

Annual Meeting for Fiscal Year 2005 Results

May 30, 2006

SOMPO JAPAN INSURANCE INC.

Fiscal Year 2005 Results
&
Review of
Previous Mid-Term Business Plan



Overview of FY2005 Results (non-consolidated)

	FY2004	FY2005		
Excluding impact of the abolition of the government reinsurance program for Compulsory Automobile Liability Insurance (CALI) and impact of reinsurance contracts handled by Fortress Re.	Net premiums written	1243.3 bil JPY (growth: 0.2%)	1264.1 bil. JPY (growth: 1.7%) ■ Uptrend to +1.7%	
	Loss ratio (incl. Loss Adjustments)	64.8%	59.4% ■ Impact of natural disasters fell from 112.0 bil. JPY to 17.7 bil. JPY on incurred loss	
	Expense ratio	33.6%	32.9% ■ 0.7% point improved	
	Combined ratio	98.5%	92.3%	
	Underwriting balance	19.1 bil. JPY	97.0 bil. JPY	■ 20.2 bil.JPY booked as IBNR reserves including 13.0 bil.JPY as Statistical IBNR Reserves (see page 47) ■ 16.1 bil.JPY of the IBNR reserves booked to cut off overseas run-off portfolio which includes U.S. liability risk
	Underwriting profit	14.1 bil. JPY	19.9 bil. JPY	
	Investment profits	58.3 bil. JPY	81.6 bil. JPY ■ The increases in interest and dividend income contributed ■ Net capital gains on securities were 40.8 bil.JPY	
	Ordinary profits	74.2 bil. JPY	114.2 bil. JPY ■ 37.3 bil.JPY booked as special gains in FY2004 due to the sale of real estate	
	Net income	56.8 bil. JPY	67.8 bil. JPY	
	Dividend per share	9.0 JPY	13.0 JPY ■ Plans to increase the dividend per share by 4 JPY generally achieving the mid-term targets	

Overview of FY2005 Results (consolidated)

2

	Non-consolidated	Consolidated	Consolidated/Non-consolidated ratio		FY2004
Ordinary profit	114.2 bil. JPY	114.8 bil. JPY	<u>1.01</u>	Exceeds 1.00 on the ordinary profit basis	0.93
Net income	67.8 bil. JPY	67.4 bil. JPY	0.99		0.91

<Principal consolidated subsidiaries>

(Unit : bil. JPY)

	Ordinary profit	Net income	Net income after consolidation adjustment
Yasuda Seguros S.A.	1.9	1.4	1.4
Sompo Japan Asia	1.3	1.0	1.0
Sompo Japan Europe	0.4	0.3	0.3
Sompo Japan America	(0.2)	(0.2)	(0.2)
Sompo Japan DIY Life Insurance	(1.0)	(1.0)	(0.3)
Sompo Japan DC Securities	(1.0)	(1.0)	(1.0)
Sompo Japan Himawari Life Insurance	2.2	1.4	(1.7)


P&C Insurance Business: by Insurance Products

	Net premiums written FY2005	Growth Rate	Overview
Auto Insurance	674.0 bil. JPY	0.7%	<ul style="list-style-type: none"> • Improved retention rate due to progress by user-friendly renewal program in “ONE-do” • Number of policies +1.0%, Unit price bottomed out on sales premium
CALI	237.9 bil. JPY	(2.6%)	<ul style="list-style-type: none"> • Declined due to a revision of standard premiums • Number of policies +2.8%
Fire Insurance	152.0 bil. JPY	1.1%	<ul style="list-style-type: none"> • Increase of reinsurance premium contributed
Personal Accident Insurance	127.6 bil. JPY	5.7%	<ul style="list-style-type: none"> • Stable rise through steady growth in Long Term Medical Insurance “Dr. Japan”, etc.
Marine Insurance	28.3 bil. JPY	12.5%	<ul style="list-style-type: none"> • Sales of cargo insurance are firm, supported by a recovery in corporate business results
Others	150.8 bil. JPY	6.0%	<ul style="list-style-type: none"> • Uptrend of commercial line products including liability insurance

P&C Insurance Business: by Distribution Channels

	Sales premiums FY2005	Growth Rate	Overview
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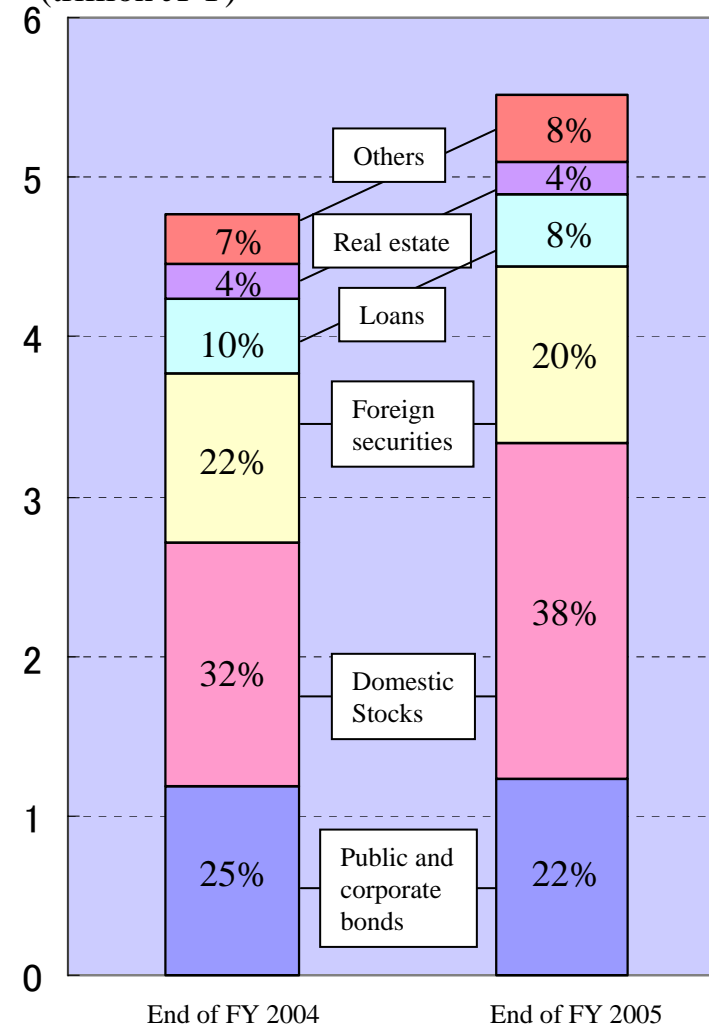
*The bottom figures in parentheses exclude CALI

Auto Dealer	259.6 bil. JPY 148.8 bil. JPY	8.0% 4.6%	<ul style="list-style-type: none"> Evaluation of comprehensive support capabilities such as insurance IT systems
Dai-Ichi Life	35.2 bil. JPY -total for all lines-	9.0%	<ul style="list-style-type: none"> Business model toward cross-selling of P&C and life insurance is to be re-established
Enterprise	252.4 bil. JPY 239.5 bil. JPY	2.7% 2.4%	<ul style="list-style-type: none"> Revenues increased , mainly in liability insurance, as corporate business results recovered
Over-the-counter Sales by financial institutions	16.6 bil. JPY	(1.5%)	<ul style="list-style-type: none"> Decreased under the competitive circumstances vs. other distribution channels
Professional agents	388.0 bil. JPY 375.3 bil. JPY	0.7% 0.6%	<ul style="list-style-type: none"> Establishment of new agents with solid sales capabilities
Total	1395.0 bil. JPY 1154.6 bil. JPY	3.0% 1.7%	

-Investment Profit, Unrealized Gains and Total Return improved substantially due to recovery of Japanese stock market and foreign securities investment.

	FY2004	FY2005	Growth
Investment profit	58.3 bil. JPY	81.6 bil. JPY	40%
Adjusted* Investment profit	27.5 bil. JPY	51.4 bil. JPY	87%
<small>*excluding Realized gains and/or losses on sales of stocks and Devaluation loss on stocks</small>			
Unrealized Gains on Securities	880.9 bil. JPY	1483.5 bil. JPY	68%
Total Return	4.48%	15.17%	
Investment Income Return	2.09%	2.33%	
Sales Amount of Stock	54.2 bil. JPY	44.3 bil. JPY	

■ Asset allocation (trillion JPY)



■ FY 2005

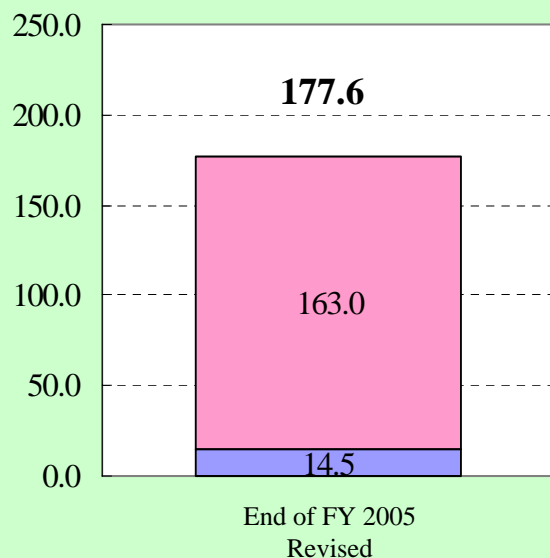
Annualized New Premiums : 45.6 bil. JPY (growth 8.0%)

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

- Liability reserves were achieved to fulfill the regulatory required amount one year earlier than scheduled
- To be contributed for the profit on consolidated basis from FY 2006

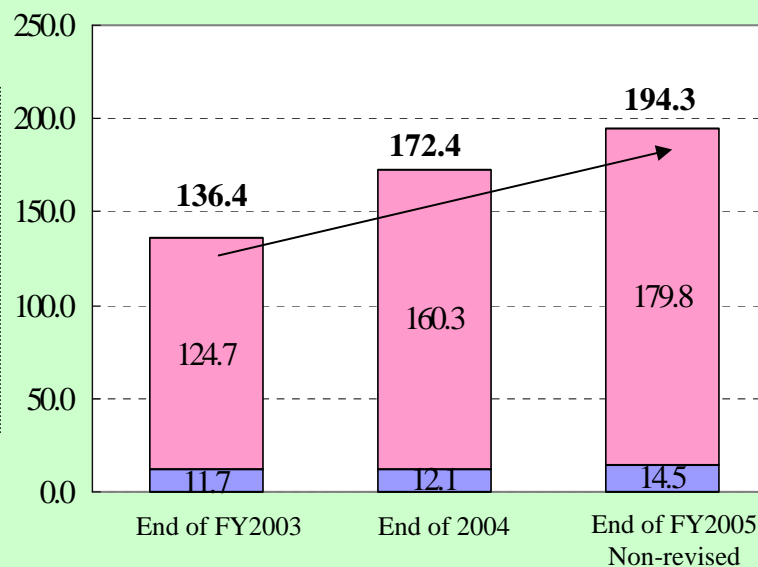
■ Embedded Value

(bil. JPY)



Method of EV calculation was revised from FY2005 using more conservative investment return assumption

(bil. JPY) <reference / non-revised basis >



Sompo Japan
DIY Life

■ FY2005

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

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

Sompo Japan
DC Securities

■ End of FY2005

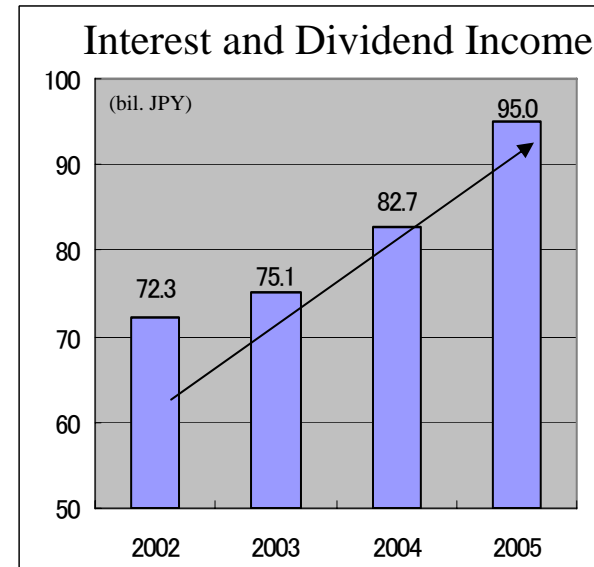
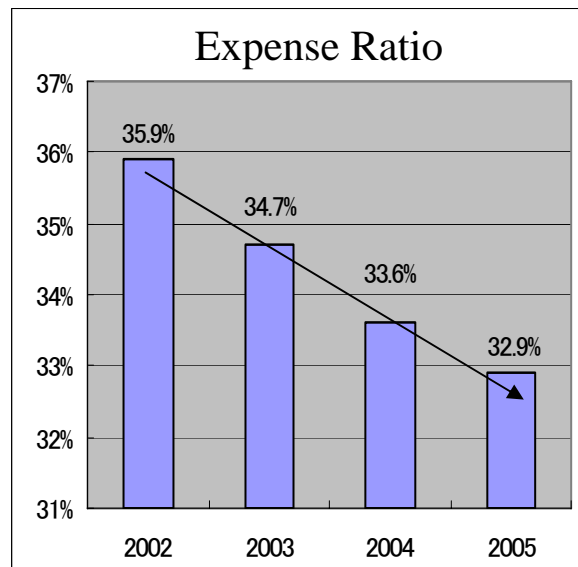
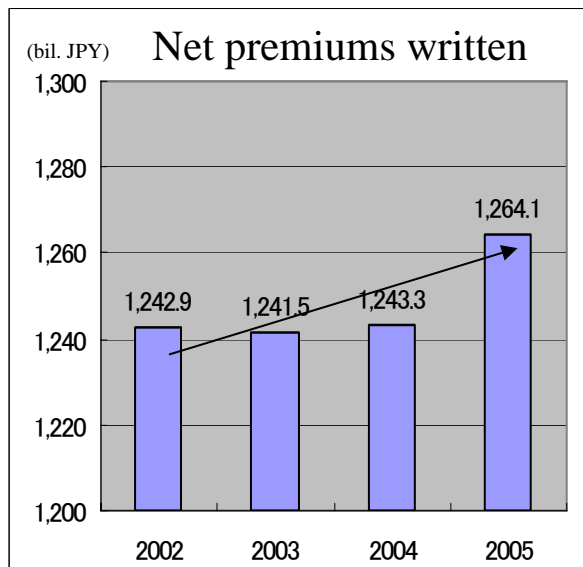
- Commercial type : ranked 2nd with market share 11.3%
- Personal type : ranked top with market share 29.7%

— DC market is steadily expanding due to increase of dissolution of corporate pension funds or “Daiko-henjo” of Welfare Plan and abolition of the qualified pension plan at the end of March, 2012

