries enter into forward foreign exchange contracts, currency options positions, bond futures, bond forward, credit derivatives, weather derivatives and earthquake derivatives to gain investment income or premium income up to the limits permitted under their internal risk management policies.

The contract amounts of those transactions at March 31, 2008 and 2007 and the related market values were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
	Contract amount	Market value	Contract amount	Market value	Contract amount	Market value
Forward foreign exchange contracts:						
Short positions	¥105,640	¥101,554	¥112,017	¥111,909	\$1,054,291	\$1,013,513
Long positions	54,601	53,644	69,386	68,252	544,920	535,369
Currency options positions:						
Short positions: Call options	5,351		–		53,403	
(Options premiums)	(50)	(–)	(–)	(–)	(499)	(–)
Long positions: Put options	5,250		–		52,395	
(Options premiums)	(50)	(263)	(–)	(–)	(499)	(2,625)
Bond futures:						
Long positions	16,532	17,164	16,989	17,022	164,990	171,297
Bond forward:						
Long positions	3,351	3,397	3,918	3,907	33,443	33,902
Credit derivatives:						
Long positions:	4,500		6,000		44,910	
(Premiums)	(97)	(162)	(65)	(51)	(968)	(1,617)
Weather derivatives:						
Short positions:	369		274		3,683	
(Premiums)	(8)	(15)	(22)	(15)	(80)	(150)
Long positions:	170		–		1,697	
(Premiums)	(–)	(–)	(–)	(–)	(–)	(–)
Earthquake derivatives:						
Short positions:	3,660		780		36,527	
(Premiums)	(98)	(0)	(133)	(106)	(978)	(0)
Long positions:	3,285		702		32,784	
(Premiums)	(289)	(213)	(88)	(70)	(2,884)	(2,126)

\*1. The market value of the forward foreign exchange contracts was based on the forward rates as of March 31, 2008 and 2007.

\*2. Derivative instruments to which hedge accounting is applied are excluded from the above table.

## 15. Segment Information

The Company and consolidated subsidiaries operate principally in two business segments; property and casualty insurance and life insurance.

Information with respect to the two segments for the years ended March 31, 2008 and 2007 is summarized as follows:

	Millions of yen							
	2008				2007			
	Property and casualty insurance	Life insurance	Adjustments and eliminations	Consolidated	Property and casualty insurance	Life insurance	Adjustments and eliminations	Consolidated
Ordinary income	¥1,710,076	¥ 184,045	¥ —	¥1,894,121	¥1,694,479	¥207,121	¥ —	¥1,901,600
Adjustments and eliminations	3,528	14	(3,542)	—	5,118	28	(5,146)	—
Total	1,713,604	184,059	(3,542)	1,894,121	1,699,597	207,149	(5,146)	1,901,600
Ordinary expense	1,634,054	169,545	(3,542)	1,800,057	1,597,822	198,383	(5,146)	1,791,059
Ordinary profit	79,550	14,514	—	94,064	101,775	8,766	—	110,541
Assets	5,381,108	1,070,793	(1,167)	6,450,734	6,020,154	983,782	(1,756)	7,002,180
Depreciation	10,512	128	—	10,640	9,927	93	—	10,020
Impairment loss	—	—	—	—	791	—	—	791
Capital investment	9,532	319	—	9,851	7,241	138	—	7,379

	Thousands of U.S. dollars			
	2008			
	Property and casualty insurance	Life insurance	Adjustments and eliminations	Consolidated
Ordinary income	\$17,066,627	\$ 1,836,776	\$ —	\$18,903,403
Adjustments and eliminations	35,209	140	(35,349)	—
Total	17,101,836	1,836,916	(35,349)	18,903,403
Ordinary expense	16,307,924	1,692,066	(35,349)	17,964,641
Ordinary profit	793,912	144,850	—	938,762
Assets	53,703,673	10,686,577	(11,647)	64,378,583
Depreciation	104,910	1,278	—	106,188
Impairment loss	—	—	—	—
Capital investment	95,130	3,183	—	98,313

\* The depreciation of tangible fixed assets acquired on and after April 1, 2007 is calculated based on the revised Corporate Income Tax Law. Due to this change, ordinary expense for property and casualty insurance and life insurance has increased by ¥253 million (\$2,525 thousand) and ¥9 million (\$90 thousand), respectively, and ordinary profit decreased in the same amount.

\* For the tangible fixed assets, which are acquired on and before March 31, 2007 and depreciated to the 5% of the acquisition cost, the previous salvage value, under the previous Corporate Income Tax Law, the previous salvage value is amortized by the straight-line method over five years from the following business period when their book value have reached 5% of the acquisition cost. Due to this change, ordinary expense for property and casualty insurance and life insurance has increased by ¥522 million (\$5,210 thousand) and ¥1 million (\$10 thousand), respectively, and ordinary profit decreased in the same amount.

The investment activities were considered as a part of insurance business rather than a separate.

Information related to geographical segments and overseas sale was not disclosed because overseas segments were immaterial.

## 16. Stock Option Plan

The Company has the following stock option plans as of March 31, 2008:

	Grantee and number	Number of stock options granted	Grant date	Exercise period
2000 stock options	Company directors: 29	Common stock: 450,000 stocks	Dec. 15, 2000	Jun. 30, 2002 – Jun. 29, 2010 <sup>*a</sup>
2001 stock options	Company directors: 12 Executive officers: 16	Common stock: 450,000 stocks	Aug. 1, 2001	Jun. 29, 2003 – Jun. 28, 2011 <sup>*b</sup>
2002 stock options	Company directors: 15 Executive officers: 32	Common stock: 800,000 stocks	Aug. 1, 2002 Nov. 1, 2002 Jan. 1, 2003 May. 1, 2003 Jun. 1, 2003	Jun. 28, 2004 – Jun. 27, 2012 <sup>*c</sup>
2003 stock options	Company directors: 9 Executive officers: 28	Common stock: 600,000 stocks	Aug. 1, 2003 Feb. 2, 2004	Jun. 28, 2005 – Jun. 27, 2013 <sup>*c</sup>
2004 stock options	Company directors: 8 Executive officers: 31	Common stock: 625,000 stocks	Aug. 2, 2004 Feb. 1, 2005	Jun. 30, 2006 – Jun. 29, 2014 <sup>*c</sup>
2005 stock options	Company directors: 11 Executive officers: 36	Common stock: 733,000 stocks	Aug. 1, 2005 Feb. 1, 2006	Jun. 29, 2007 – Jun. 28, 2015 <sup>*c</sup>
2006 stock options	Company directors: 10 Executive officers: 32	Common stock: 640,000 stocks	Aug. 7, 2006 Feb. 15, 2007	Jun. 29, 2008 – Jun. 28, 2016 <sup>*c, *d</sup>
2007 stock options	Company directors: 15 Executive officers: 26	Common stock: 785,000 stocks	Aug. 13, 2007 Feb. 12, 2008	Jun. 28, 2009 – Jun. 27, 2017 <sup>*c, *e</sup>

<sup>\*a</sup> For retired directors, the exercise period expires in shorter of the original expiration period or three years after their retirement.

<sup>\*b</sup> For retired directors or executive officers, the exercise period expires in shorter of the original expiration period or three years after their retirement.

<sup>\*c</sup> For retired directors or executive officers, the exercise period expires in shorter of the original expiration period or five years after their retirement.

<sup>\*d</sup> For the 2006 stock options, the starting date of the exercise period for the executive officers who were granted 5,000 stocks on August 7, 2006 is July 22, 2008, and the starting date of the exercise period for the executive officers who were granted 5,000 stocks on February 15, 2007 is January 27, 2009.

<sup>\*e</sup> For the 2007 stock options, the starting date of the exercise period for the executive officers who were granted 5,000 stocks on August 13, 2007 is July 28, 2009, and the starting date of the exercise period for the executive officers who were granted 5,000 stocks on February 12, 2008 is January 26, 2010.

The number of stock options granted is presented as the equivalent number of common stocks. All the stock options are vested on the grant date.

Operating, general and administrative expenses, and loss adjustment expenses included ¥243 million (\$2,425 thousand) and ¥315 million expenses related to the stock option plans for the years ended March 31, 2008 and 2007, respectively.

