

# *Corporate Presentation*

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*January, 2007*

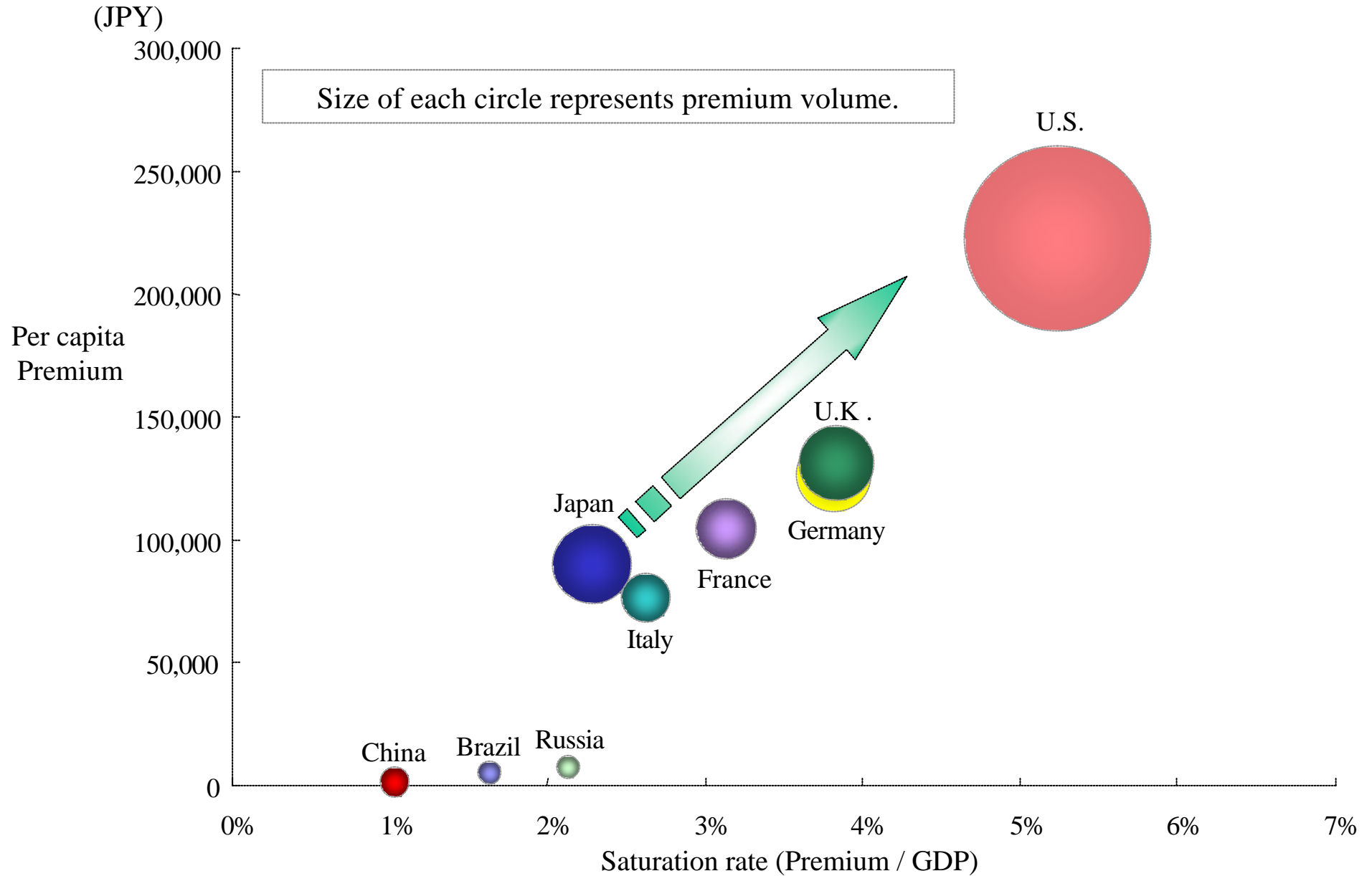
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*Why Japanese P&C Insurance Industry?*