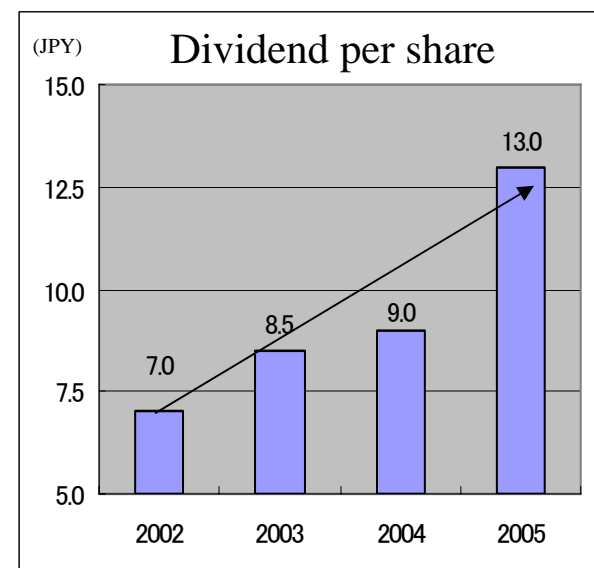
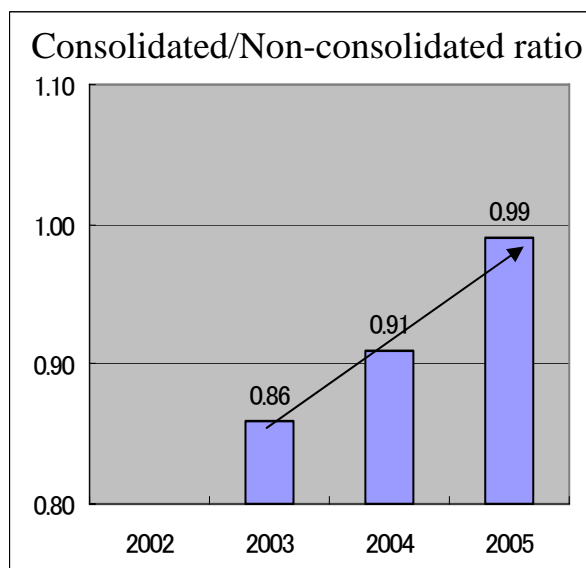
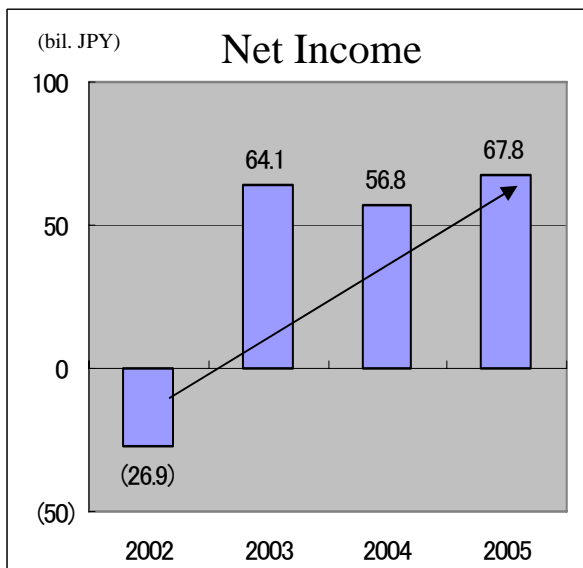
■ Sampo Japan is developing approaches tailored by respective market, focusing on profitability and growth

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

<p>Product development</p>	<ul style="list-style-type: none"> • New products with distinctiveness and competitive advantage • “ONE-do” : innovative automobile insurance, “Dr. Japan” : new long-term medical insurance, “off!” : new overseas travel insurance, Personal Data Business Insurance, etc.
<p>Distribution Channels</p> <p>Alliances</p>	<ul style="list-style-type: none"> • Closer relationship with mega-channels such as auto dealers and financial institutions • Alliances with top players such as Dai-Ichi Life, Credit Saison, Omron, Hitachi Capital
<p>Improved profitability</p>	<ul style="list-style-type: none"> • Expense ratio improved through the continuous effect of merger and the reform of corporate pension plan including defined contribution plan
<p>Strengthened financial standing</p>	<ul style="list-style-type: none"> • Introduction of 30% impairment rule on financial assets, early adoption of impairment rule for fixed assets • Development of new integrated risk management model, real estate reduction
<p>Overseas business</p>	<ul style="list-style-type: none"> • Selection and concentration focusing on profitability and growth • Expansion in China and other growing markets, and improved profitability in Europe/US
<p>Group business</p>	<ul style="list-style-type: none"> • Expected contributions to consolidated profits by Sampo Japan Himawari Life, Sampo Japan DIY Life, Sampo Japan DC Securities, Sampo Japan Asset Management • Expansion into the healthcare business established “Health Care Frontier Japan”, joint venture with Omron and NTT Data



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



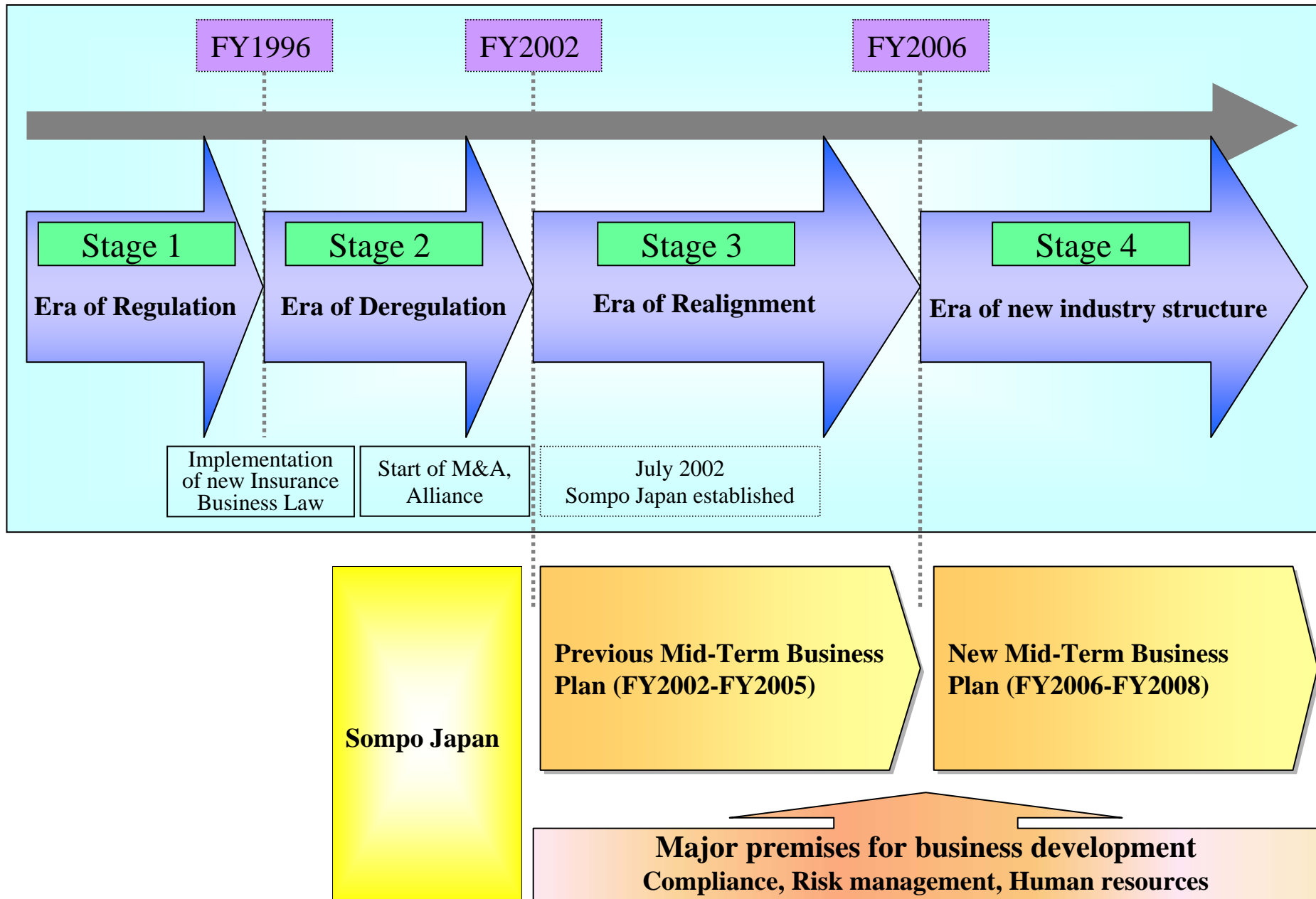
Excluding impact of the abolition of the government reinsurance program for CALI and impact of reinsurance contracts handled by Fortress Re.

	Mid-Term Targets	FY2005 Results
Net premiums written	1,275.0 bil. JPY	1,264.1 bil. JPY
Expense ratio	33.0 %	32.9 %
Ordinary profit Non-consolidated	104.0 bil. JPY	114.2 bil. JPY
Net income Non-consolidated	60.0 bil. JPY	67.8 bil. JPY
Adjusted consolidated ROE*	15.0 %	18.1 %

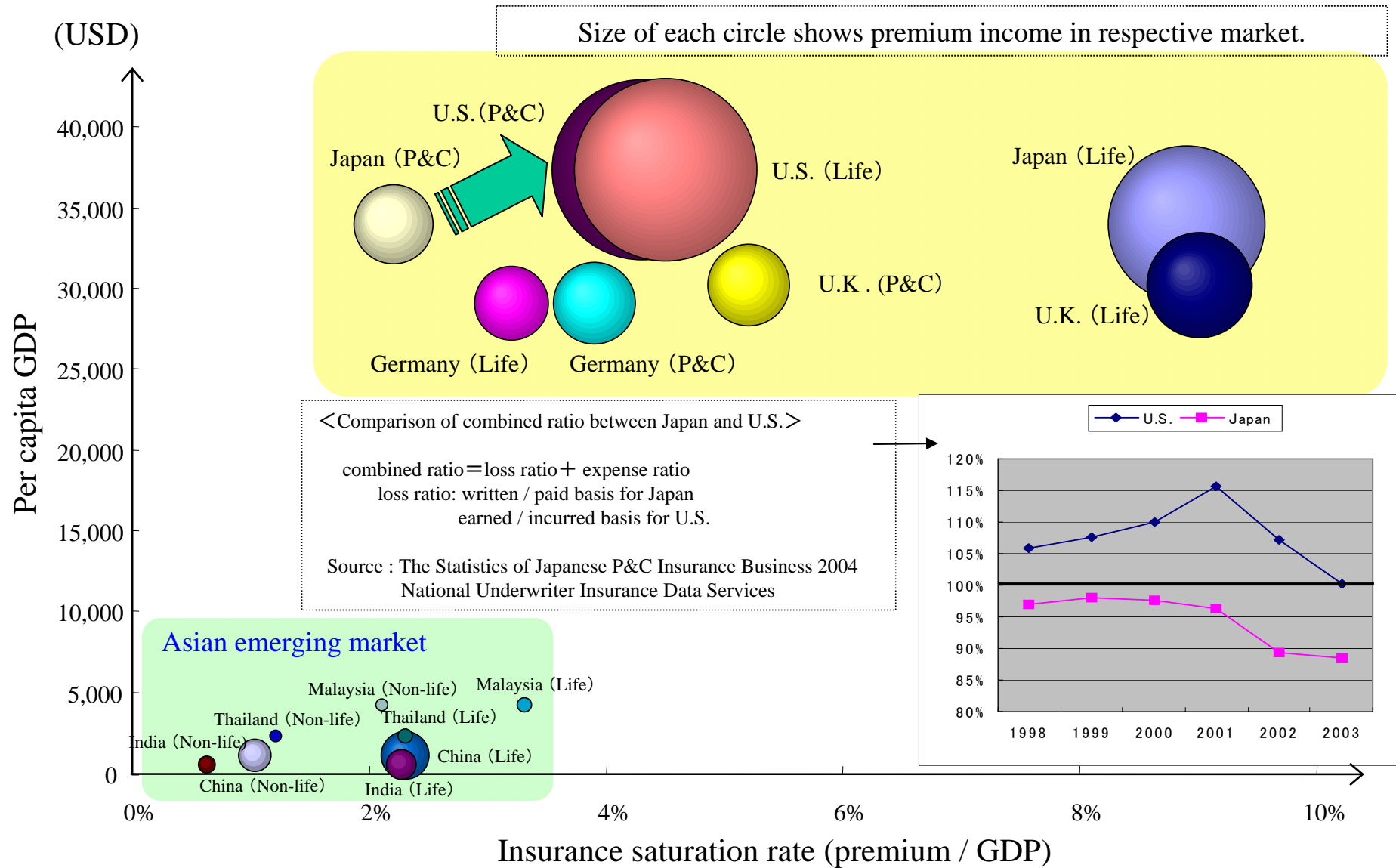
* ROE excludes after-tax unrealized gains in securities from shareholder's equity in the denominator