Changes in the number of stock options during the years ended March 31, 2007 and 2008, which is presented as the number of stock, were as follows:

### Number of stock options (vested)

	March 31, 2006	Vested	Exercised	Lapsed	March 31, 2007
2000 stock options	41,000	—	31,000	—	10,000
2001 stock options	148,000	—	104,000	—	44,000
2002 stock options	625,000	—	262,000	—	363,000
2003 stock options	526,000	—	58,000	—	468,000
2004 stock options	625,000	—	25,000	—	600,000
2005 stock options	733,000	—	—	—	733,000
2006 stock options	—	640,000	—	—	640,000
2007 stock options	—	—	—	—	—

(Unit: stocks)

	March 31, 2007	Vested	Exercised	Lapsed	March 31, 2008
2000 stock options	10,000	—	—	—	10,000
2001 stock options	44,000	—	10,000	—	34,000
2002 stock options	363,000	—	40,000	—	323,000
2003 stock options	468,000	—	98,000	—	370,000
2004 stock options	600,000	—	28,000	—	572,000
2005 stock options	733,000	—	5,000	—	728,000
2006 stock options	640,000	—	—	—	640,000
2007 stock options	—	785,000	—	—	785,000

#### Unit value information

	Grant date	Exercise price	Average stock price at time of exercise during the year ended as of March 31, 2008	Average stock price at time of exercise during the year ended as of March 31, 2007	Fair unit value on grant date
2000 stock options	Dec. 15, 2000	¥605 (\$6.04)	—	¥1,451	—
2001 stock options	Aug. 1, 2001	¥797 (\$7.95)	¥1,513 (\$15.10)	¥1,506	—
2002 stock options	Aug. 1, 2002	¥777 (\$7.75)	¥1,549 (\$15.46)	¥1,523	—
	Nov. 1, 2002	¥712 (\$7.11)	—	—	—
	Jan. 1, 2003	¥705 (\$7.04)	—	¥1,403	—
	May. 1, 2003	¥581 (\$5.80)	—	¥1,463	—
2003 stock options	Jun. 1, 2003	¥574 (\$5.73)	—	—	—
	Aug. 1, 2003	¥735 (\$7.34)	¥1,473 (\$14.70)	¥1,486	—
	Feb. 2, 2004	¥901 (\$8.99)	¥1,518 (\$15.15)	¥1,516	—
2004 stock options	Aug. 2, 2004	¥1,167 (\$11.65)	¥1,372 (\$13.69)	¥1,543	—
	Feb. 1, 2005	¥1,082 (\$10.80)	¥1,434 (\$14.31)	¥1,471	—
2005 stock options	Aug. 1, 2005	¥1,148 (\$11.46)	¥1,440 (\$14.37)	—	—
	Feb. 1, 2006	¥1,665 (\$16.62)	—	—	—
2006 stock options	Aug. 7, 2006	¥1,598 (\$15.95)	—	—	¥470 (\$4.69)
	Feb. 15, 2007	¥1,623 (\$16.20)	—	—	¥515 (\$5.14)
2007 stock options	Aug. 13, 2007	¥1,547 (\$15.44)	—	—	¥379 (\$3.78)
	Feb. 12, 2008	¥ 990 (\$9.88)	—	—	¥236 (\$2.36)

The fair unit value of stock options granted during the years ended March 31, 2008 and 2007 was calculated by the binomial model.

Primary factors and their estimation methods were as follows:

Valuation date	Aug. 7, 2006	Feb. 15, 2007	Aug. 13, 2007	Feb. 12, 2008
Unit period	3 months	3 months	3 months	3 months
Volatility	32%	31%	30%	30%
Stock price on valuation date	¥1,473	¥1,619	¥1,350 (\$13.47)	¥869 (\$8.67)
Exercise price	¥1,598	¥1,623	¥1,547 (\$15.44)	¥990 (\$9.88)
Estimated remaining period	—	—	7 years and 9 months	7 years and 2 months
Dividend rate	0.97%	0.97%	0.97%	0.97%
Interest rate	—	—	1.94%	1.61%

Volatility is calculated based on 10-year stock price historical data.

Remaining period was estimated by taking the weighted average of the periods to each lattice point under the binomial model assuming that options will be exercised at certain lattice points when value of exercise exceeds the expected discount value of the options at the next point.

Dividend rate is based on historical dividend rate since the fiscal year ended March 1990.

Interest rate is determined for the period from the grant date to maturity based on the swap rate for each corresponding period.

## Report of Independent Auditors

**The Board of Directors  
Sompo Japan Insurance Inc.**

We have audited the accompanying non-consolidated balance sheets of Sompo Japan Insurance Inc. as of March 31, 2008 and 2007, and the related non-consolidated statements of income and changes in net assets for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Sompo Japan Insurance Inc. at March 31, 2008 and 2007, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles generally accepted in Japan.

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

*Ernst & Young ShinNihon*

June 25, 2008

# Non-Consolidated Balance Sheets

Sompo Japan Insurance Inc. March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
<b>ASSETS</b>			
Cash	¥ 109,245	¥ 118,582	\$ 1,090,269
Short-term investments (Note 3)	210,662	158,938	2,102,415
Investments in securities (Note 4)	3,937,922	4,673,746	39,300,619
Loans (Note 5)	506,054	483,417	5,050,439
Accrued investment income	10,397	12,454	103,763
Tangible fixed assets, at cost (Note 6)	447,092	447,266	4,461,996
Less accumulated depreciation	(229,344)	(225,650)	(2,288,862)
	217,748	221,616	2,173,134
Intangible fixed assets	758	762	7,565
Insurance business balances receivable:			
Premiums receivable and agents' balances	112,470	113,677	1,122,455
Reinsurance balances recoverable	110,507	109,868	1,102,864
Other	9,335	8,962	93,164
	232,312	232,507	2,318,483
Other assets	186,321	149,445	1,859,491
Reserve for possible loan losses	(16,403)	(15,915)	(163,703)
Reserve for possible losses on investment securities	(6,448)	(5,763)	(64,351)
<b>Total assets</b>	<b>¥5,388,568</b>	<b>¥6,029,789</b>	<b>\$53,778,124</b>

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Underwriting funds:			
Reserve for outstanding losses and claims (Note 14)	¥ 676,066	¥ 627,241	\$ 6,747,166
Underwriting reserves (Notes 14 and 15)	3,253,940	3,300,813	32,474,451
	3,930,006	3,928,054	39,221,617
Insurance business balances payable:			
Reinsurance balances payable	67,569	87,676	674,342
Other	4,709	5,487	46,996
	72,278	93,163	721,338
Accrued taxes	39,513	16,786	394,341
Accrued severance benefits (Note 8)	95,655	93,800	954,641
Reserve for officers' retirement allowances	2,485	—	24,800
Reserve for decline in value of assets	36,972	30,599	368,982
Other liabilities	124,444	114,666	1,241,956
Deferred tax liabilities (Note 7)	12,725	278,680	126,996
Total liabilities	4,314,078	4,555,748	43,054,671
Net assets (Note 10):			
Common stock:			
Authorized 2,000,000,000 shares, issued 987,733,424 shares in 2007 and 2008	70,000	70,000	698,603
Additional paid-in capital	24,241	24,230	241,926
Legal reserve (Note 9)	32,150	29,000	320,858
Retained earnings	379,826	354,060	3,790,678
Treasury stock, 3,266,091 shares in 2007 and 3,181,995 shares in 2008, at cost	(2,843)	(2,833)	(28,373)
Total shareholders' equity	503,374	474,457	5,023,692
Unrealized gains on securities available for sale	570,558	999,269	5,694,192
Stock options (Note 16)	558	315	5,569
Total net assets	1,074,490	1,474,041	10,723,453
Total liabilities and net assets	¥5,388,568	¥6,029,789	\$53,778,124

See accompanying notes to non-consolidated financial statements.



