

Exposure to Structured Finance

As of September 30, 2009

November 19, 2009

SOMPO JAPAN INSURANCE INC.

Structured Finance Exposure in Investment Portfolio <Appendix 1>

◆ **Total exposure:**

56.7 bil. JPY -Decreased by 6.9 billion yen since March 31, 2009.

◆ **Gains/Losses for FY2009 1H:**

1.3 bil. JPY losses -Impairment losses: 0.0 billion yen, Unrealized losses: 1.3 billion yen (primarily due to the exchange rate fluctuation)

Financial Guarantee Insurance (Running off, No new business since FY2008) <Appendix 2 to 4>

◆ **Total insured amount:**

680.7 bil. JPY (Decreased by 146.8 billion yen since March 31, 2009, primarily due to the appreciation of yen and redemption of some guaranteed transactions)

- Net exposure to ABS CDOs: 59.1 billion yen. (Decreased by 19.8 billion yen since March 31, 2009)

◆ **Gains/Losses for FY2009 1H:**

1.1 bil. JPY gains (Primarily due to the reversal of loss reserve)

(note) Reversal of loss reserve results from less payment for the commutation than the loss reserve provided for the transactions in past fiscal years.

<Appendix 1> Structured Finance Exposure in Our Investment Portfolio

(As of September 30, 2009, Unit: billions of JPY, USD/JPY=90.21)

Categories		Outstanding Balance	Gains/Losses in FY2009 1H (4/1/09-9/30/09)		
			Gains/Losses Charged to P/L	Unrealized Gains/Losses	Total
CDOs	ABS CDOs (backed by pools of asset backed securities) (*1)	0.0	0.0	0.0	0.0
	Corporate CDOs (backed by pools of single corporate credits) (*2)	-	-	-	-
	CDOs Total	0.0	0.0	0.0	0.0
ABS	RMBS (*3)				
	Global RMBS (*4)	2.8	-	(0.5)	(0.5)
	Domestic RMBS	30.7	0.0	0.3	0.3
	RMBS Total	33.5	0.0	(0.1)	(0.1)
	CMBS (*5)				
	Global CMBS	2.5	-	(0.4)	(0.4)
	Domestic CMBS	16.3	0.0	(0.5)	(0.5)
	CMBS Total	18.8	0.0	(1.0)	(1.0)
	Other ABS				
	Global ABS	0.8	-	(0.1)	(0.1)
Domestic ABS	-	-	-	-	
Other ABS Total	0.8	-	(0.1)	(0.1)	
ABS Total	53.2	0.0	(1.3)	(1.3)	
Investment in SIV		-	-	-	-
Leveraged Finance (*6)		3.4	-	-	-
Total		56.7	0.0	(1.3)	(1.3)
Reference: Hedge funds (U.S. subprime loans related exposure)		1.3	Net of the long position and the short position		

*1 ABS CDOs (backed by pools of asset backed securities): The securities backed by securitized assets such as the RMBS, CDOs and CLOs. Global transactions only (Below BBB).

*2 Corporate CDOs (backed by pools of single corporate credits): The securities backed by assets such as corporate bonds, loans and CDS. Excluding public finance CLO.

*3 RMBS: Asset Backed Securities where underlying assets are residential mortgages (Excluding RMBS issued by government sponsored enterprises).

Most of the RMBS are rated investment grade (BBB or above), while 82% are rated AAA.

Exposure to U.S. housing related government-sponsored enterprises (GSEs)'s RMBS and Agency Bonds amounted to 54.2 billion yen. - Decreased by 5.7 billion yen since March 31, 2009. No impairment losses.

*4 48 million yen of U.S. monoline guaranteed notes are included in the Global RMBS category.

*5 CMBS: Asset-backed securities where underlying assets are commercial mortgage loans.

*6 Leveraged Finance: Finance where funding are provided for corporate mergers and acquisitions, mainly based on cash flows of acquired companies. Domestic only.