**New Mid-Term Business Plan
(2006-2008)**

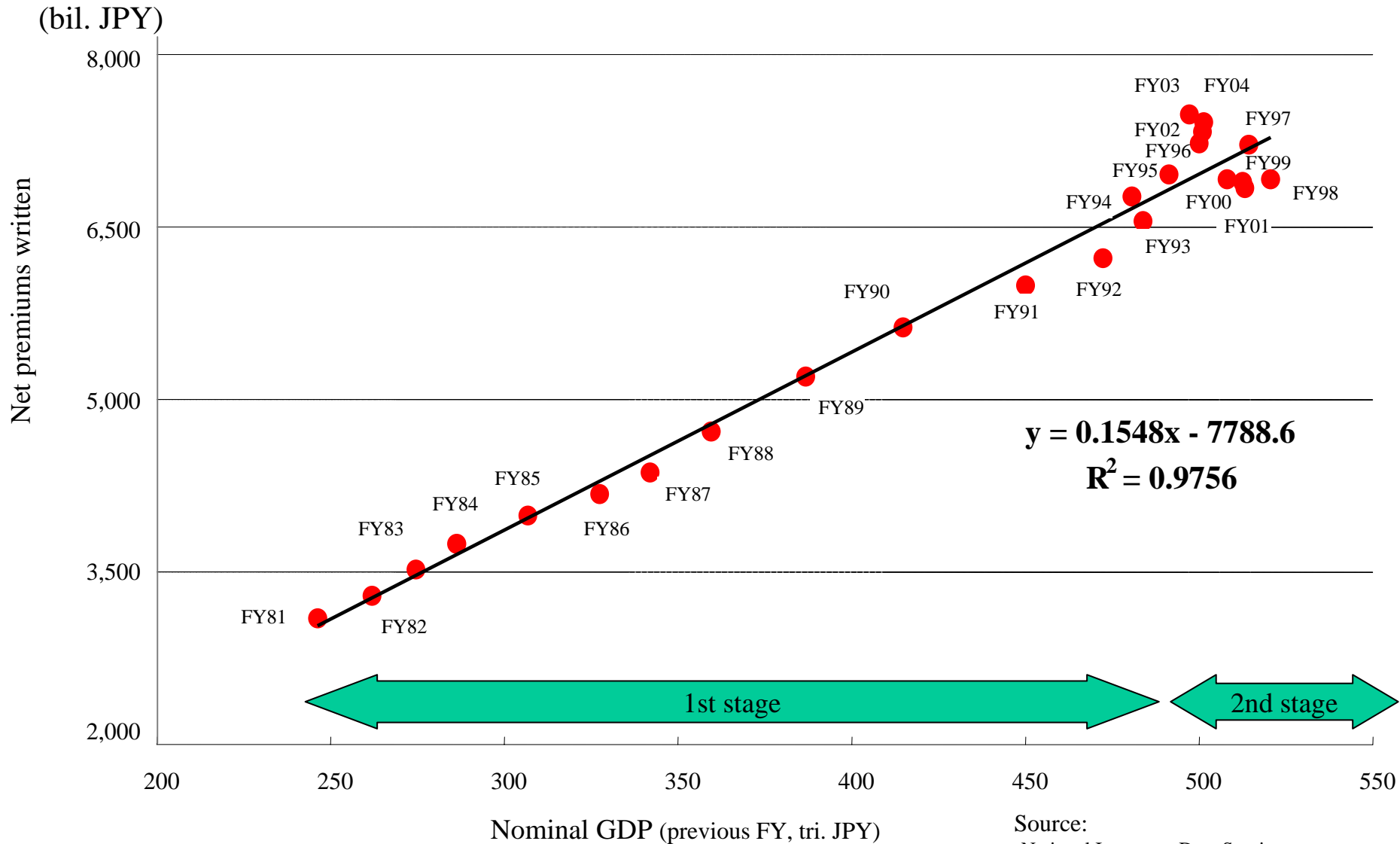




Global Comparison of Saturation Rate

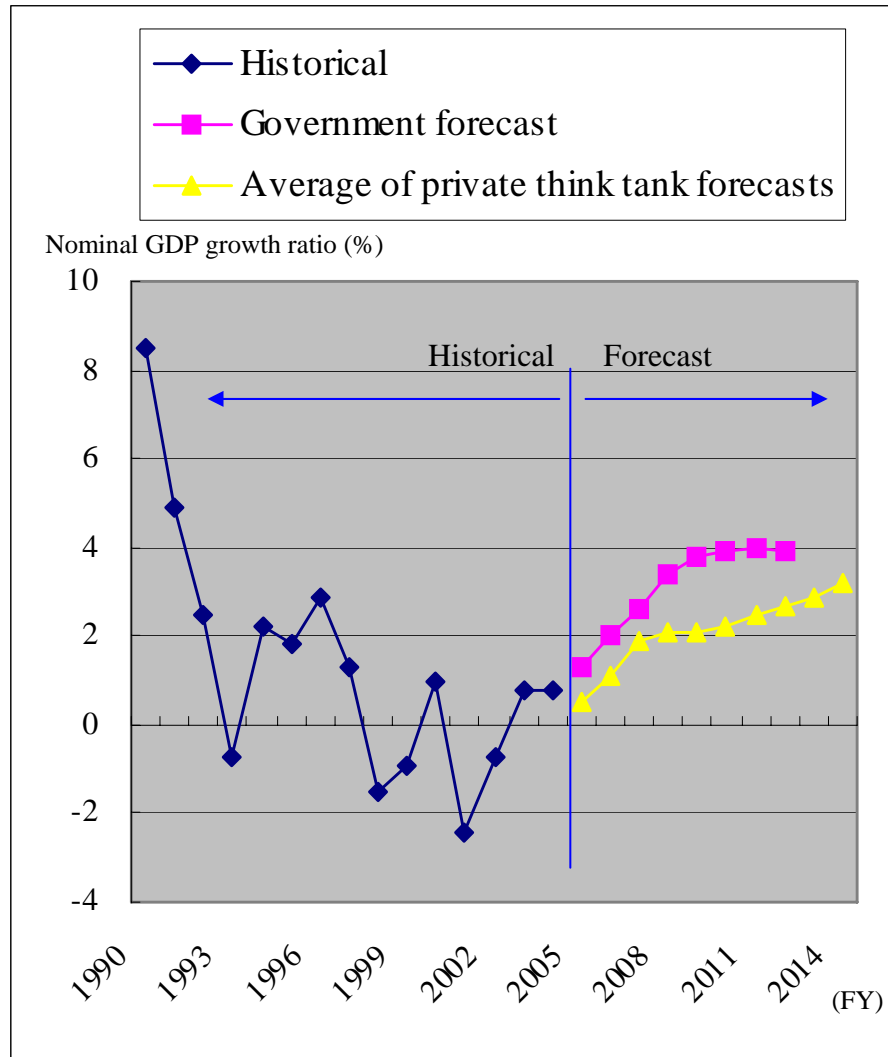


Correlation of Premium and Nominal GDP in Japan



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

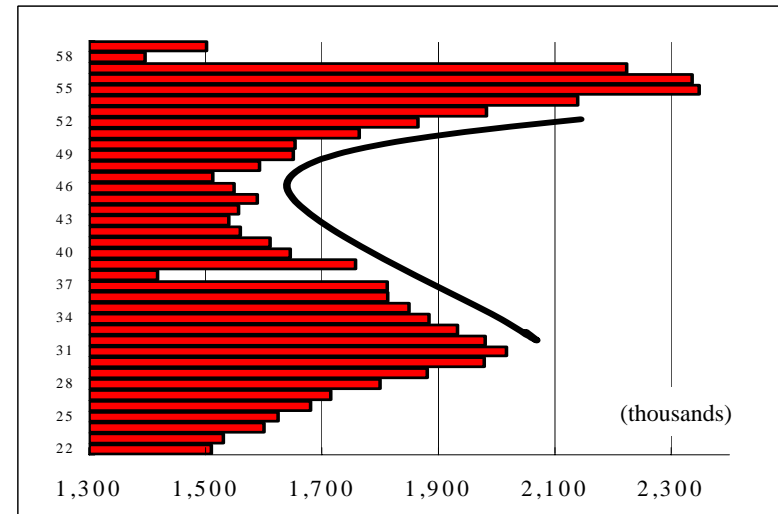
Forecast of Nominal GDP



Source : Economic and Social Research Institute, Cabinet Office, Government of Japan

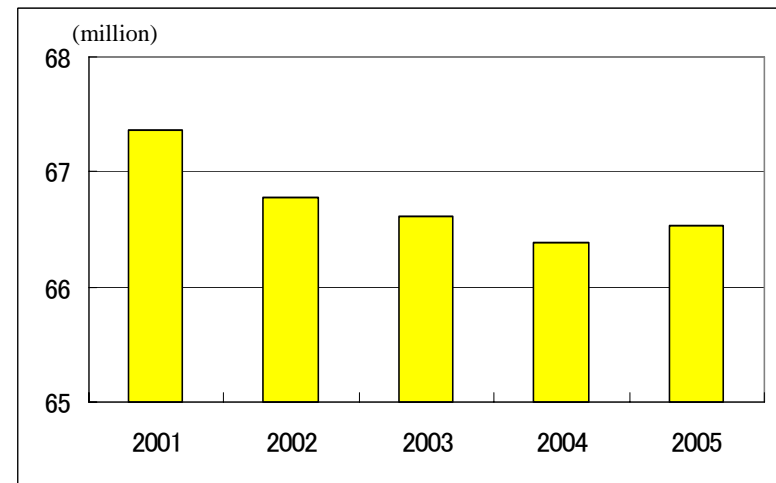
Demographics

2003



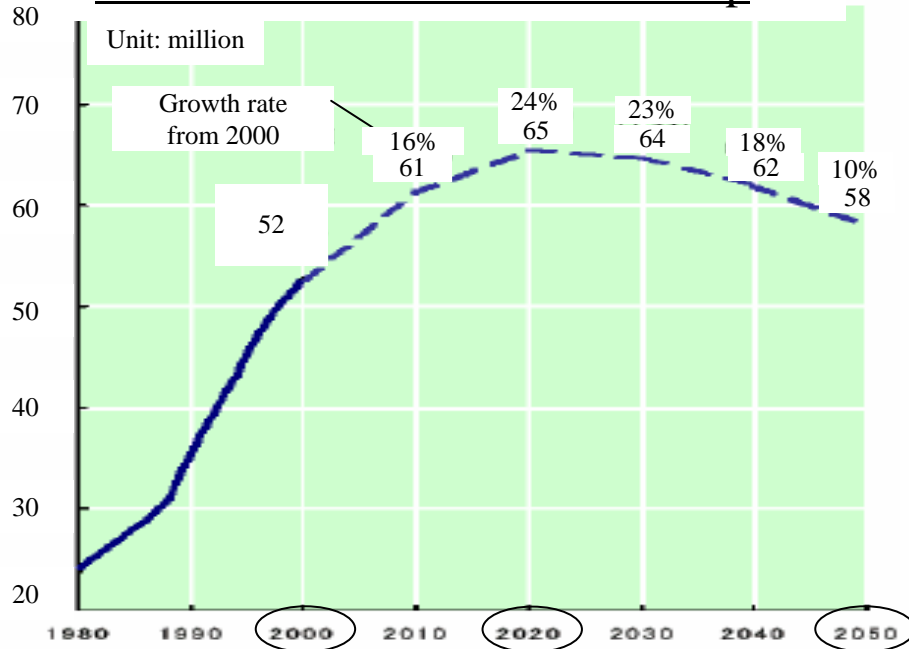
Source : Daiwa Institute of Research

Labor Force

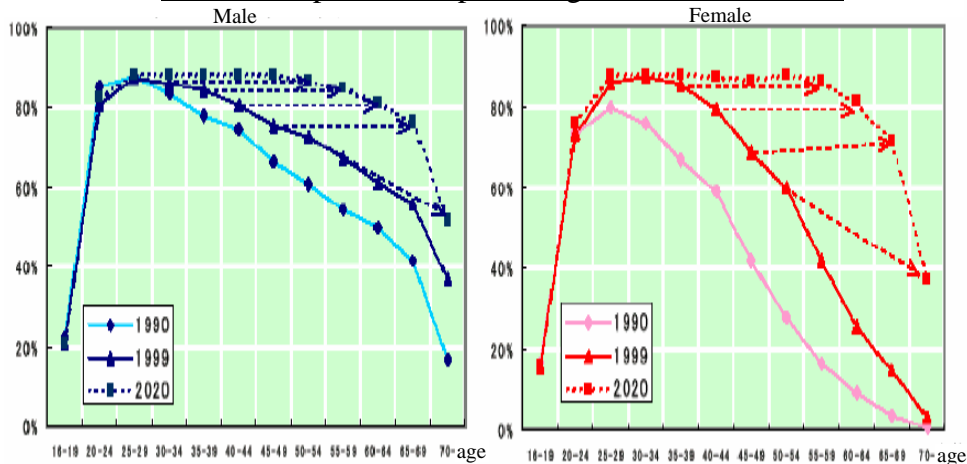


Source : Ministry of Internal Affairs and Communications

Forecast of automobile ownership

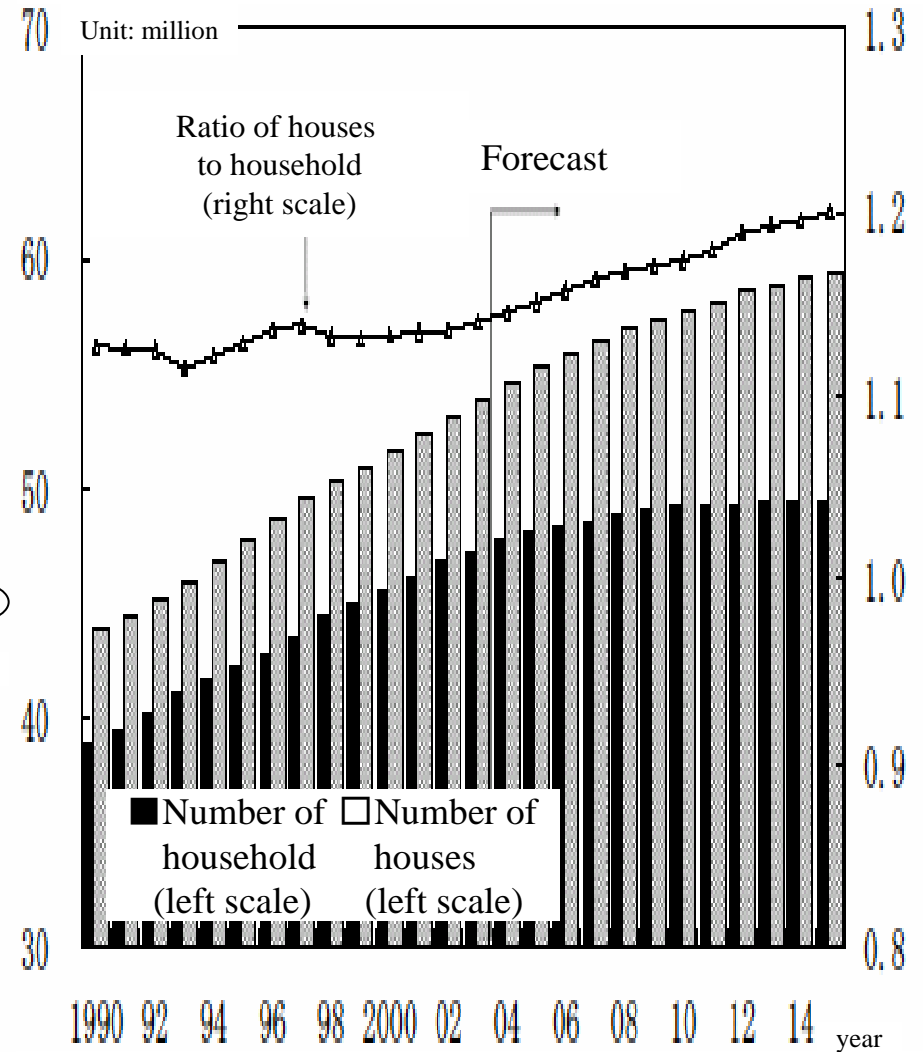


Forecast of possession percentage of Drivers License



Source: Ministry of Land Infrastructure and Transport

Number of household and houses



Source: Japan Center for Economic Research
 "The challenges for Japanese revitalization of the economy"

Conclusion

Japanese P&C insurance market will expand according to the Business Environment aforementioned

The key is:

Increase of customer base

×

Promotion of cross-selling

Challenges

1

Establishment of innovative IT infrastructure

2

Establishment of top-line expansion strategy with concrete systems and schemes

3

Strengthening of effective internal governance system

Major premises for business development

 **Compliance, Risk management, Human resources**

Improving corporate governance

 **“Business Audit and Compliance Committee” etc.**

1

Improving front-line productivity and making more time available for sales efforts by enhancing IT infrastructure