# Non-Consolidated Statements of Changes in Net Assets

Sompo Japan Insurance Inc. For the years ended March 31, 2008 and 2007

	Thousands	Millions of yen						
	Thousands of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Treasury stock	Unrealized gains on securities available for sale	Stock options
<b>Balance at March 31, 2006</b>	987,733	¥70,000	¥24,230	¥26,400	¥321,317	¥(2,857)	¥960,629	¥ —
Net income	—	—	—	—	48,159	—	—	—
Cash dividends	—	—	—	—	(12,795)	—	—	—
Transfer to legal reserve	—	—	—	2,600	(2,600)	—	—	—
Increase in treasury stock – net	—	—	—	—	(21)	24	—	—
Changes in other than shareholders' equity, net	—	—	—	—	—	—	38,640	315
Total changes	—	—	—	2,600	32,743	24	38,640	315
<b>Balance at March 31, 2007</b>	987,733	70,000	24,230	29,000	354,060	(2,833)	999,269	315
Net income	—	—	—	—	44,667	—	—	—
Cash dividends	—	—	—	—	(15,751)	—	—	—
Transfer to legal reserve	—	—	—	3,150	(3,150)	—	—	—
Increase in treasury stock – net	—	—	11	—	—	(10)	—	—
Changes in other than shareholders' equity, net	—	—	—	—	—	—	(428,711)	243
Total changes	—	—	11	3,150	25,766	(10)	(428,711)	243
<b>Balance at March 31, 2008</b>	987,733	¥70,000	¥24,241	¥32,150	¥379,826	¥(2,843)	¥570,558	¥558

	Thousands of U.S. dollars (Note 2)							
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Treasury stock	Unrealized gains on securities available for sale	Stock options	
<b>Balance at March 31, 2007</b>	\$698,603	\$241,816	\$289,421	\$3,533,533	\$(28,273)	\$9,972,745	\$3,144	
Net income	—	—	—	445,778	—	—	—	
Cash dividends	—	—	—	(157,196)	—	—	—	
Transfer to legal reserve	—	—	31,437	(31,437)	—	—	—	
Increase in treasury stock – net	—	110	—	—	(100)	—	—	
Changes in other than shareholders' equity, net	—	—	—	—	—	(4,278,553)	2,425	
Total changes	—	110	31,437	257,145	(100)	(4,278,553)	2,425	
<b>Balance at March 31, 2008</b>	\$698,603	\$241,926	\$320,858	\$3,790,678	\$(28,373)	\$5,694,192	\$5,569	

See accompanying notes to non-consolidated financial statements.

# Notes to Non-Consolidated Financial Statements

Sompo Japan Insurance Inc. March 31, 2008

## 1. Significant Accounting Policies

The accompanying non-consolidated financial statements of Sompo Japan Insurance Inc. (the "Company") have been prepared on the basis of the same accounting policies as those discussed in Note 1 to the consolidated financial statements except as described below:

### (1) Basis of preparation

The accompanying non-consolidated financial statements of the Company have been compiled from the financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and have been prepared on the basis of the statutory accounting principles applicable to property and casualty insurance companies generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

### (2) Foreign currency translation

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

### (3) Investments in securities

Trading securities are carried at fair value and held-to-maturity bonds are carried at amortized cost. Marketable securities available for sale are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities available for sale are carried at cost or amortized cost. Shares of subsidiaries and affiliated companies are stated at cost. Cost of securities sold is determined by the moving average method.

When an impairment of an investment in non-marketable securities is considered not to be recovered in a reasonable period, the amounts of the securities are written down to their estimated realizable value and the impairment is treated as a realized loss on an investment in the financial statements.

### (4) Depreciation

Effective the year ended March 31, 2008, the Company changed depreciation of tangible fixed assets in accordance with revisions to the Corporate Income Tax Law.

The depreciation of tangible fixed assets acquired on and after April 1, 2007 is calculated based on the revised Corporate Income Tax Law. Due to this change, "Ordinary profit" and "Income before income taxes" were decreased by ¥253 million (\$2,525 thousand) for the year ended March 31, 2008.

For the tangible fixed assets, which are acquired on and before March 31, 2007 and depreciated to the 5% of the acquisition cost, the previous salvage value, under the previous Corporate Income Tax Law, the previous salvage value is amortized by the straight-line method over five years from the following business period when their book value has reached 5% of the acquisition cost. The effect of this change is recorded as "Loss adjustment expenses" and "Operating, general and administrative expenses" and due to this change, "Ordinary profit" and "Income before income taxes" were decreased by ¥522 million (\$5,210 thousand) for the year ended March 31, 2008.

### (5) Reserve for officers' retirement allowances

Effective year ended March 31, 2008, the Company presented separately reserve for officers' retirement allowance which was formerly included in "Accrued severance benefits", due to the issuance of the Audit and Assurance Practice Committee Report No.42 "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" issued by the Japanese Institute of Certified Public Accountants.

The Company record reserve for officers' retirement allowances, based on internal regulations, at the amount payable if the officers terminated their services at the end of the year.

## 2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥100.20 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2008. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

## 3. Short-Term Investments

Short-term investments as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Time deposits	¥ 9,519	¥ 10,540	\$ 95,000
CP under resale agreements	47,947	28,966	478,513
Money trusts	39,399	47,933	393,204
Call loans	108,800	69,000	1,085,828
Commercial paper	4,997	2,499	49,870
	¥210,662	¥158,938	\$2,102,415

The cost and related aggregate market values of money trusts as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cost	¥42,879	¥42,871	\$427,934
Market value	39,399	47,933	393,204
Net unrealized (loss) gain	¥ (3,480)	¥ 5,062	\$ (34,730)

The Company recognized devaluation loss on marketable securities available for sale included in money trust if the market value is declined by 30% or more of their cost on the balance sheet date.

Devaluation loss on marketable securities available for sale included in money trust as of March 31, 2008 and 2007 were ¥1,849 million (\$18,453 thousand) and ¥24 million, respectively.

## 4. Investments in Securities

The components of investments in securities as of March 31, 2008 and 2007, and their fair value and other related information by holding intentions are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Domestic securities:			
Bonds	¥1,405,322	¥1,330,602	\$14,025,170
Stocks	1,522,969	2,099,986	15,199,291
Foreign securities	914,987	1,129,053	9,131,607
Other securities	94,644	114,105	944,551
	¥3,937,922	¥4,673,746	\$39,300,619

a) The Company did not have any marketable securities classified as trading securities as of March 31, 2008 and 2007.

b) The Company did not have any marketable securities classified as held-to-maturity bonds as of March 31, 2008 and 2007.

○ Information regarding marketable securities available for sale as of March 31, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
	Cost	Market value	Unrealized gain (loss)	Cost	Market value	Unrealized gain (loss)
Securities whose market value exceeds their cost:						
Domestic securities:						
Bonds	¥1,109,437	¥1,136,446	¥ 27,009	¥ 535,378	¥ 548,323	¥ 12,945
Stocks	491,010	1,282,739	791,729	542,255	1,889,399	1,347,144
Foreign securities	389,506	491,280	101,774	735,049	906,999	171,950
Other securities	76,880	88,294	11,414	62,569	86,618	24,049
Subtotal	2,066,833	2,998,759	931,926	1,875,251	3,431,339	1,556,088
Securities whose cost exceeds their market value:						
Domestic securities:						
Bonds	269,227	267,872	(1,355)	787,720	780,965	(6,755)
Stocks	110,908	96,874	(14,034)	75,456	71,435	(4,021)
Foreign securities	302,359	276,181	(26,178)	78,344	77,112	(1,232)
Other securities	32,729	30,559	(2,170)	25,798	25,489	(309)
Subtotal	715,223	671,486	(43,737)	967,318	955,001	(12,317)
Total	¥2,782,056	¥3,670,245	¥888,189	¥2,842,569	¥4,386,340	¥1,543,771

	Thousands of U.S. dollars		
	2008		
	Cost	Market value	Unrealized gain (loss)
Securities whose market value exceeds their cost:			
Domestic securities:			
Bonds	\$11,072,226	\$11,341,777	\$ 269,551
Stocks	4,900,299	12,801,786	7,901,487
Foreign securities	3,887,285	4,902,994	1,015,709
Other securities	767,266	881,178	113,912
Subtotal	20,627,076	29,927,735	9,300,659
Securities whose cost exceeds their market value:			
Domestic securities:			
Bonds	2,686,896	2,673,373	(13,523)
Stocks	1,106,866	966,806	(140,060)
Foreign securities	3,017,555	2,756,298	(261,257)
Other securities	326,637	304,980	(21,657)
Subtotal	7,137,954	6,701,457	(436,497)
Total	\$27,765,030	\$36,629,192	\$8,864,162