<Appendix 2> Financial Guarantee Insurance

(As of September 30, 2009, Unit: billions of JPY, USD/JPY=90.21)

Categories		Insured Amount					Gains/Losses in FY2009 1H (*5) (4/1/09-9/30/09)
		Direct Insurance (*3)	Treaty Reinsurance(*4)	Total	Outstanding Loss Reserve	Net Exposure	
CDOs	ABS CDOs (backed by pools of asset backed securities)	132.6	0.6	133.2	74.1	59.1	1.3
	Corporate CDOs (backed by pools of single corporate credits)	245.1	4.7	249.8	-	249.8	-
	CDOs Total	377.7	5.3	383.0	74.1	308.9	1.3
ABS	RMBS (*1)						
	Global RMBS	0.3	12.6	12.9	0.4	12.5	(0.2)
	Domestic RMBS	41.1	-	41.1	-	41.1	-
	RMBS Total	41.5	12.6	54.1	0.4	53.6	(0.2)
	CMBS	-	-	-	-	-	-
	Other ABS						
	Global ABS (*2)	3.8	30.9	34.7	0.5	34.2	0.0
	Domestic ABS	11.0	-	11.0	-	11.0	-
Other ABS Total	14.9	30.9	45.8	0.5	45.2	0.0	
ABS Total	56.4	43.5	99.9	0.9	98.9	(0.3)	
Public Finance		-	197.7	197.7	0.0	197.7	0.0
Total		434.1	246.5	680.7	75.1	605.6	1.1

*1 Almost all RMBS have investment grade (BBB or above) including AAA ratings of 81%.

*2 8% of global ABS are U.S. consumer loan-related ABS, while others are mainly related to corporate credit (e.g., leasing receivables).

*3 "Direct Insurance" includes facultative reinsurance policies. 10.9 billion yen of Direct Insurance are U.S. monoline guaranteed notes.

*4 "Treaty Reinsurance" is a portfolio-based reinsurance where certain parts of policies underwritten by an original insurer are ceded automatically to the reinsurer, Sompo Japan, in accordance with the conditions agreed by the original insurer and the reinsurer.

*5 Total amount of 59.2 billion yen of loss payment (including 43.2 billion yen of lump sum payment for commutation) and 60.4 billion yen of decreased loss reserve (including gains/losses of exchange hedge transaction) in FY2009 1H (April 1, 2009 to September 30, 2009). Financial Guarantee insurance is not supposed to book mark-to-market unrealized gains/losses as it is an insurance policy.

<Appendix 3> Updated List of Guarantee for ABS CDOs (Excl. Treaty Reinsurance)

(As of October 31, 2009, Unit: billions of JPY, USD/JPY=91.39)

Policy No. (*1)	Issue Rating (*2) (S&P/MDY)	Fiscal Year Issued	Insured Amount (*3)	Subordination Ratio (*4)	Distribution of underlying assets rating						Ratio of subprime RMBS
					AAA	AA	A	BBB	Below BBB	Default (*5)	
Guarantee for CDO①	AAA/Caa2	2003	9.1	17%	33%	10%	5%	15%	37%	5.5%	0%
Guarantee for CDO② (*6)	AAA/B2	2004	8.2	43%	34%	38%	0%	8%	20%	16.3%	0%
	AAA/B2	2004	10.0	24%							
Guarantee for CDO④ (*7)	BBB+/B3	2004	11.4	14%	11%	22%	11%	10%	47%	2.7%	9%
Guarantee for CDO⑤ (*7)	BB+/Caa2	2005	10.9	14%	1%	11%	6%	5%	78%	6.2%	15%
Guarantee for CDO⑦	B+/C	2006	18.2	8%	5%	19%	28%	12%	36%	0.0%	31%
Guarantee for CDO⑨	-/Ca	2006	27.4	22%	6%	4%	4%	4%	82%	21.3%	10%
Guarantee for CDO⑪	B-/Caa1	2004	27.4	16%	1%	20%	21%	12%	46%	15.1%	-
Total of ABS CDOs			122.8	17%	8%	16%	12%	8%	56%	8.2%	-
Net Exposure (*8)			53.0								

*1 Previously listed Guarantee for CDO③, ⑥, ⑧, ⑩ and ⑫ which have been terminated due to the commutation or the full redemption of our guaranteeing tranche are excluded.

*2 Issue ratings are as of November 11, 2009. CDO④ and ⑤ are facultative reinsurance policies, and the issue ratings of which are the ratings for the ceding company's tranche including senior class to our tranche.

*3 Insured amount is amount of principal insured, and some policies also insure interest payments. If a principal/interest shortfall occurs, Sompo Japan will become liable for the guarantee obligation.

*4 Sub-ordination Ratio is a ratio of portions subordinated to our guaranteed tranche. A redemption of senior tranche results in an increase of Subordination Ratio.

*5 Default of underlying assets is determined by the default definition of each transaction through detailed checking and the default amount is adjusted by recovery.