2

Designating domestic business as the core business domain

3

Creating new business models primarily in the retail sector

4

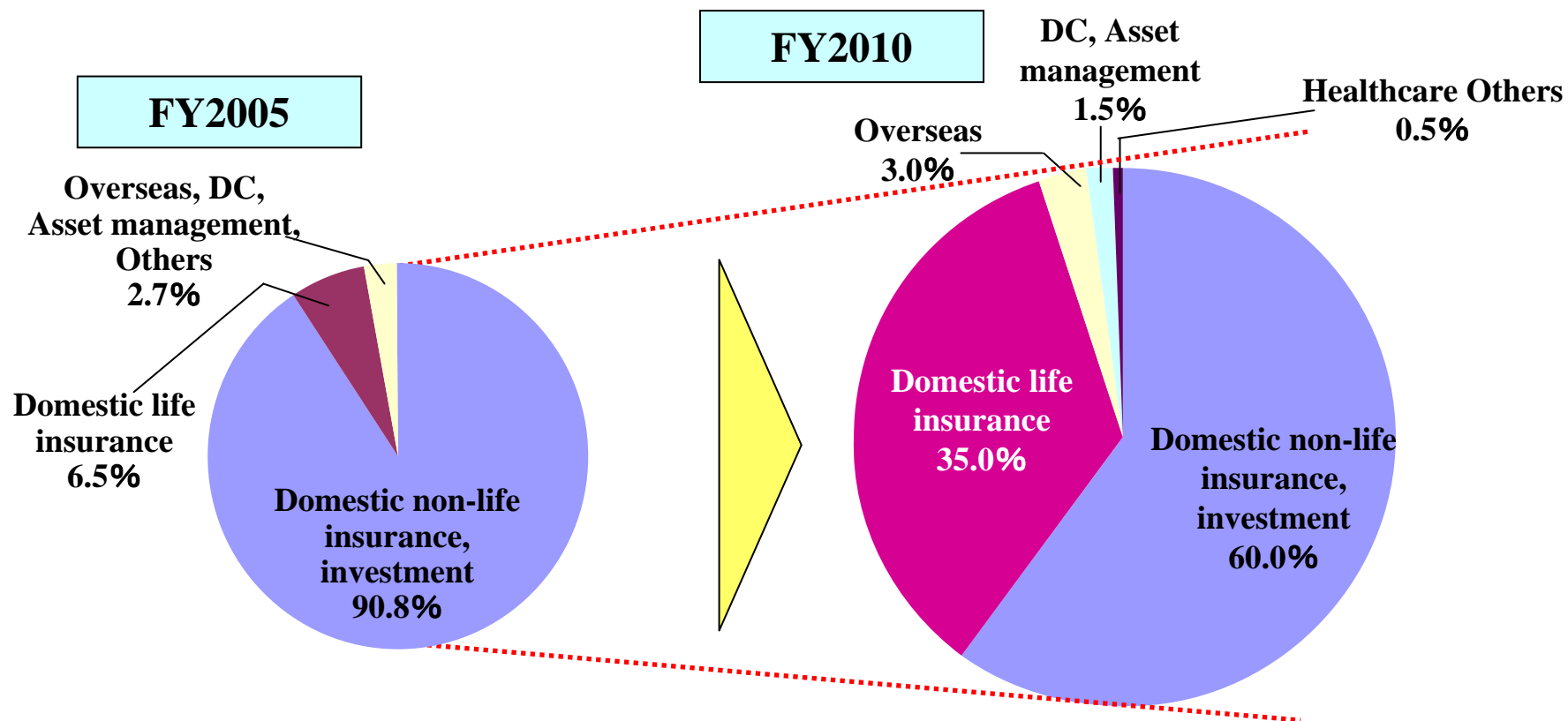
Contributing to profits through overseas profit-making businesses

5

Reinforcing the life insurance and Defined Contribution Pension businesses

	Opportunity	Strategy
P&C insurance	Market expansion in traditional areas such as automobile and fire insurance as well as non-traditional areas such as casualty insurance	New business model through allocation of management resources on setting priorities
Investment	Steady growth of global economy and financial market	Improvement of expected return through appropriate risk control
Life insurance	Expansion of third sector market through reforms in national healthcare system	Pursuit of cross-selling to non-life insurance customer
Overseas insurance	Market expansion in BRICs and Asia	Enhancement of business base and strengthening of profitability management
DC Asset management	Dissolution of corporate pension funds or “Daiko-henjo” of Welfare Plan, and abolition of the qualified pension plan (2012)	Bundled service, tie-up with financial institutions
Healthcare business and other fee businesses	Falling birthrate and aging population, reform of medical insurance system	Disease prevention service for health insurance unions

■ Changes on profit basis

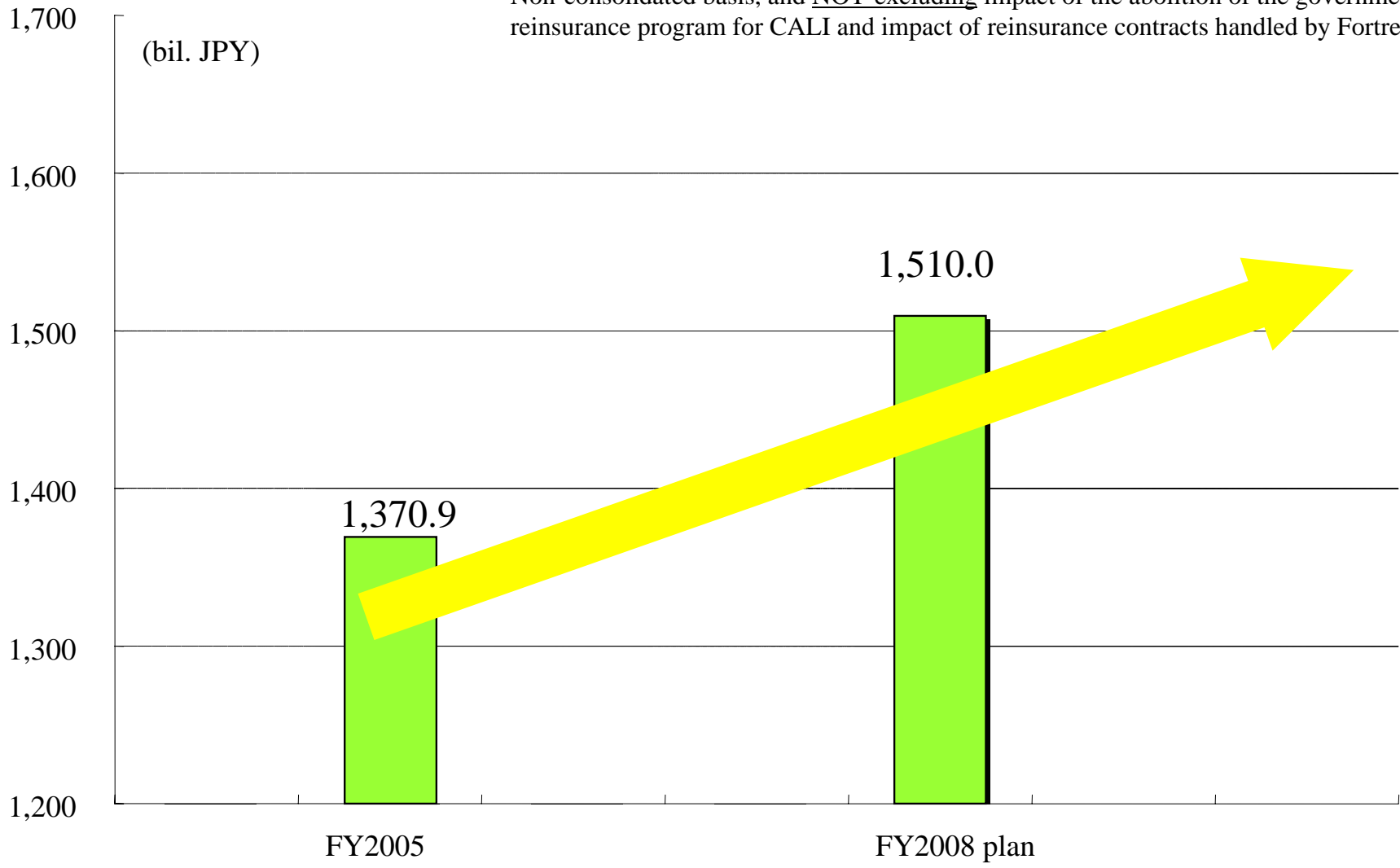


※Only Himawari Life Insurance uses adjusted EV increases (note); others use current net income.

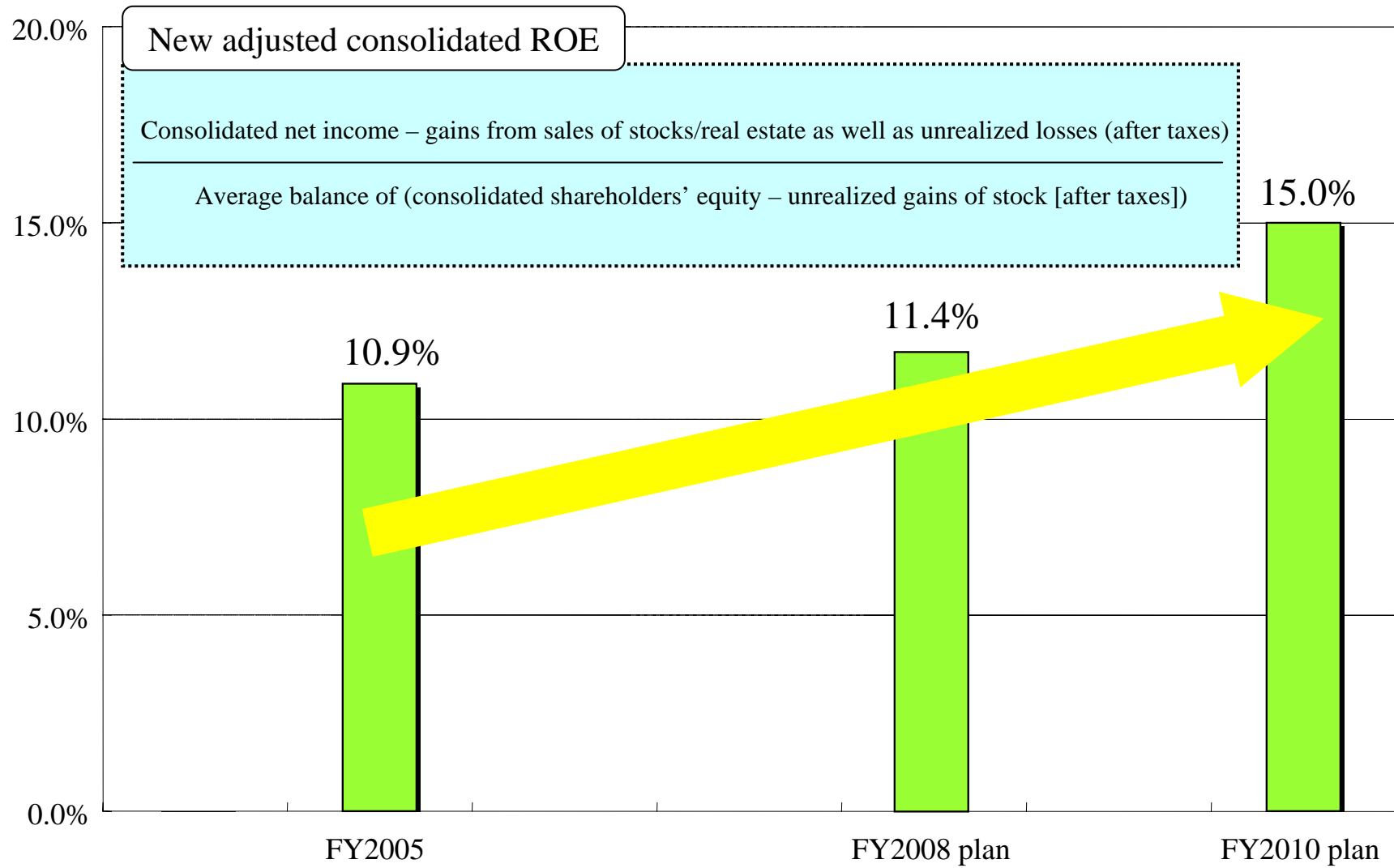
(Note) The impacts of (1) interest rate fluctuations, (2) discount rate fluctuations, and (3) capital increases and shareholder dividends are deducted from the EV increase.

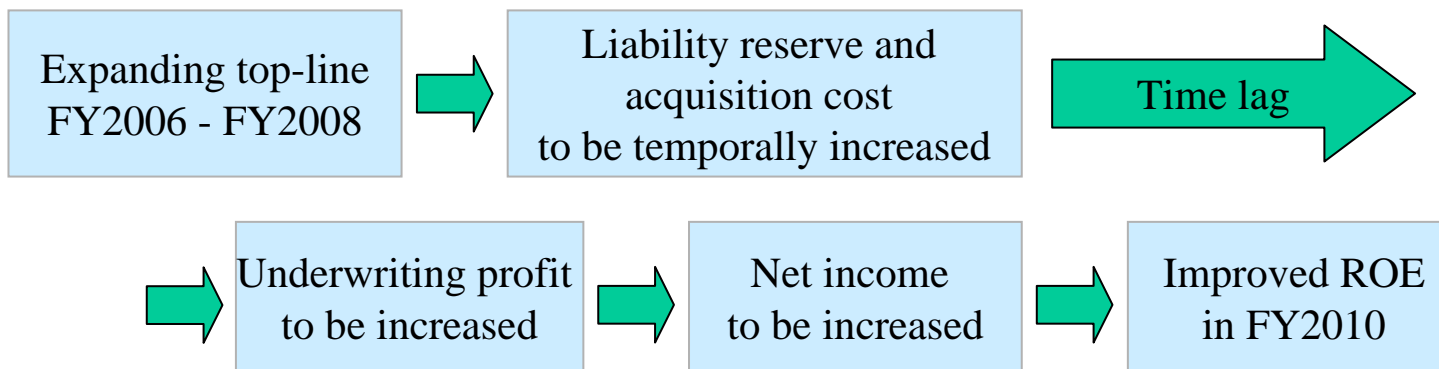
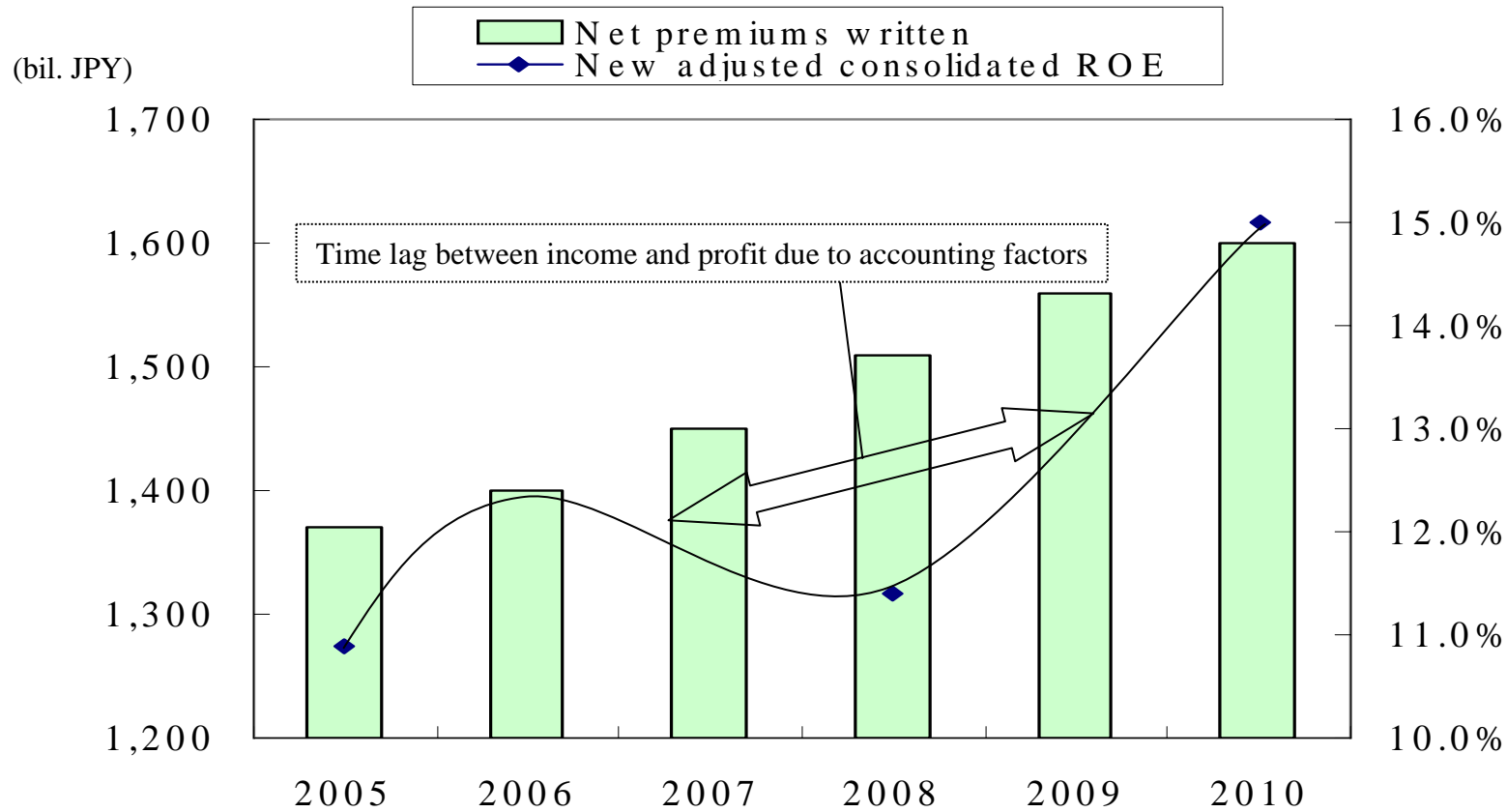
Growth of net premiums written
Three-year average for FY2006-FY2008: +3.3%