The Company recognized devaluation loss on marketable securities available for sale if the market value is declined by 30% or more of their cost on the balance sheet date. Devaluation losses on marketable securities available for sale for the years ended March 31, 2008 and 2007 were ¥7,170 million (\$71,557 thousand) and ¥2,715 million, respectively.

d) Securities available for sale sold during each year were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Proceeds from sales	¥236,820	¥223,286	\$2,363,473
Gain on sales	40,247	30,111	401,667
Loss on sales	673	1,485	6,717

e) The redemption schedules as of March 31, 2008 and 2007 for securities available for sale and held-to-maturity bonds with maturity date were as follows:

	Millions of yen							
	2008				2007			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Domestic securities:								
Government bonds	¥ 81,121	¥382,999	¥182,909	¥223,131	¥ 30,676	¥393,462	¥172,152	¥162,928
Municipal bonds	23,131	44,010	10,532	—	27,090	72,061	15,618	—
Corporate bonds	57,739	214,284	70,775	114,691	68,500	199,199	100,614	88,298
Foreign bonds	25,429	134,549	106,409	95,934	58,107	159,337	165,403	121,612
Other securities	6,083	9,865	9,251	29,427	4,665	10,739	9,701	4,099
Total	¥193,503	¥785,707	¥379,876	¥463,183	¥189,038	¥834,798	¥463,488	¥376,937

	Thousands of U.S. dollars			
	2008			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Domestic securities:				
Government bonds	\$ 809,591	\$3,822,345	\$1,825,439	\$2,226,856
Municipal bonds	230,848	439,222	105,110	—
Corporate bonds	576,238	2,138,563	706,337	1,144,621
Foreign bonds	253,782	1,342,804	1,061,966	957,425
Other securities	60,709	98,453	92,326	293,683
Total	\$1,931,168	\$7,841,387	\$3,791,178	\$4,622,585

ƒ) Total interest and dividend income for the years ended March 31, 2008 and 2007 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Interest on bank deposits	¥ 378	¥ 375	\$ 3,773
Interest on CP under resale agreements	558	198	5,569
Interest on call loans	649	208	6,477
Interest and dividends on securities	118,166	96,784	1,179,301
Interest on loans	8,724	7,824	87,066
Income from real estate	5,327	5,302	53,164
Total income from investment assets	133,802	110,691	1,335,350
Interest on other assets	1,804	2,934	18,004
Total interest and dividend income	¥135,606	¥113,625	\$1,353,354
Presentation in the non-consolidated statements of income:			
Interest and dividend income on deposits of premiums, etc.	¥ 46,608	¥ 45,826	\$ 465,150
Interest and dividend income	88,998	67,799	888,204
Total interest and dividend income	¥135,606	¥113,625	\$1,353,354

## 5. Loans

As of March 31, 2008 and 2007, the balances of loans included the following risk-monitored loans:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Loans to borrowers in bankruptcy	¥ 153	¥ 612	\$ 1,527
Overdue loans	2,218	2,249	22,136
Loans overdue for three months or more	—	—	—
Restructured loans	838	5,181	8,363
	¥3,209	¥8,042	\$32,026

Loans to borrowers in bankruptcy represent non-accrual loans to borrowers who are legally bankrupt as defined in Article 96-1-3 and 4 of the Corporate Income Tax Law Enforcement Regulation (Article 97 of 1965 Cabinet Order).

Overdue loans represent non-accrual loans other than (i) Loans to borrowers in bankruptcy and (ii) loans of which payments of interest are deferred in order to assist or facilitate the restructuring of borrowers in financial difficulties.

Loans overdue for three months or more represent loans on which the payment of principal and/or interest has not been received for three months or more from the due date, and which are not included in loans to borrowers in bankruptcy or overdue loans.

Restructured loans are loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.) and are not classified in any of the above categories.

## 6. Tangible Fixed Assets

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
	2008	2007	2008
Land	¥ 104,340	¥ 105,025	\$ 1,041,317
Buildings	281,870	282,223	2,813,074
Furniture and equipment	59,095	59,355	589,771
Construction in progress	1,787	663	17,834
	447,092	447,266	4,461,996
Less accumulated depreciation	(229,344)	(225,650)	(2,288,862)
	¥ 217,748	¥ 221,616	\$ 2,173,134

## 7. Income Taxes

Income taxes applicable to the Company include corporation and inhabitants' taxes, which, in the aggregate, resulted in statutory tax rates of approximately 36.09% for 2008 and 2007, respectively.

The provision for income taxes incurred is different from what would be obtained by applying the statutory tax rates to income before income taxes due to the permanent difference and other items.

A reconciliation of the effective tax rates reflected in the non-consolidated statements of income for the years ended March 31, 2008 and 2007 to the statutory tax rate was as follows:

	2008	2007
Statutory tax rate	36.09%	36.09%
Effect of:		
Permanently nontaxable dividends received	(8.60)	(6.21)
Change in valuation allowance	4.31	4.30
Permanently nondeductible expenses	1.34	1.20
Other, net	1.06	1.04
Effective tax rate	34.20%	36.42%

Deferred tax assets and liabilities as of March 31, 2008 and 2007 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets (liabilities):			
Underwriting reserves	¥ 182,629	¥ 176,503	\$ 1,822,644
Reserve for outstanding losses and claims	39,633	24,518	395,539
Accrued severance benefits	34,522	33,852	344,531
Devaluation loss on securities and real estate	33,728	30,854	336,607
Intangible fixed assets in tax matters	15,239	12,355	152,086
Unrealized gains on securities available for sale	(313,425)	(550,945)	(3,127,994)
Other, net	28,658	24,964	286,008
Valuation allowance	(33,709)	(30,781)	(336,417)
Net deferred tax liabilities	¥ (12,725)	¥(278,680)	\$ (126,996)

## 8. Accrued Severance Benefits

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the non-consolidated balance sheets as of March 31, 2008 and 2007 for the Company's severance benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Retirement benefit obligation	¥(119,655)	¥(121,288)	\$(1,194,161)
Plan assets at fair value	4,089	7,211	40,808
Unfunded retirement benefit obligation	(115,566)	(114,077)	(1,153,353)
Unrecognized actuarial loss	22,413	22,163	223,682
Unrecognized prior service costs	(2,502)	(1,886)	(24,970)
Net retirement benefit obligation	(95,655)	(93,800)	(954,641)
Accrued severance benefits	¥ (95,655)	¥ (93,800)	\$ (954,641)

Reserve for officers' retirement allowances (including pensions) which were included in accrued severance benefits amounted to ¥1,371 million for the year ended March 31, 2007.

The components of severance benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥ 4,312	¥ 6,544	\$ 43,034
Interest cost	1,735	1,794	17,315
Expected return on plan assets	—	—	—
Amortization of actuarial loss	3,743	3,202	37,355
Prior service costs	616	3,311	6,148
Subtotal	10,406	14,851	103,852
Payment into the defined contribution type pension plan	2,338	2,281	23,334
Total	¥12,744	¥17,132	\$127,186

The assumptions used in accounting for the above plans for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Discount rates	1.5%	1.5%
Expected return on plan assets	0.0%	0.0%

## 9. Legal Reserve

In accordance with the Insurance Business Law of Japan, the Company has provided a legal reserve by appropriation of retained earnings. The Insurance Business Law of Japan provides that an amount equal to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital equals 100% of the common stock.

## 10. Changes in Net Assets

See Note 10 to the consolidated financial statements.

## 11. Impairment of Fixed Assets

See Note 12 to the consolidated financial statements.