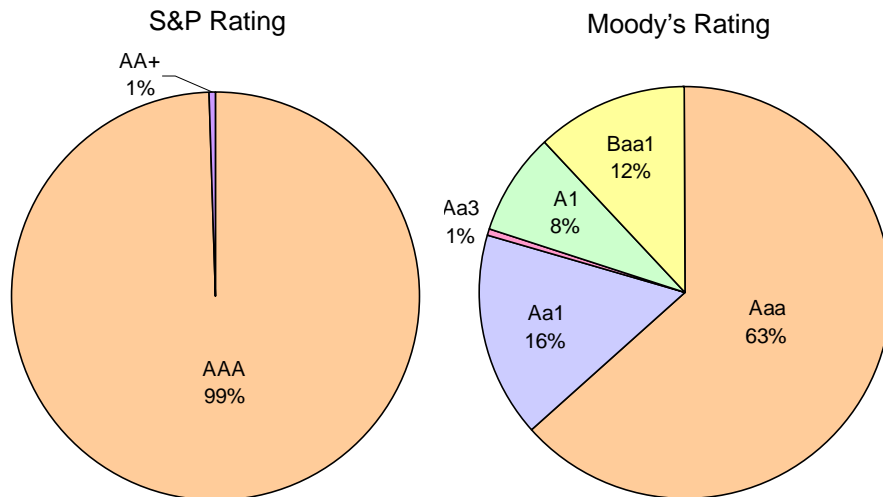
*6 Guarantee for CDO② insures different two classes of the same CDO.

*7 CDO④, ⑤ are the CDOs with early liquidation structure as CDO investors have option to sell all underlying assets to the third party for the purpose of diminishing their loss in case the aggregate outstanding par amount of underlying assets after the calculation of rating-based par haircuts falls below a particular level. However, possibility of early liquidation of CDO⑤ has been eliminated.

*8 Difference of Net Exposure between as of October 31, 2009 and September 30, 2009 is mainly due to the exchange rate fluctuation and redemption of some transactions.

- The total outstanding of insured corporate CDO (direct underwriting) amounted to 228.6 billion yen as of October 31, 2009. As a result of overall scrutiny of the individual contracts, there are no losses expected at this point.
- Average residual period of all direct underwriting corporate CDO is approximately 2.3 years. Approximately 25% of our exposure or 57 billion yen is to be redeemed by the end of FY2009 and 85% or 194 billion yen by the end of FY2012.
- Each corporate CDO is well diversified with approximately 150 reference corporations. No concentration to particular sector or corporation. For example, exposures to financial institutions and U.S. automakers (including auto-parts makers) accounts for around 13% and 2%, respectively.

Issue rating

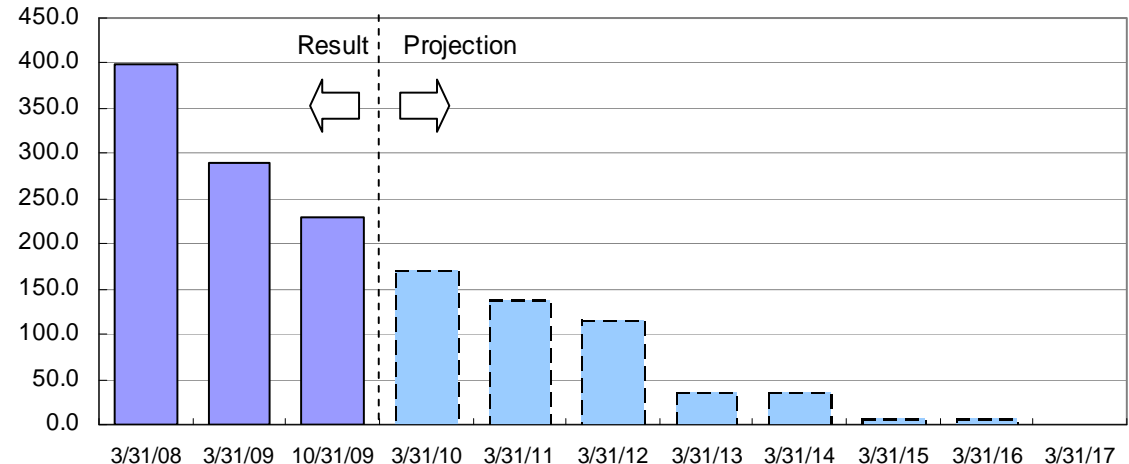


(Note) Rating distribution by S&P as of November 11, 2009. For transactions without S&P rating, we applied Moody's rating instead.

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Run off exposure (direct underwriting)

(Unit: billions of JPY)



(Note) Estimated by the exchange rate as of October 31, 2009