*Non-consolidated basis, and NOT-excluding impact of the abolition of the government reinsurance program for CALI and impact of reinsurance contracts handled by Fortress Re



New adjusted consolidated ROE
FY2010: 15%





	FY2005 (Result)	FY2008 Plan	FY2010 Plan
Net premiums written	1,370.9 bil. JPY	1,510.0 bil. JPY	
Expense ratio	30.3 %	30.3%	
Net income Non-consolidated	67.8 bil. JPY	64.0 bil. JPY	
Net Income Consolidated	67.3 bil. JPY	74.0 bil. JPY	110.0 bil. JPY
New adjusted consolidated ROE	10.9 %	11.4%	15.0%

Mid-Term targets

NOT-excluding impact of the abolition of the government reinsurance program for CALI and impact of reinsurance contracts handled by Fortress Re

■ Sampo Japan will seek a steady increase in the actual amounts of return to shareholder, focusing on dividends

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

(FY2005 = 1.1%)

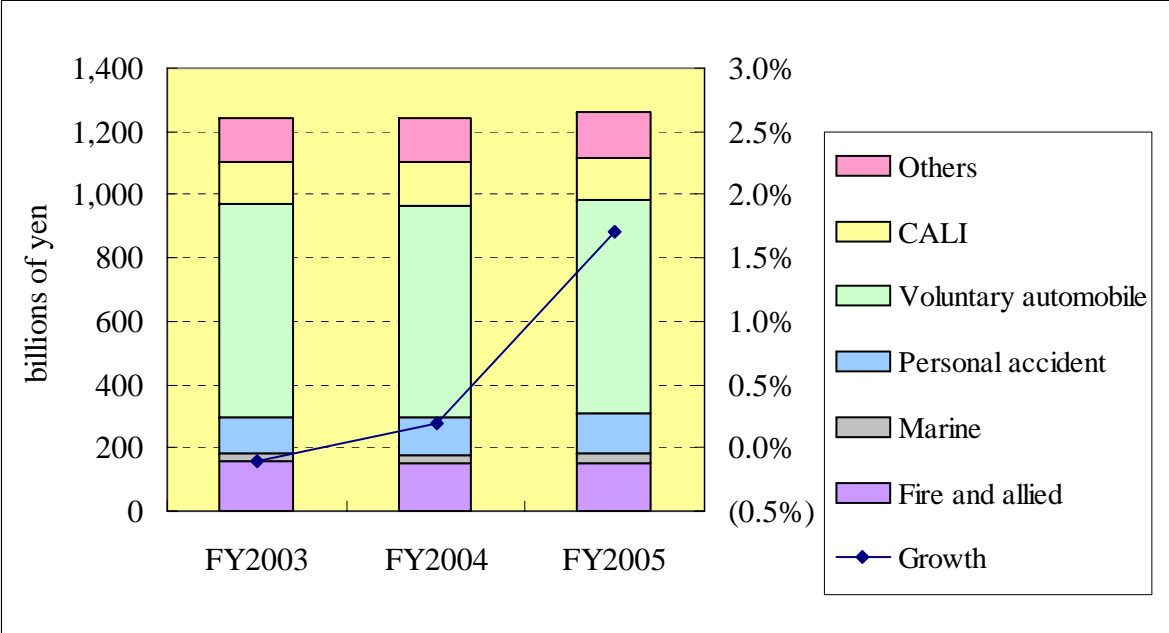
$$\text{DOE} = \frac{\text{Total Dividend}}{\text{Consolidated shareholder's equity}} = \underbrace{\frac{\text{Total dividend}}{\text{Net income}}}_{\text{Payout ratio}} \times \underbrace{\frac{\text{Net Income}}{\text{Shareholder's equity}}}_{\text{ROE}}$$

- DOE is the ratio of return to shareholders' equity
- Improving both payout ratio and ROE → Increase of shareholder value

Fiscal Year 2005 Results



Net premiums written increased by 1.7%



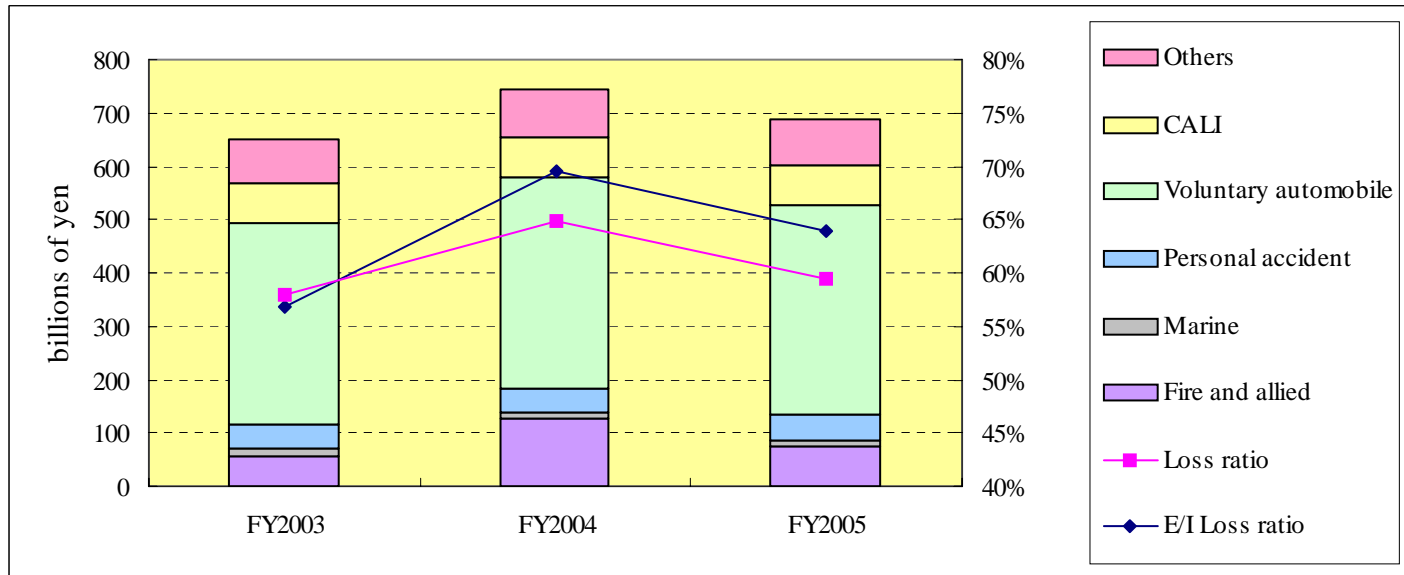
(Unit: billions of yen)

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

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

Trend of net claims paid (ex. special factors)

Loss ratios improved.



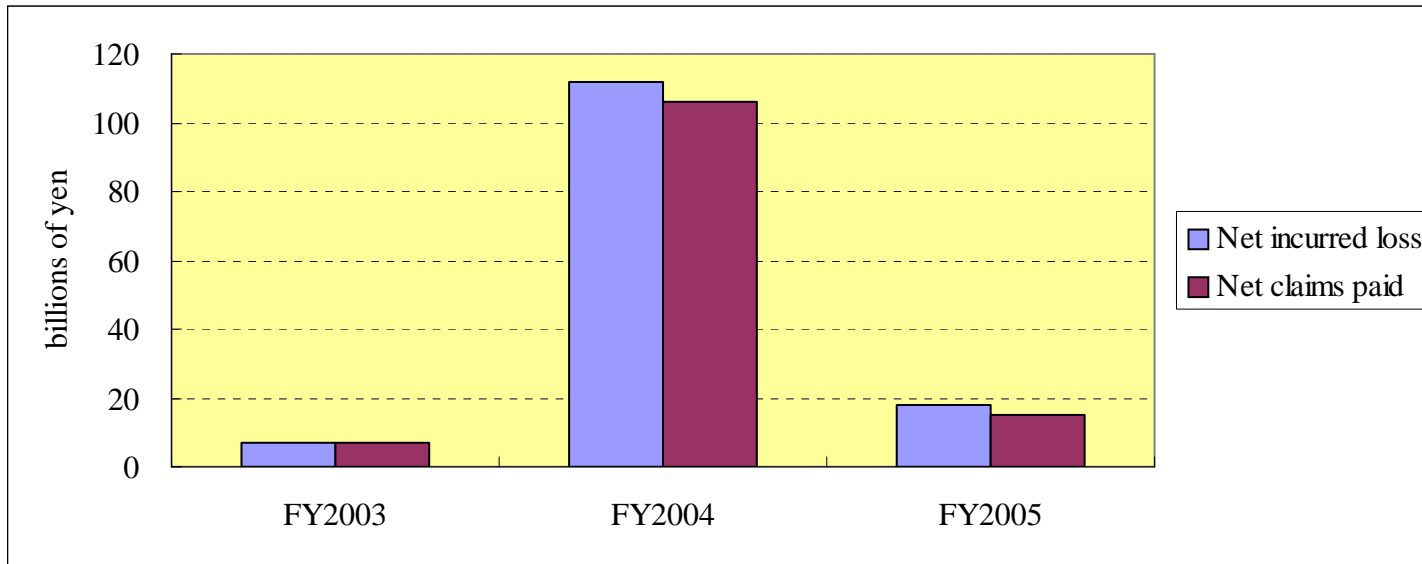
(Unit: billions of yen)

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

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

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

Losses by natural disasters were small compared with FY2004



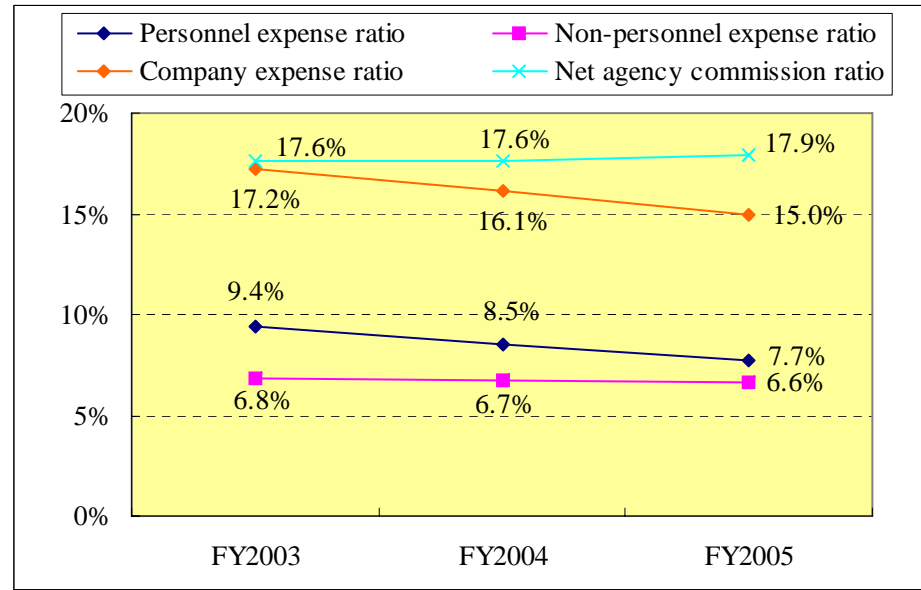
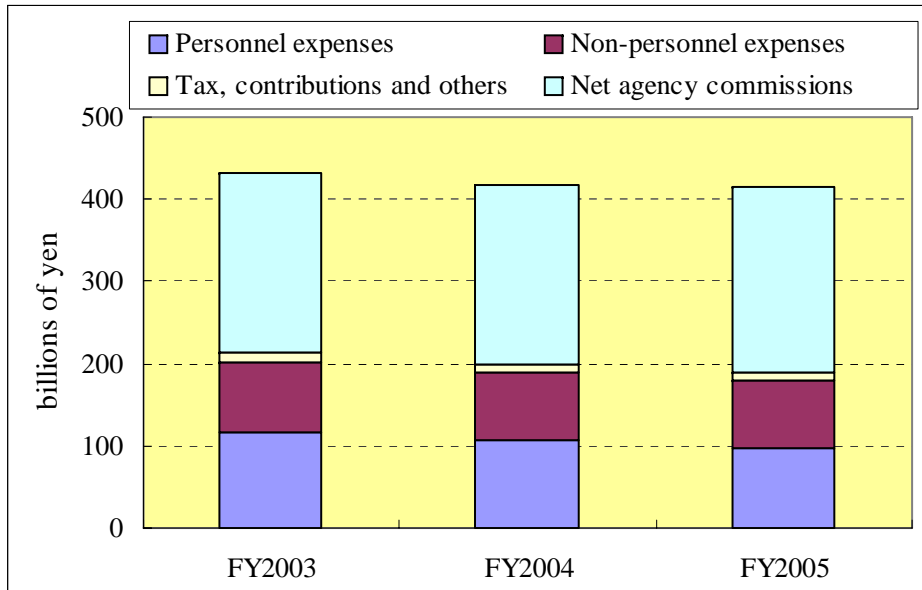
(Unit: billions of yen)

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

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

Trend of expense ratio with breakdowns (ex. special factors)

Total expense ratio decreased because additional commissions due to the long-term medical product was absorbed by the reduction of personnel expenses.