## 12. Leases

The following pro forma amounts represented the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2008 and 2007, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Furniture and equipment:			
Acquisition costs	¥3,954	¥2,335	\$39,461
Accumulated depreciation	1,252	1,103	12,495
Accumulated impairment loss	—	—	—
Net book value	¥2,702	¥1,232	\$26,966

Lease payments relating to finance leases accounted for as operating leases amounted to ¥788 million (\$7,864 thousand) and ¥551 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms for the years ended March 31, 2008 and 2007, respectively.

Future minimum lease payments subsequent to March 31, 2008 for noncancelable operating leases and for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
	Operating leases	Finance leases	Operating leases	Finance leases
2009	¥39	¥ 953	\$389	\$ 9,511
2010 and thereafter	43	1,749	429	17,455
Total	¥82	¥2,702	\$818	\$26,966

### 13. Derivatives

The Company enters into forward foreign exchange contracts, currency options positions and currency swaps to reduce its exposure to fluctuations in foreign exchange rates relating to its assets denominated in foreign currencies. The Company also enters into interest rate swaps to reduce its exposure to fluctuations in interest rates relating to its debt securities and loans. In addition, the Company enters into equity swaps to offset its exposure to fluctuations in stock prices.

On the other hand, the Company enters into forward foreign exchange contracts, currency options positions, bond futures, bond forward, credit derivatives, weather derivatives and earthquake derivatives to gain investment income or premium income up to the limits permitted under its internal risk management policies.

The contract amounts of those transactions at March 31, 2008 and 2007 and the related market values were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
	Contract amount	Market value	Contract amount	Market value	Contract amount	Market value
Forward foreign exchange contracts:						
Short positions	¥105,640	¥101,554	¥112,017	¥111,909	\$1,054,291	\$1,013,513
Long positions	54,601	53,644	69,386	68,252	544,920	535,369
Currency options positions:						
Short positions: Call options	5,351		—		53,403	
(Options premiums)	(50)	(—)	—	—	(499)	(—)
Long positions: Put options	5,250		—		52,395	
(Options premiums)	(50)	(263)	—	—	(499)	(2,625)
Bond futures:						
Long positions	16,532	17,164	16,989	17,022	164,990	171,297
Bond forward:						
Long positions	3,351	3,397	3,918	3,907	33,443	33,902
Credit derivatives:						
Long positions:	500		—		4,990	
(Premiums)	(37)	(43)	(—)	(—)	(369)	(429)
Weather derivatives:						
Short positions:	369		274		3,683	
(Premiums)	(8)	(15)	(22)	(15)	(80)	(150)
Long positions:	170		—		1,697	
(Premiums)	(—)	(—)	(—)	(—)	(—)	(—)
Earthquake derivatives:						
Short positions:	3,660		780		36,527	
(Premiums)	(98)	(0)	(133)	(106)	(978)	(0)
Long positions:	3,285		702		32,784	
(Premiums)	(289)	(213)	(88)	(70)	(2,884)	(2,126)

\*1. The market value of the forward foreign exchange contracts was based on the forward rates as of March 31, 2008 and 2007.

\*2. Derivative instruments to which hedge accounting is applied are excluded from the above table.

## 14. Reinsurance

Reinsurance amounts included in the financial statements for the years ended March 31, 2008 and 2007 were as follows:

### a) Reserve for outstanding losses and claims

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Reserve for outstanding claims (before deducting ceded reserve for outstanding claims, excluding insurances stated in (ii))	¥656,614	¥609,192	\$6,553,034
Ceded reserve for outstanding claims relating to the above	39,199	40,947	391,208
Difference (i)	617,415	568,245	6,161,826
Reserve for outstanding claims involved in earthquake insurance and compulsory automobile liability insurance (ii)	58,651	58,996	585,340
<b>Total (i+ii)</b>	<b>¥676,066</b>	<b>¥627,241</b>	<b>\$6,747,166</b>

### b) Underwriting reserves

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Ordinary underwriting reserve (before deducting ceded underwriting reserve)	¥ 929,889	¥ 932,504	\$ 9,280,329
Ceded underwriting reserve relating to the above	29,893	31,244	298,333
Difference (i)	899,996	901,260	8,981,996
Other underwriting reserve (ii)	2,353,944	2,399,553	23,492,455
<b>Total (i+ii)</b>	<b>¥3,253,940</b>	<b>¥3,300,813</b>	<b>\$32,474,451</b>

### c) Net premiums written

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Premiums written	¥1,616,015	¥1,652,336	\$16,127,894
→ Reinsurance premiums ceded	270,990	289,551	2,704,491
<b>Net premiums written</b>	<b>¥1,345,025</b>	<b>¥1,362,785</b>	<b>\$13,423,403</b>

### d) Net losses paid

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Losses paid	¥1,022,366	¥1,008,132	\$10,203,254
→ Reinsurance recoverable	218,235	201,260	2,177,994
<b>Net losses paid</b>	<b>¥ 804,131</b>	<b>¥ 806,872</b>	<b>\$ 8,025,260</b>

### e) Net commissions and brokerage fees

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Commissions and brokerage fees	¥236,647	¥241,629	\$2,361,746
→ Ceded reinsurance commissions received	17,781	18,866	177,455
<b>Net commissions and brokerage fees</b>	<b>¥218,866</b>	<b>¥222,763</b>	<b>\$2,184,291</b>

f) Provision for underwriting reserves

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Provision for ordinary underwriting reserve (before deducting ceded underwriting reserve)	¥ (2,615)	¥ 4,778	\$ (26,098)
Provision for ceded underwriting reserve relating to the above	(1,351)	(540)	(13,483)
Difference (i)	(1,264)	5,318	(12,615)
Provision for other underwriting reserve (ii)	(45,609)	(25,817)	(455,179)
Total (i+ii)	¥(46,873)	¥(20,499)	\$(467,794)

g) Provision for reserve for outstanding losses

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Provision for reserve for outstanding claims (before deducting provision for ceded reserve for outstanding claims, excluding insurances stated in (ii))	¥47,422	¥30,338	\$473,274
Provision for ceded reserve for outstanding claims relating to the above	(1,748)	(2,427)	(17,445)
Difference (i)	49,170	32,765	490,719
Provision for reserve for outstanding claims involved in earthquake insurance and compulsory automobile liability insurance (ii)	(345)	99	(3,443)
Total (i+ii)	¥48,825	¥32,864	\$487,276

## 15. Policyholders' Deposit Funds

Underwriting reserves include premium reserve and policyholders' deposit funds for long-term saving type products. Policyholders' deposit funds for long-term saving type products represent an accumulation of account deposits and credited income. Underwriting reserves as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
(a) Premium reserve	¥1,812,510	¥1,785,015	\$18,088,922
(b) Policyholders' deposit funds	1,441,430	1,515,798	14,385,529
	¥3,253,940	¥3,300,813	\$32,474,451

\*The catastrophe reserves which were included in premium reserve were ¥387,918 million (\$3,871,437 thousand) and ¥384,138 million as of March 31, 2008 and 2007, respectively.

## 16. Stock Option Plan

See Note 16 to the consolidated financial statements.