(Unit: billions of yen)

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

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

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

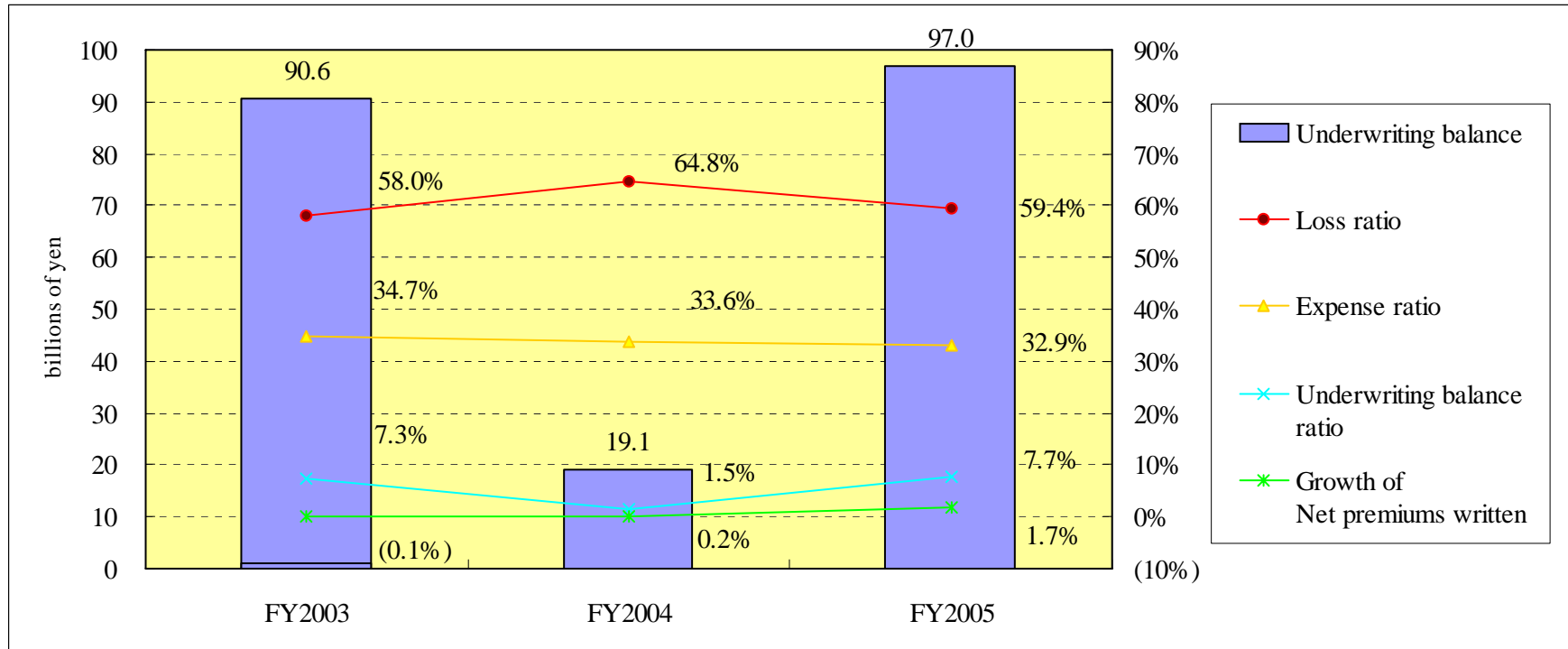
<Reference>

Net premiums written (ex. special factors)
1,241.5

FY2003		FY2004		FY2005	
Amount	Change	Amount	Change	Amount	Change
1,241.5	(1.4)	1,243.3	1.8	1,264.1	20.7

Notes) Figures above are operating expenses regarding underwriting business.

Steady improvement was realized in both underwriting balance and ratio.



(Unit: billions of yen)

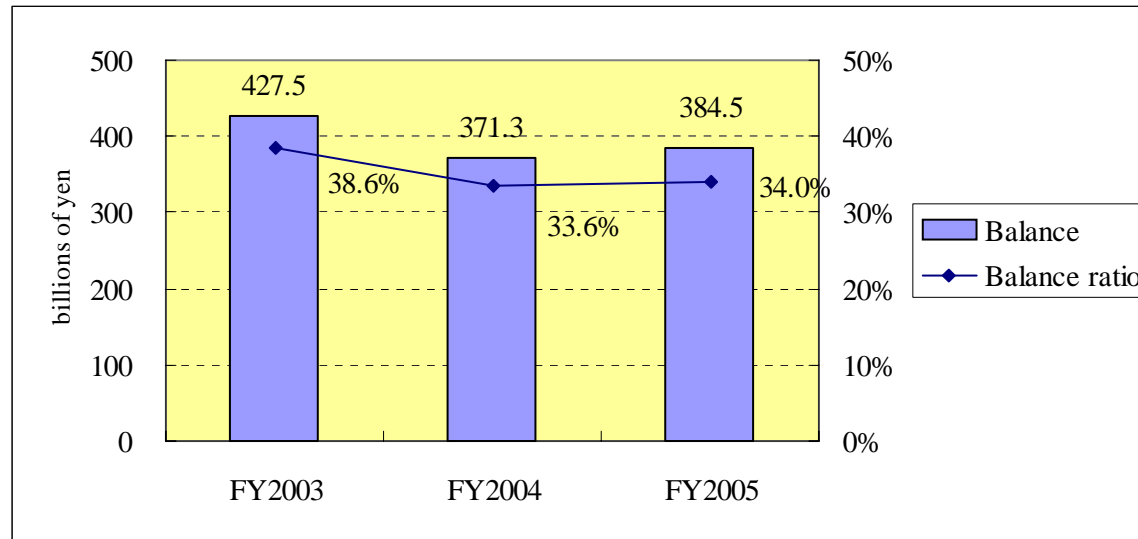
	FY2003	FY2004	FY2005
Loss ratio	58.0%	64.8%	59.4%
Expense ratio	34.7%	33.6%	32.9%
Underwriting balance ratio	7.3%	1.5%	7.7%
Underwriting balance	90.6	19.1	97.0
Growth of Net premiums written	(0.1%)	0.2%	1.7%

Loss ratio was stable and expense ratio improved steadily. Thus, higher profitability is achieved.

Note) Loss adjustments are included in the "Loss ratio"

**Balance and ratio of catastrophic loss reserve increased/rose with reversal.
Solvency margin ratio was maintained at sufficient level.**

Total



(Unit: billions of yen)

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

Provision	64.5	66.6	68.5
Reversal	38.8	122.9	55.2

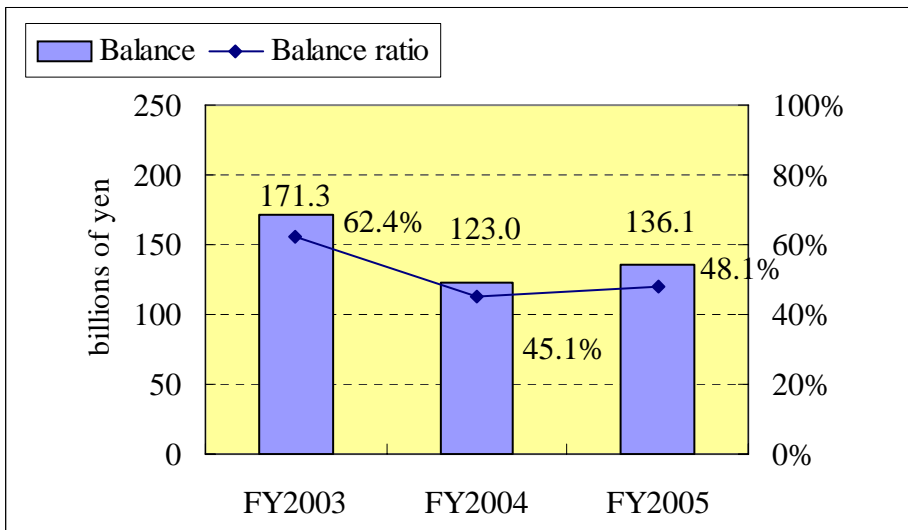
Notes) "Balance ratio" = Catastrophic loss reserve balance / Net premiums written
(ex. CALI, Household earthquake)

-For Fire group, to compensate the major reversal made during the last fiscal year.
-Reflected the merger of SJFG in FY2005

Preparations for catastrophic loss (catastrophic loss reserve: Fire/Auto Group)

Both balance and ratio increased/rose in Fire Group and stable in Automobile Group.

Fire Group



(Unit: billions of yen)

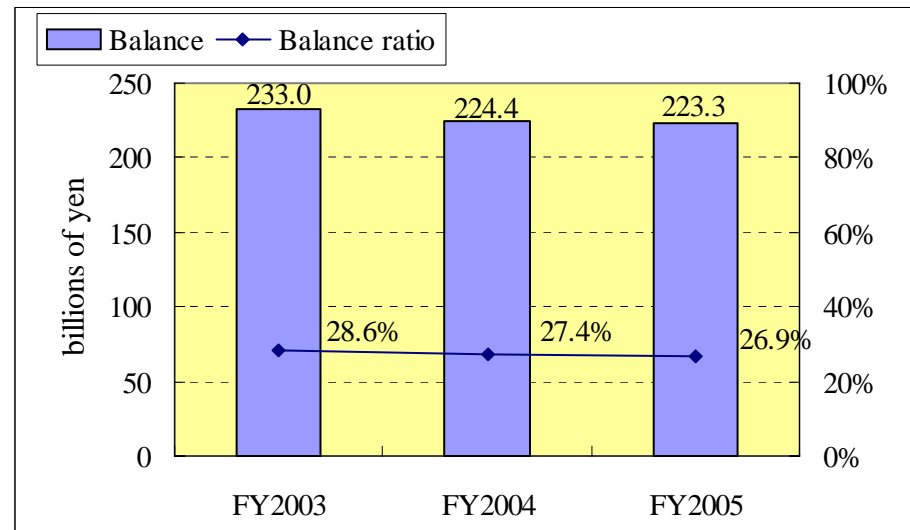
	FY2003	FY2004	FY2005
Balance	171.3	123.0	136.1
Balance ratio	62.4%	45.1%	48.1%

Provision	17.8	20.6	21.3
Reversal	-	68.9	8.2

Fire Group:

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

Automobile Group



(Unit: billions of yen)

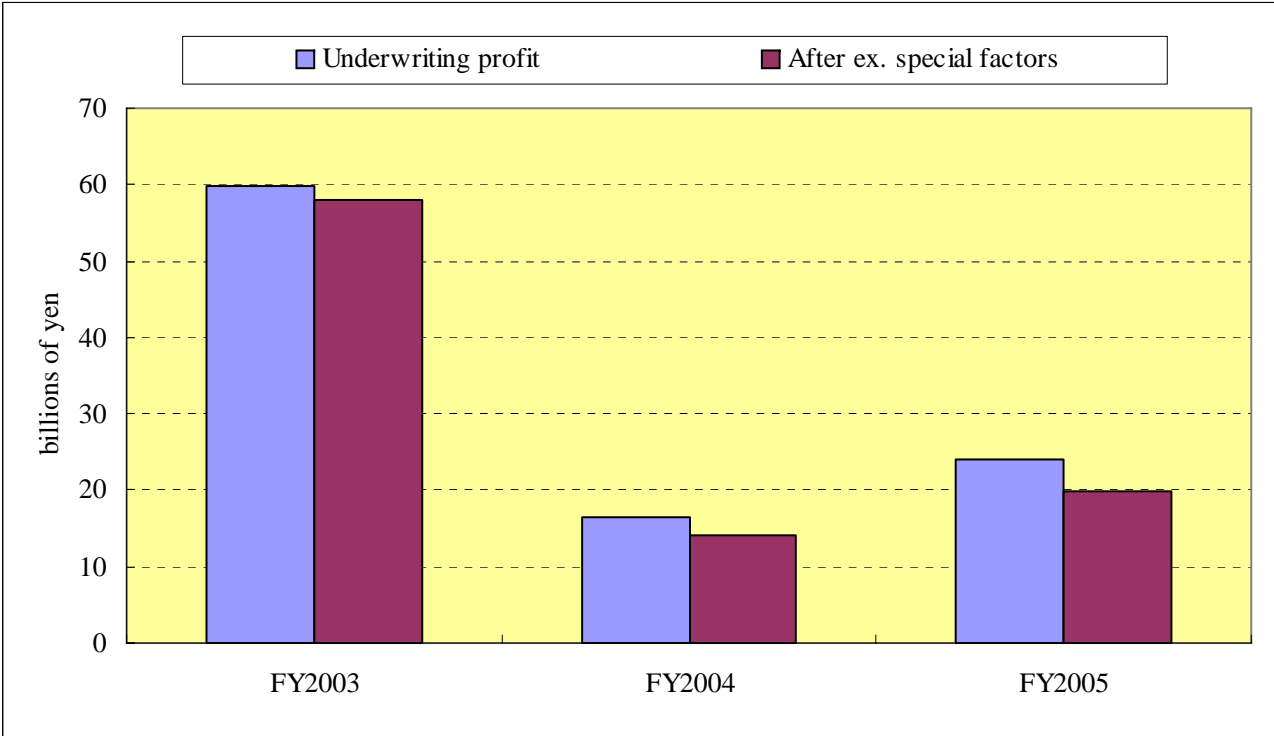
	FY2003	FY2004	FY2005
Balance	233.0	224.4	223.3
Balance ratio	28.6%	27.4%	26.9%

Provision	44.7	44.8	45.5
Reversal	36.8	53.5	46.6

Automobile Group:

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

Underwriting profit turned into positive .

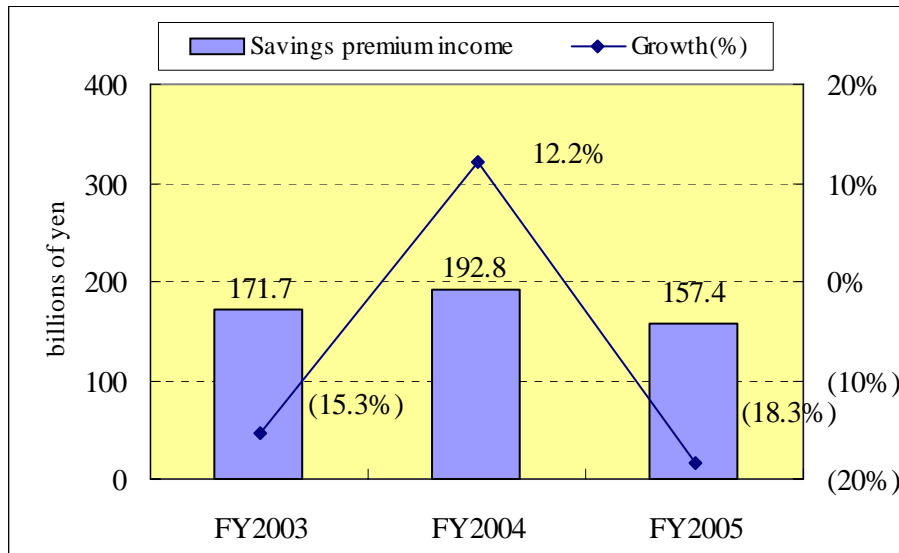


(Unit: billions of yen)

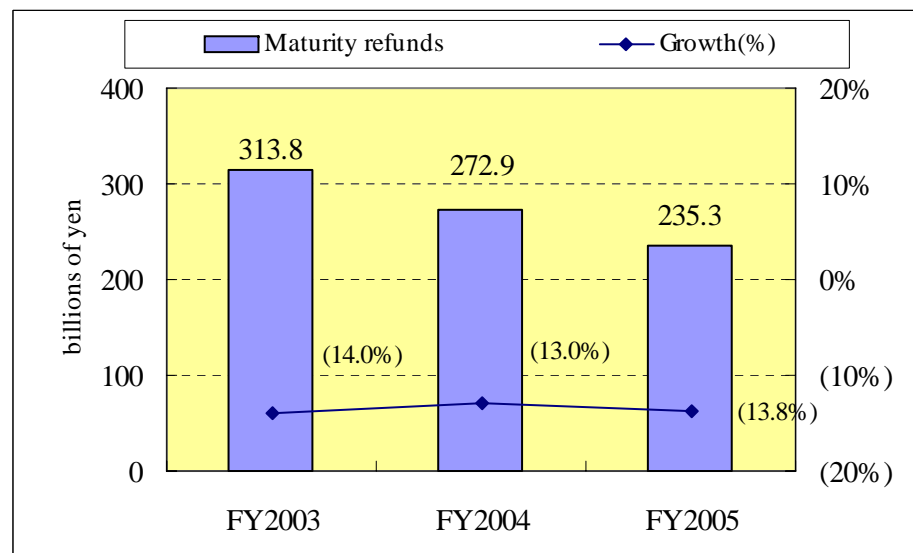
	FY2003	FY2004	FY2005
Underwriting profit	59.8	16.4	24.0
After ex. special factors	57.9	14.1	19.9

**Savings premium income turned to decreased after the big gains in FY2004.
Downtrend of maturity refunds continued.**

Savings Premiums Income



Maturity Refunds



(Unit: billions of yen)

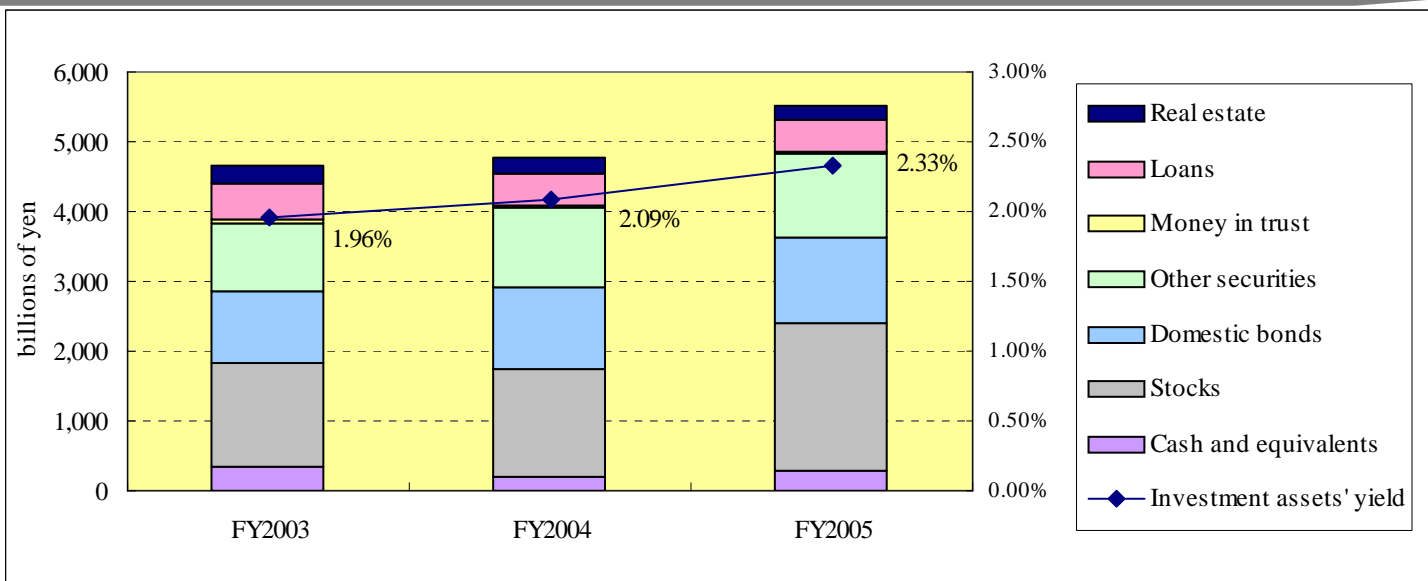
	FY2003	FY2004	FY2005
Savings premium income	171.7	192.8	157.4
Growth(%)	(15.3%)	12.2%	(18.3%)

(Unit: billions of yen)

	FY2003	FY2004	FY2005
Maturity refunds	313.8	272.9	235.3
Growth(%)	(14.0%)	(13.0%)	(13.8%)

Note) Dividends to policyholders are included in the "Maturity refunds".

Return on risk profile of investment asset portfolio improved.



(Unit: billions of yen)

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

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

Net interest and dividend income increased steadily due to increased dividend and active allocation to non-yen assets.

(Unit: millions of yen)

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

* Excluding gains and/or losses as below

-Gains/losses on derivatives other than asset management purpose

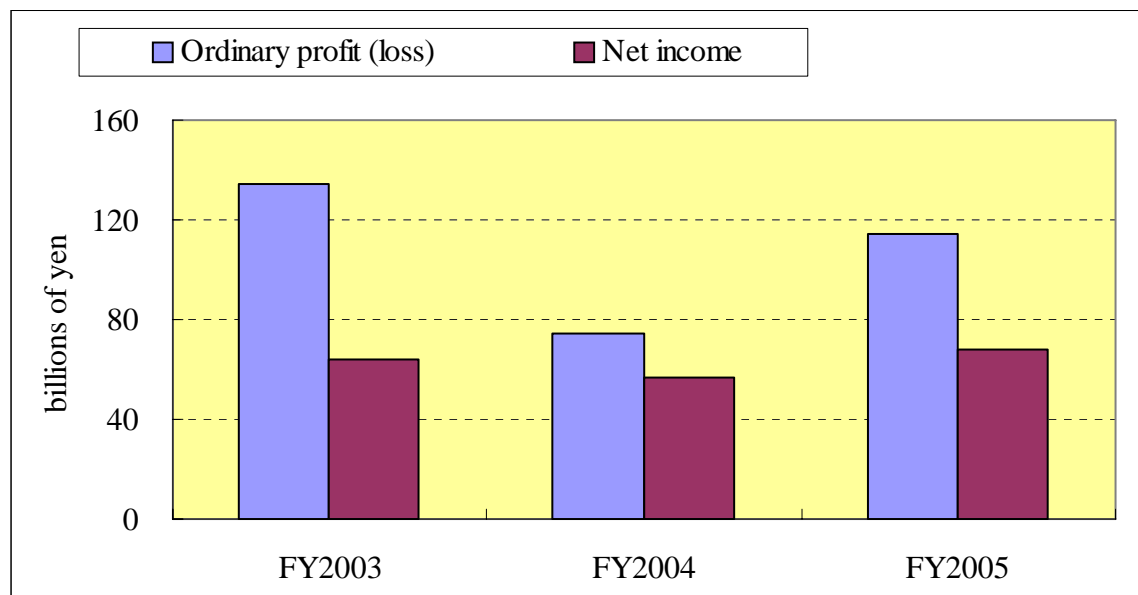
-Gains/losses due to foreign exchange fluctuation on credits to foreign agencies, etc. incurred not by investment divisions

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

<reference> Unrealized gains on securities : 1,483.5 bil. JPY at the end of FY2005
(602.6 bil. JPY increased compared to FY2004)

Both Ordinary profit and Net income showed a recovery.

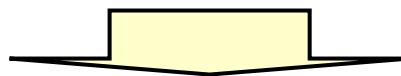
Ordinary profit • Net income



	FY2003	FY2004	FY2005
Ordinary profit (loss)	134.3	74.2	114.2
Net income	64.1	56.8	67.8

Major items were FR-related reconciliation

Special gains of 11.4 bil. JPY, special losses of 1.8 bil. JPY

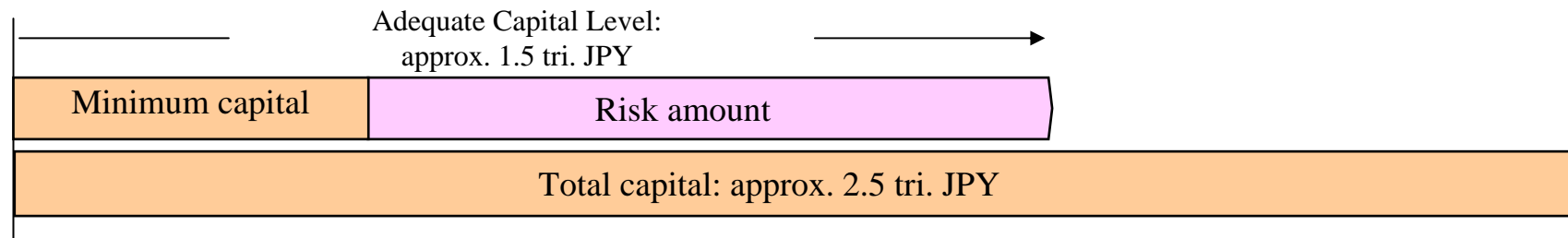


FR-related litigation

(+) Reconciliation : 11.4 bil. JPY ⇒ Other special gains
(-) Litigation expenses : 0.8 bil. JPY ⇒ Other special losses

Other loss items

(-) Reserve for retirement benefits: 0.9 bil. JPY ⇒ Other special losses



[Risk Amount] Underwriting Risk, Market Risk, Credit Risk, Real Estate Risk, ALM Risk, Operational risk
⇒ Quantified by VaR method with 99% reliance interval

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

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

- Approximately 1 trillion JPY surplus. This stems primarily from increased unrealized gains on securities. Because this is not realized surplus, Sompo Japan is not presently considering share buyback.
- Sompo Japan will seek a steady increase in the actual amounts of return to shareholder, focusing on dividends. Dividend on Equity (DOE*) will be used as an indicator with the long-term target being 2%
- Surplus earmarked for capital allocation to risk-taking toward higher investment returns, expansion of profit in existing business and new business, reinforcement of financial stability on refined risk-capital balance assessment, and so on.

Forecast for Fiscal Year 2006



(Unit: billions of yen)

	FY2005 results			FY2006 forecasts		
		YOY change	Growth		YOY change	Growth
Net premiums written	1,264.1	20.7	1.7%	1,297.0	32.8	2.6%
Net claims paid	687.1	(56.0)	(7.5%)	702.0	14.8	2.2%
Loss ratio (Including loss adjustments)	59.4%			59.2%		
Expense	415.9	(2.1)		434.0	18.0	
Expense ratio	32.9%		(0.7%)	33.5%		0.6%
Underwriting balance	97.0	77.8	405.9%	95.0	(2.0)	(2.1%)
Underwriting balance ratio	7.7%			7.3%		
Underwriting profit	19.9	5.8	41.4%	40.0	20.0	100.3%
Interest and dividend income	95.0	12.3	14.9%	87.0	(8.0)	(8.5%)
Ordinary profit	114.2	40.0	54.0%	101.0	(13.2)	(11.7%)
Net income	67.8	10.9	19.3%	62.0	(5.8)	(8.6%)

Include the effect resulting from special factors

<Reference>

Savings premium income	157.4	(35.3)	(18.3%)	170.0	12.5	8.0%
Maturity refunds	235.3	(37.5)	(13.8%)	224.0	(11.3)	(4.8%)

Note) Dividends to policyholders are included in the "Maturity refunds"

Forecast for FY2006 by business line (ex. special factors)

41

Fire, Personal accident and Auto will lead the progress in top-line and steady loss-ratio is forecasted.

Net premiums written

(Unit: billions of yen)

Line	FY2005 results		FY2006 forecasts	
	Amount	Growth	Amount	Growth
Fire and allied	152.0	1.1%	155.6	2.3%
Marine	28.3	12.5%	29.1	2.6%
Personal accident	127.6	5.7%	139.9	9.6%
Voluntary automobile	674.0	0.7%	684.8	1.6%
CALI	133.2	(2.5%)	131.8	(1.1%)
Others	148.6	5.2%	155.8	4.8%
Total	1,264.1	1.7%	1,297.0	2.6%

Net claims paid

(Unit: billions of yen)

Line	FY2005 results		FY2006 forecasts	
	Amount	L/R	Amount	L/R
Fire and allied	74.0	50.5%	71.4	47.7%
Marine	12.4	47.5%	13.6	50.9%
Personal accident	48.0	41.3%	50.0	38.7%
Voluntary automobile	393.7	63.6%	402.0	63.9%
CALI	74.2	66.4%	70.2	65.2%
Others	84.7	61.3%	94.8	65.0%
Total	687.1	59.4%	702.0	59.2%

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

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

**Consolidated/Non-consolidated ratio is to be 1.1,
due to contribution by SJ Himawari Life, etc.**

FY2006	Non-consolidated	Consolidated	Consolidated/Non-consolidated ratio	
Ordinary profit	101.0 bil. JPY	110.0 bil. JPY	FY2006	FY2005
Net income	62.0 bil. JPY	68.0 bil. JPY	1.10	0.99

Exceeds 1.00 on Net income

(Unit: bil. JPY)

<Principal consolidated subsidiaries>	Ordinary profit	Net income after consolidation adjustment
Yasuda Seguros S.A.	1.6	1.2
Sompo Japan Asia	0.6	0.5
Sompo Japan Europe	0.7	0.5
Sompo Japan America	0.5	0.5
Sompo Japan DIY Life Insurance	0	0
Sompo Japan DC Securities	(0.8)	(0.8)
Sompo Japan Himawari Life Insurance	9.5	3.1

No policy is effective as of January 2005 and no new accident is incurred.