# SELECTED FINANCIAL STATEMENTS (NON-AUDITED)

## Balance Sheets

Sompo Japan Insurance Company of America

December 31,	Thousands of U.S. dollars	
	2007	2006
<b>ASSETS</b>		
Cash and deposits	\$ 9,434	\$ 7,189
Investments in securities	696,971	469,339
Tangible fixed assets	344	213
Other assets	58,709	53,635
Reserve for possible loan losses	(6,091)	(5,828)
Total assets	\$759,367	\$524,548
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Reserve for outstanding losses and claims	\$260,350	\$257,892
Underwriting reserves	24,115	24,818
Other liabilities	34,767	39,479
Total liabilities	319,232	322,189
Net assets:		
Common stock	12,058	12,058
Additional paid-in capital	458,851	258,851
Retained earnings	(30,774)	(68,550)
Total net assets	440,135	202,359
Total liabilities and net assets	\$759,367	\$524,548

# Statements of Income

Sompo Japan Insurance Company of America

Years ended December 31,	Thousands of U.S. dollars	
	2007	2006
<b>Ordinary income</b>		
Underwriting income:		
Net premiums written	\$63,341	\$65,616
Reversal of underwriting reserves	703	—
	64,044	65,616
Investment income:		
Interest and dividend income	28,106	19,544
Realized gain on sales of securities	11	13
	28,117	19,557
Other ordinary income	2,695	1,846
Total ordinary income	94,856	87,019
<b>Ordinary expenses</b>		
Underwriting expenses:		
Net losses paid	34,962	37,117
Loss adjustment expenses	5,725	5,949
Net commissions and brokerage fees	(10,111)	(7,977)
Provision for reserve for outstanding losses	2,458	12,750
Provision for underwriting reserves	—	388
	33,034	48,227
Investment expenses:		
Realized loss on sales of securities	1,879	1,427
	1,879	1,427
Operating, general and administrative expenses	30,426	29,378
Other ordinary expenses	25	209
Total ordinary expenses	65,364	79,241
<b>Ordinary profit</b>	29,492	7,778
<b>Income before income taxes</b>	29,492	7,778
Income taxes	(6,911)	(153)
<b>Net Income</b>	\$36,403	\$ 7,931

# Balance Sheets

Sompo Japan Insurance Company of Europe Limited

December 31,	Thousands of Great Britain pounds		Thousands of U.S. dollars
	2007	2006	2007
<b>ASSETS</b>			
Cash and deposits	£ 27,107	£ 8,061	\$ 54,155
Investments in securities	135,889	145,603	271,480
Tangible fixed assets	99	96	198
Other assets	23,585	20,241	47,118
<b>Total assets</b>	<b>£186,680</b>	<b>£174,001</b>	<b>\$372,951</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Reserve for outstanding losses and claims	£ 78,957	£ 79,643	\$157,741
Underwriting reserves	7,717	7,263	15,417
Other liabilities	15,591	14,049	31,148
<b>Total liabilities</b>	<b>102,265</b>	<b>100,955</b>	<b>204,306</b>
Net assets:			
Common stock	128,700	128,700	257,118
Retained earnings	(44,285)	(55,654)	(88,473)
<b>Total net assets</b>	<b>84,415</b>	<b>73,046</b>	<b>168,645</b>
<b>Total liabilities and net assets</b>	<b>£186,680</b>	<b>£174,001</b>	<b>\$372,951</b>

# Statements of Income

Sompo Japan Insurance Company of Europe Limited

Years ended December 31,	Thousands of Great Britain pounds		Thousands of U.S. dollars
	2007	2006	2007
<b>Ordinary income</b>			
Underwriting income:			
Net premiums written	£14,056	£15,800	\$28,081
Reversal of reserve for outstanding losses	1,983	5,758	3,962
Reversal of underwriting reserves	–	710	–
	16,039	22,268	32,043
Investment income:			
Interest and dividend income	5,790	4,504	11,567
Realized gain on sales of securities	209	42	417
Other investment income	6,552	564	13,090
	12,551	5,110	25,074
Other ordinary income	–	8	–
Total ordinary income	28,590	27,386	57,117
<b>Ordinary expenses</b>			
Underwriting expenses:			
Net losses paid	10,680	12,807	21,337
Net commissions and brokerage fees	(2,705)	(2,713)	(5,404)
Provision for underwriting reserves	454	–	907
	8,429	10,094	16,840
Investment expenses:			
Realized loss on sales of securities	296	159	591
Devaluation loss on securities	904	–	1,806
Other investment expenses	222	1,669	444
	1,422	1,828	2,841
Operating, general and administrative expenses	7,452	7,820	14,887
Other ordinary expenses	473	–	945
Total ordinary expenses	17,776	19,742	35,513
<b>Ordinary profit</b>	10,814	7,644	21,604
Special gains and losses	2,284	–	4,563
<b>Income before income taxes</b>	13,098	7,644	26,167
Income taxes	1,728	(119)	3,452
<b>Net Income</b>	£11,370	£ 7,763	\$22,715

# Branches and Liaison Offices Abroad

## EUROPE

### London

Level 4, 155 Bishopsgate, London EC2M  
3AY, U.K.  
Tel. 44-20-7628-9599 Fax. 44-20-7628-9323

### Düsseldorf

Xantener Strasse 12, 40474  
Düsseldorf, Germany  
Tel. 49-211-5160020 Fax. 49-211-51600222

### Brussels

Avenue Louise 283, Bte 10, 1050  
Brussels, Belgium  
Tel. 32-2-644-9769, 32-2-644-9770,  
32-2-644-9890 Fax. 32-2-644-9775

### Amsterdam

World Trade Center A-12,  
Strawinskylaan 1209,  
1077 XX Amsterdam, The Netherlands  
Tel. 31-20-6730873 Fax. 31-20-6629179

### Paris

6, Square de l'Opéra Louis Jouvet 75009  
Paris, France  
Tel. 33-142653232 Fax. 33-142653233

### Milan

Via Spadari 9, 20123 Milano, Italy  
Tel. 39-02-8057786 Fax. 39-02-8900749

### Barcelona

Torre Mapfre-Villa Olimpica Calle de la  
Marina, 16-18, Planta 8 08005,  
Barcelona, Spain  
Tel. 34-93-401-2704 Fax. 34-93-401-2602

### Moscow

World Trade Center Mezhdunarodnaya-2  
Room 717 Krasnopresnenskaya nab., 12,  
Moscow 123610, Russia  
Tel. 7-495-258-1250 Fax. 7-495-258-1253

## AFRICA & THE MIDDLE EAST

### Dubai

Office 508-1 Al-Owais Building, Al-Ittihad  
Road, Deira, Dubai, United Arab Emirates  
Tel. 971-4-294-8666 Fax. 971-4-294-8338

### Istanbul

c/o Strateji Insurance & Reinsurance  
Brokerage Inc.  
Cayiryolu Sk. No.:11 Sayar Is Merkezi K.:6  
34752 Icerenkoy, Istanbul, Turkey  
Tel. 90-216-469-1111 Fax. 90-216-469-0367

## NORTH AMERICA

### New York

Two World Financial Center, 43rd Floor,  
225 Liberty Street, New York,  
New York 10281-1058, U.S.A.  
Tel. 1-212-416-1200 Fax. 1-212-416-1469

### Toronto

Sun Life Financial Tower, Suite 2420,  
P.O. Box 39  
150 King Street West, Toronto, Ontario,  
M5H 1J9, Canada  
Tel. 1-416-368-4011 Fax. 1-416-368-7400

## ASIA & AUSTRALASIA

### Hong Kong

Room 1901, Lincoln House, Taikoo Place,  
979 King's Road, Island East, Hong Kong,  
S.A.R., The People's Republic of China  
Tel. 852-2831-9980 Fax. 852-2573-2072

### Taipei

Room C, 10th Floor, Shen Hsiang Tang Sung  
Chiang Building, No. 146, Sung Chiang Road,  
Taipei, Taiwan  
Tel. 886-2-2561-2761 Fax. 886-2-2562-2134

### Beijing

Room 1009, Beijing Fortune Building,  
5 Dong San Huan Bei-lu,  
Chao Yang District, Beijing,  
The People's Republic of China  
Tel. 86-10-6590-8970~8972  
Fax. 86-10-6590-9880

### Shenzhen

Room 507, China Resources Building, 5001,  
Shennan East Road, Luohu Area, Shenzhen  
City, Guangdong Province, The People's  
Republic of China  
Tel. 86-755-8266-8721  
Fax. 86-755-8266-8934



### Suzhou

Room 1606, Century Financial Tower, No.1 Suhua Road, Suzhou Industrial Park, Suzhou, Jiang Su Province, The People's Republic of China  
Tel. 86-512-6762-2119  
Fax. 86-512-6762-3119

### Guangzhou

Room 1308-09, Goldlion Digital Network Center, 138 Tiyu Road East, Tianhe, Guangzhou, Guangdong Province, The People's Republic of China  
Tel. 86-20-38780420, 86-20-38780546  
Fax. 86-20-38780395

### Chongqing

Room 1708 A Metropolitan Tower, No. 68 Zourong Road, Chongqing, The People's Republic of China  
Tel. 86-23-63740709 Fax. 86-23-63740694

### Seoul

7th Floor Seoul Finance Center, 84 Taepyung-ro 1-ka, Chung-ku, Seoul, Korea  
Tel. 82-2-757-0927 Fax. 82-2-757-0929

### Singapore

50 Raffles Place, #03-03 Singapore Land Tower, Singapore 048623, Republic of Singapore  
Tel. 65-6223-5293 Fax. 65-6225-7947

### Labuan

c/o Etiqa Offshore Insurance (L) Ltd, Level 11B, Block 4 Office Tower, Financial Park Labuan, Jalan Merdeka 87000 Labuan F.T. Malaysia

### Kuala Lumpur

Berjaya Sampo Insurance Berhad, Global Business Department 18th Floor, Menara BGI, Plaza Berjaya, 12, Jalan Imbi, 55100 Kuala Lumpur, Malaysia  
Tel. 60-3-2141-7018, 5018  
Fax. 60-3-2144-1018

### Jakarta

c/o PT Sampo Japan Insurance Indonesia, 18th Floor, Midplaza Building, Jl. Jend. Sudirman Kav. 10-11, Jakarta 10220, Republic of Indonesia  
Tel. 62-21-570-6230 Fax. 62-21-573-7040

### Manila

c/o PGA Sampo Japan Insurance Inc., 5th Floor, Corinthian Plaza, Paseo de Roxas, Legaspi Village, Makati City, Metro Manila, Philippines  
Tel. 63-2-811-3160 Fax. 63-2-811-3278

### Bangkok

12th Floor, Abdulrahim Place, 990 Rama 4 Road, Silom, Bangrak, Bangkok 10500, Thailand  
Tel. 66-2636-2333 Fax. 66-2636-2340

### Sydney

Allianz Centre, Forecourt Building Level 12, 2 Market Street, Sydney, New South Wales 2000, Australia  
Tel. 61-2-9390-6280 Fax. 61-2-9390-6445

### Melbourne

Level 3, 601 Bourke Street, Melbourne, Victoria 3000, Australia  
Tel. 61-3-9629-5216 Fax. 61-3-9600-4864

### Hanoi

11th Floor, Hanoi Tung Shing Square, Unit 1102, 2 Ngo Quyen Street, Hoan Kiem District, Hanoi, Vietnam  
Tel. 84-4-9340980 Fax. 84-4-9340981

### Ho Chi Minh City

8th Floor, Sunwah Tower, 115 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam  
Tel. 84-8-8219034 Fax. 84-8-8219037

### Yangon

Room No. 1205, 12th Floor, Sakura Tower, No. 339, Bogyoke Aung San Street, Kyauktada Township, Yangon, Myanmar  
Tel. 95-1-255355, 95-1-255404, 95-1-255405  
Fax. 95-1-255403

### Mumbai

210, Trade Centre, Opp. MTNL Bldg., Bandra Kurla Complex, Bandra(E), Mumbai 400051, India  
Tel. 91-22-2650-5044  
Fax. 91-22-6675-8774



# Subsidiaries and Affiliated Company Offices Abroad

## UNITED KINGDOM

---

**Sompo Japan  
Claim Services (Europe) Limited**  
Level 4, 155 Bishopsgate, London EC2M  
3AY, U.K.

**Sompo Japan  
Insurance Company of Europe Limited**

**London**  
Level 4, 155 Bishopsgate, London EC2M 3AY,  
U.K.

**Düsseldorf**  
Xantener Strasse 12, 40474  
Düsseldorf, Germany

**Brussels**  
Avenue Louise 283, Bte 10, 1050 Brussels,  
Belgium

**Amsterdam**  
World Trade Center A-12, Strawinskylaan  
1209, 1077 XX Amsterdam,  
The Netherlands

**Paris**  
6, Square de l'Opéra Louis Jouvet 75009  
Paris, France

**Milan**  
Via Spadari 9, 20123 Milano, Italy

**Barcelona**  
Torre Mapfre-Villa Olímpica Calle de la  
Marina, 16-18, Planta 8 08005,  
Barcelona, Spain

**Sompo Japan  
Corporate Member Limited**  
Level 4, 155 Bishopsgate, London EC2M  
3AY, U.K.

## GUERNSEY

---

**Ark Re Limited**  
P.O. Box 33, Maison Trinity, Trinity Square, St.  
Peter Port, Guernsey, GY1 4AT.  
Channel Islands

## MALAYSIA

---

**Berjaya Sompo Insurance Berhad**  
18th Floor, Menara BGI, Plaza Berjaya, 12,  
Jalan Imbi, 55100 Kuala Lumpur, Malaysia

## U.S.A.

---

**Sompo Japan  
Insurance Company of America**

**New York**  
Two World Financial Center, 43rd Floor,  
225 Liberty Street, New York,  
New York 10281-1058, U.S.A.

**Los Angeles**  
633 West Fifth Street, Suite 800, Los Angeles,  
California 90071, U.S.A.

**Chicago**  
One Pierce Place, Suite 525 Itasca,  
Illinois 60143, U.S.A.

**Atlanta**  
6 Concourse Parkway, Suite 2130, Atlanta,  
Georgia 30328, U.S.A.

**Nashville**  
Cool Springs III, Suite 110, 725 Cool Springs  
Blvd., Franklin, Tennessee 37067, U.S.A.

**San Francisco**  
Lake Amir Office Park, 1250 Bayhill Drive,  
Suite 203, San Bruno, California  
94066, U.S.A.

**Sompo Japan Fire & Marine Insurance  
Company of America**  
Two World Financial Center, 43rd Floor,  
225 Liberty Street, New York,  
New York 10281-1058, U.S.A.

**Sompo Japan  
Claim Services (America), Inc.**

**New York**  
Two World Financial Center, 43rd Floor,  
225 Liberty Street, New York,  
New York 10281-1058, U.S.A.

**Los Angeles**  
633 West Fifth Street Suite 800, Los Angeles,  
California 90071, U.S.A.

**Yasuda Enterprise Development  
America Inc.**  
435 Tasso Street, Suite 205, Palo Alto,  
California 94301, U.S.A.

**SJA Insurance Agency, LLC**  
13850 Ballantyne Corporate Place, 2nd Floor,  
Charlotte, North Carolina,  
28277 U.S.A.

## BERMUDA

---

**Eterna Insurance Company Limited**  
Clarendon House 2 Church Street, Hamilton  
HM11, Bermuda

## BRAZIL

---

**Yasuda Seguros S.A.**

**São Paulo**  
Rua Cubatão, 320-Paraisópolis São Paulo-SP-  
CEP 04013-001 Brasil

**Rio de Janeiro**  
Rua da Ajuda, 35-28° and.  
CEP 20069-900 Rio de Janeiro-RJ-Brasil

**Vistomar Ltda Serviços de Vistoria**  
Rua Cubatão, 320-12° and. São  
Paulo-SP-Brasil

**Sompo Japan do Brasil Ltda.**  
Rua Cubatão, 320-Paraisópolis  
São Paulo-SP-CEP 04013-001-Brasil

## MEXICO

---

**Sompo Japan Insurance De Mexico,  
S.A. de C.V.**  
Av. Insurgentes Sur 1196, Piso 8 Col.  
Tlacoquemecatl del Valle, C.P. 03200,  
México, D.F., México

## CHINA

---

**William S.T. Lee Insurance  
Company Limited**  
Room 1901, Lincoln House, Taikoo Place,  
979 King's Road, Island East, Hong Kong,  
S.A.R., The People's Republic of China

**Sompo Japan  
Insurance (China) Co., Ltd.**

**Dalian**  
10F, Dalian Senmao Building,  
147 Zhongshan Road, Xigang District,  
Dalian, The People's Republic of China

**Shanghai**  
5F, The Center, 989 Changle Road  
Shanghai, The People's Republic of China

**Sompo Japan  
Reinsurance Company Limited**  
22/F, Bank of East Asia Harbour View Center  
56 Gloucester Road, Wanchai, Hong Kong  
S.A.R., The People's Republic of China

# Underwriting Agencies

## SINGAPORE

---

**Sompo Japan Insurance Company (Asia) Pte Ltd.**  
50 Raffles Place, #03-03 Singapore Land Tower, Singapore 048623, Republic of Singapore