-Legacy Nissan Fire	FY2001 ending 2002.3	(115.6) bil. yen	
-Legacy Nissan Fire	FY2002 ending 2002.6	(21.0) bil. yen	*1: Underwriting loss
	the same as the above	(10.7) bil. yen	*2: Special loss
Sub total: Total amount incurred before the merger		(147.4) bil. yen	
-Sompo Japan	FY2003 ending 2004.3	1.8 bil. yen	*3: Underwriting profit
	FY2004 ending 2005.3	2.3 bil. yen	*3: Underwriting profit
	FY2005 ending 2006.3	4.0 bil. yen	*3: Underwriting profit
Total as of the end of Mar. 2006		(139.3) bil. yen	

<Outline>

- *1: Provision to IBNR and liability reserve on a more conservative standard to prevent new losses after merger**
- *2: Commutation expenses for financial reinsurance contract, write-off cost of foreign reinsurance loans and etc.**
- *3: Profit realized due to the revaluation of the liability**

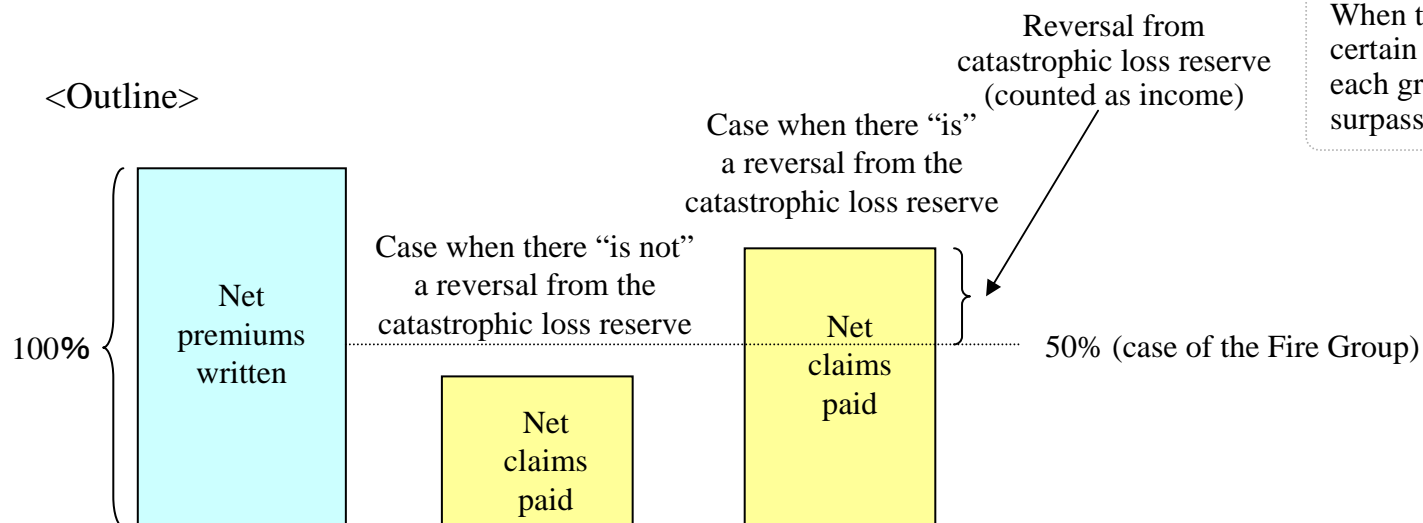
Other than above, settlement receipt following the arbitration and expenses for lawsuit regarding FR are included in special gains/losses for the fiscal years ending 2004.3, 2005.3 and 2006.3

<Appendix> Mechanism of catastrophic loss reserve

What is catastrophic loss reserve?

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

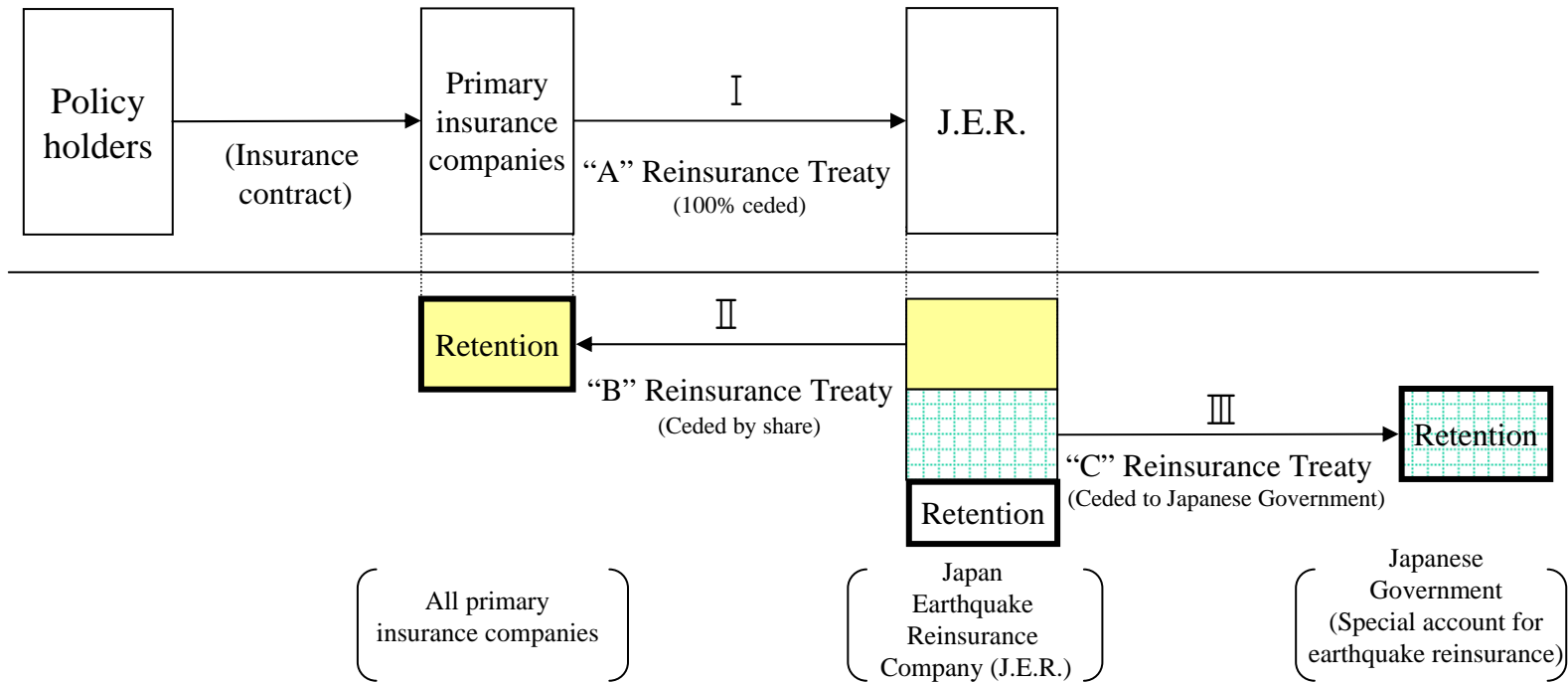
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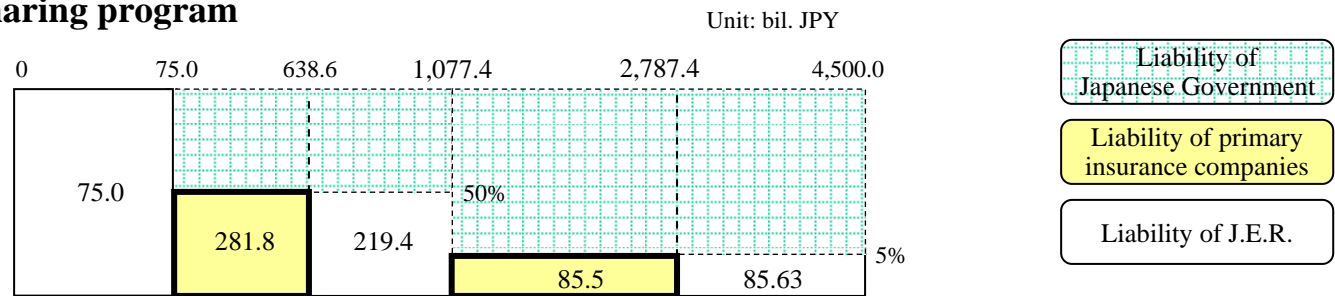
■ Only net claims paid are considered to calculate the amount of reversal. Reserves for outstanding claims are not accounted for the loss ratio.

<Appendix> Mechanism of reinsurance program for household earthquake

1. Mechanism of the reinsurance program

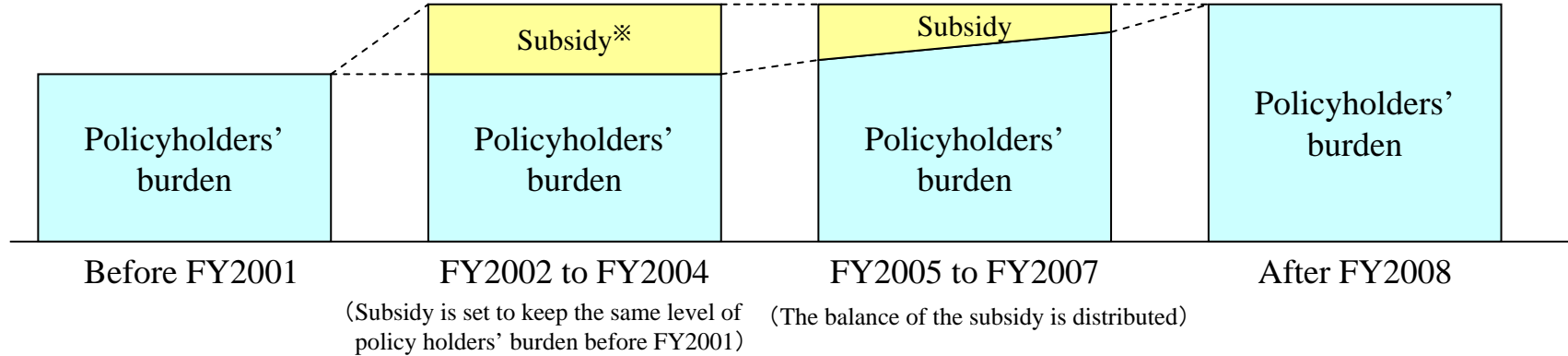


2. Liability sharing program



<Appendix> Overview of revised CALI program effective April 1, 2005

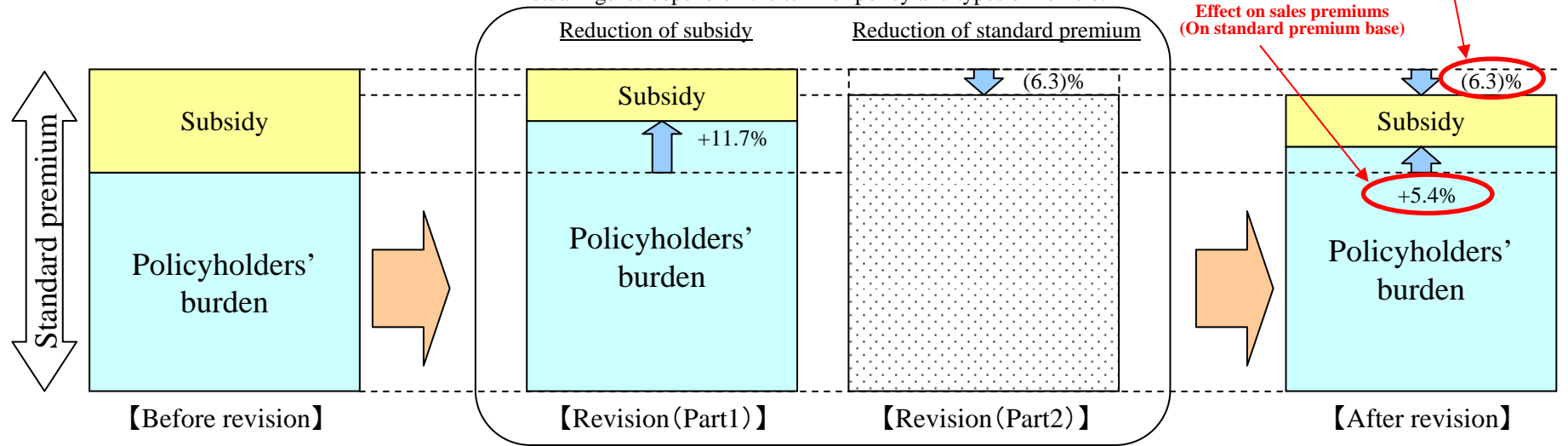
1. Trend of policyholders' burden



※Subsidy applied to premium etc. :
It was decided in FY2002 that the accumulated investment gains would be returned to policyholders over six years (FY2002 to FY2007).

2. Revision effective April 1, 2005

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



<Appendix> Anticipatory introduction of Statistical IBNR Reserves

New IBNR (Incurred But Not Reported) reserve rules

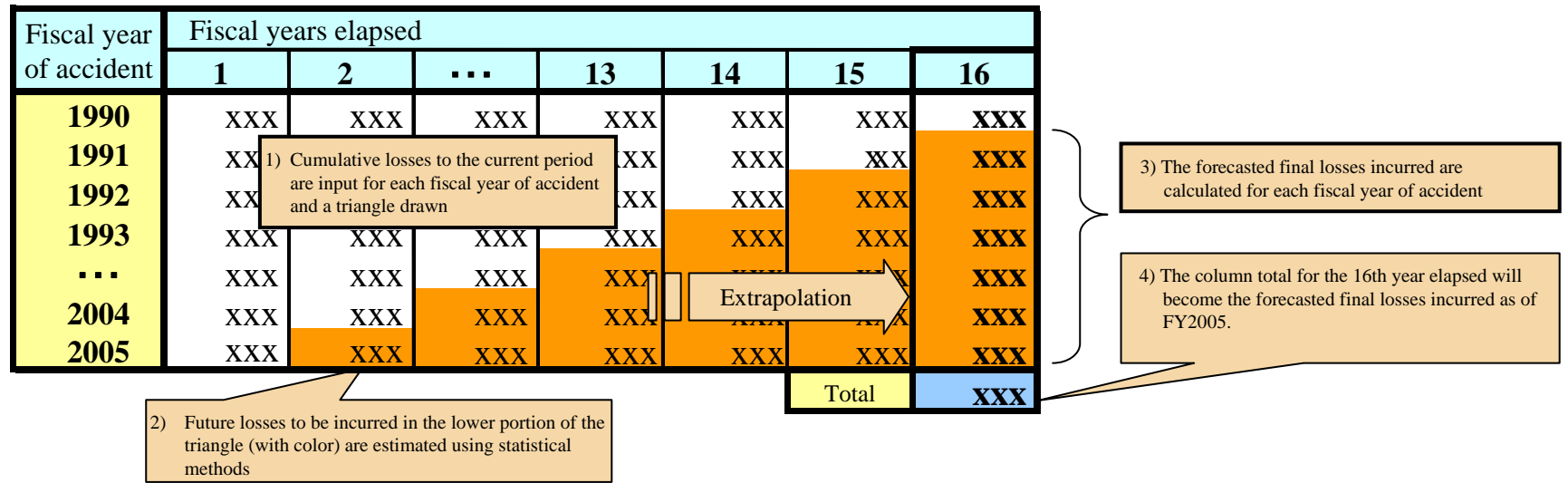
More precise reserve rules will be introduced from FY2006, because current calculation methods based on the reserve shortfalls in the past three years and the rate of increase in incurred losses have occasionally generated insufficient reserves for IBNR reserves for products with long-tail liability.


Sompo Japan's approach

Anticipatorily introducing statistical methods for calculating IBNR reserves from FY 2005 and additionally booking shortfalls

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

Calculation of forecasted final losses incurred





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