## INDONESIA

---

**PT Sompo Japan Insurance Indonesia**  
18th Floor, Midplaza Building, Jl. Jend. Sudirman Kav. 10-11, Jakarta 10220, Republic of Indonesia

## PHILIPPINES

---

**PGA Sompo Japan Insurance Inc.**  
5th Floor, Corinthian Plaza, 121 Paseo de Roxas, Legaspi Village, Makati City, Metro Manila, Philippines

## THAILAND

---

**Sompo Japan Service (Thailand) Co., Ltd.**  
12th Floor, Abdulrahim Place, 990 Rama 4 Road, Silom, Bangrak, Bangkok 10500, Thailand

**Sompo Japan Insurance (Thailand) Co., Ltd.**  
12th Floor, Abdulrahim Place, 990 Rama 4 Road, Silom, Bangrak, Bangkok 10500, Thailand

## VIETNAM

---

### **United Insurance Company of Vietnam**

**Hanoi**  
11th Floor, Hanoi Tung Shing Square, Unit 1102, 2 Ngo Quyen Street, Hoan Kiem District, Hanoi, Vietnam

**Ho Chi Minh City**  
8th Floor, Sunwah Tower, 115 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam

## INDIA

---

**Universal Sompo General Insurance Company Limited**  
310-311, Trade Centre, Opp-MTNC Bldg, Bandra Kurla Complex, Bandra(E) Mumbai 400051, INDIA

## CANADA

---

**Ace INA Insurance**  
The Exchange Tower, 130 King Street West, 12th Floor, Toronto, Ontario M5X 1A6, Canada

## CHINA

---

**William S.T. Lee Insurance Company Limited**  
Room 1901, Lincoln House, Taikoo Place, 979 King's Road, Island East, Hong Kong, S.A.R., The People's Republic of China

**Sompo Japan Reinsurance Company Limited**  
22/F, Bank of East Asia Harbour View Center 56 Gloucester Road, Wanchai, Hong Kong S.A.R., The People's Republic of China

## AUSTRALIA

---

### **Allianz Australia Insurance Limited**

**Sydney**  
Allianz Centre, Forecourt Building, 2 Market Street, Sydney, New South Wales 2000, Australia

**Melbourne**  
Level 3, 601 Bourke Street, Melbourne, Victoria 3000, Australia

# BOARD OF DIRECTORS, OFFICERS AND AUDITORS

(as of July 1, 2008)

## President and Chief Executive Officer

Masatoshi Sato

## Director, Senior Managing Executive Officer

Yukio Nakamura

Keishiro Kinoshita

Jun Mochizuki

Junichiro Okawa

Kenichi Tomita

Koki Kazuma

## Director, Managing Executive Officer

Hisashi Nakano

Eiichi Yoshimitsu

Masami Ishii

Takeshi Oiwa

Kengo Sakurada

## Independent Director

Yoshiki Yagi

Toshiaki Hasegawa

## Senior Managing Executive Officer

Mitsuhiko Fuse

Takakazu Sugishita

## Managing Executive Officer

Hiroshi Kudo

Toshio Mitsuuchi

Yukio Ito

Ken Endo

Mitsuhiko Fukui

Masanori Ishizuka

Yasushi Kuriyama

Kouji Haranaga

Toru Nakajima

Hidenori Fukuzawa

Hideto Ishizawa

Yukihiro Tajima

## Executive Officer

Toshiro Umezaki

Fumiaki Akaike

Hiroshi Nemoto

Hideo Haraguchi

Koichi Motoyama

Yuji Hara

Hiroataka Arai

Kiyoshi Ido

Hiroyuki Yamaguchi

Tadashi Noguchi

Minoru Nambu

Masayoshi Hori

Kaoru Takahashi

Shinji Tsuji

Keiji Nishizawa

Tadashi Baba

## Corporate Auditor

Tsuneo Ando

Jiro Handa

## Auditor

Tohru Tsuji

Kunihiro Matsuo

Yukako Uchinaga

# CORPORATE DATA

(as of March 31, 2008, except where noted)

<b>Head Office</b>	26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8338, Japan Tel: 03-3349-3111 URL: <a href="http://www.sompo-japan.co.jp">http://www.sompo-japan.co.jp</a>
<b>Founded</b>	October 1, 1888
<b>Paid-in Capital</b>	¥70,000 million
<b>Total Assets</b>	¥5,388,568 million
<b>Net Premiums Written</b>	¥1,345,025 million (Non-consolidated)
<b>Offices</b>	Domestic 316 Overseas 32
<b>Agencies</b>	54,282
<b>Employees</b>	16,095
<b>Independent Certified Public Accountants</b>	Ernst & Young ShinNihon (Effective July 1, 2008, Ernst & Young ShinNihon changed its name to Ernst & Young ShinNihon LLC)
<b>Number of Shares of Common Stock Issued</b>	987,733,424
<b>Major Shareholders</b>	<ul style="list-style-type: none"> <li>• Japan Trustee Services Bank, Ltd. (trust)</li> <li>• The Master Trust Bank of Japan, Ltd. (trust)</li> <li>• State Street Bank and Trust Company</li> <li>• The Dai-ichi Mutual Life Insurance Company</li> <li>• Mizuho Corporate Bank, Ltd.</li> <li>• Meiji Yasuda Life Insurance Company</li> <li>• Sompo Japan Employee Stock Ownership Group</li> <li>• Japan Trustee Services Bank, Ltd. (4 trusts)</li> <li>• JPMorgan Chase Bank 380055</li> <li>• Investors Bank West Pension Fund Clients</li> </ul>
<b>Stock Exchange Listings</b>	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
<b>Shareholder Register Manager</b>	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan
<b>General Meeting of Shareholders</b>	Held within four months of April 1
<b>Investor Relations</b>	Investor Relations Office, Corporate Planning Department Sompo Japan Insurance Inc. 26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8338, Japan
<b>Ratings</b> (as of July 1, 2008)	AA- (Standard and Poor's) Aa3 (Moody's) AA (Rating and Investment Information, Inc.) AA+ (Japan Credit Rating Agency) A+ (A. M. Best)

## Domestic Subsidiaries and Associated Companies

(as of July 1, 2008)

- Saison Automobile and Fire Insurance Company, Limited
- Hitachi Capital Insurance Corporation
- Sompo Japan Himawari Life Insurance Co., Ltd.
- Sompo Japan DIY Life Insurance Co., Ltd.
- Sompo Japan Claims Services Inc.
- Sompo Japan Commercial Line Services Inc.
- Sompo Japan Heartful Line Inc.
- Insurance Management Services Co., Ltd.
- Sompo Japan Healthcare Services Inc.
- Sompo Japan Human Resource Development Inc.
- Healthcare Frontier Japan Inc.
- Sompo Japan Agency Support Inc.
- Sompo Japan Risk Management Inc.
- Japan Insurance Services Inc.
- Taisho Sangyo Kabushiki Kaisha
- Hoken-no Senmonten Inc.
- Sawayaka Insurance Planning Inc.
- Area Support Japan Watarase Holding Co., Ltd.
- Area Support Japan Lloyd Co., Ltd.
- Area Support Japan 302 Enterprises Co., Ltd.
- Sompo Japan DC Securities Co., Ltd.
- Sompo Japan Asset Management Co., Ltd.
- Yasuda Enterprise Development Co., Ltd.
- Sompo Japan Credit Inc.
- Sompo Japan Building Management Inc.
- Sompo Japan Information Services Inc.
- Sompo Japan System Solutions Inc.
- Sompo Japan Research Institute Inc.
- Sompo Japan Fine Art Foundation
- Sompo Japan Foundation
- Sompo Japan Environment Foundation
- YED Global Technology I Partnership
- YED Global Lifescience I Partnership
- The Yasuda Enterprise Development I, Limited Partnership
- The Yasuda Enterprise Development II, Limited Partnership
- The Yasuda Enterprise Development III, Limited Partnership
- The Yasuda Enterprise Development IV, Limited Partnership
- The Investment Enterprise Partnership YNED
- Yasuda-RB I, Limited Partnership
- YED Tokyo I, Limited Partnership

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