# Saturation Rate

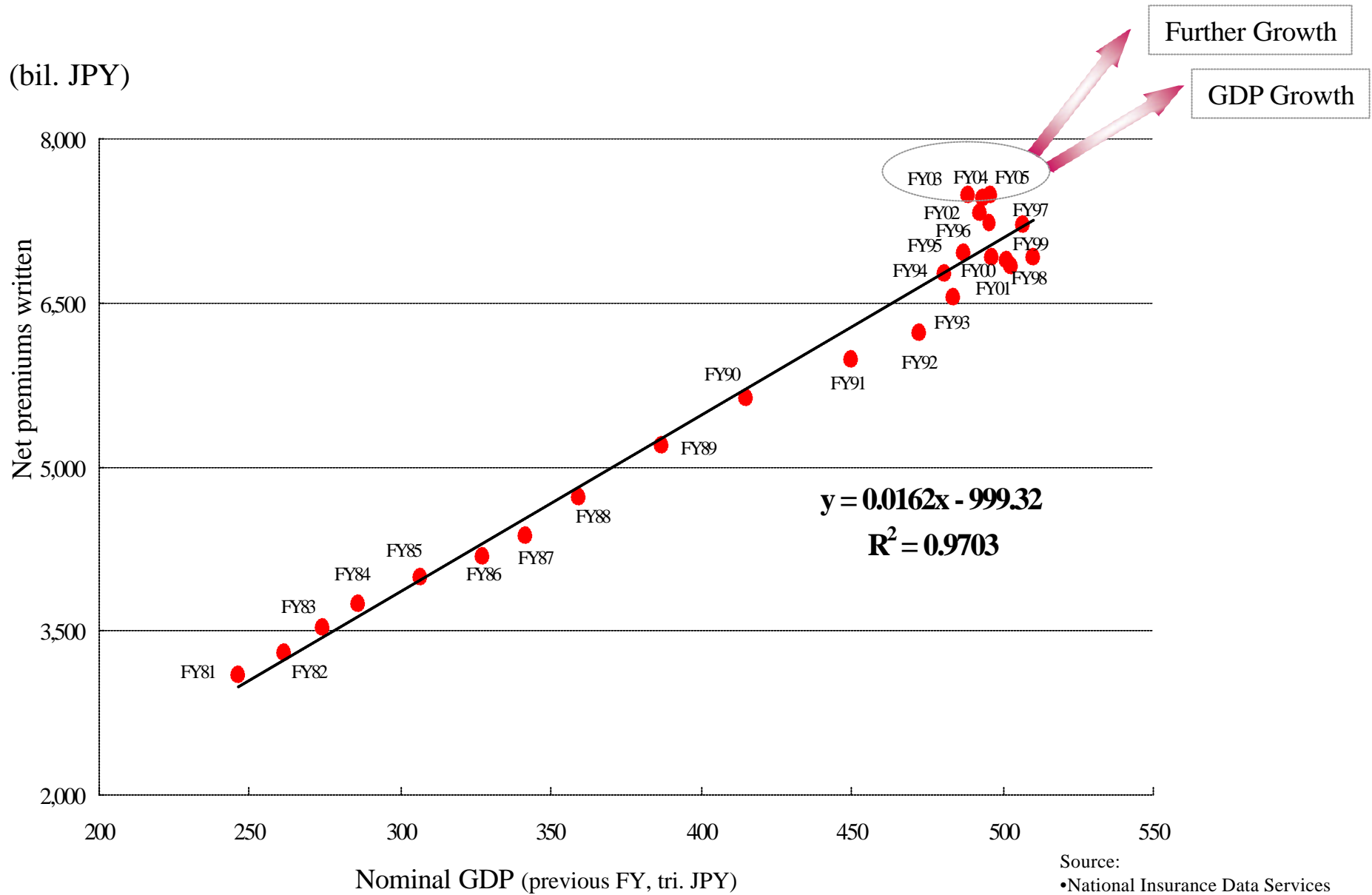


# Premium Breakdown by Business Line

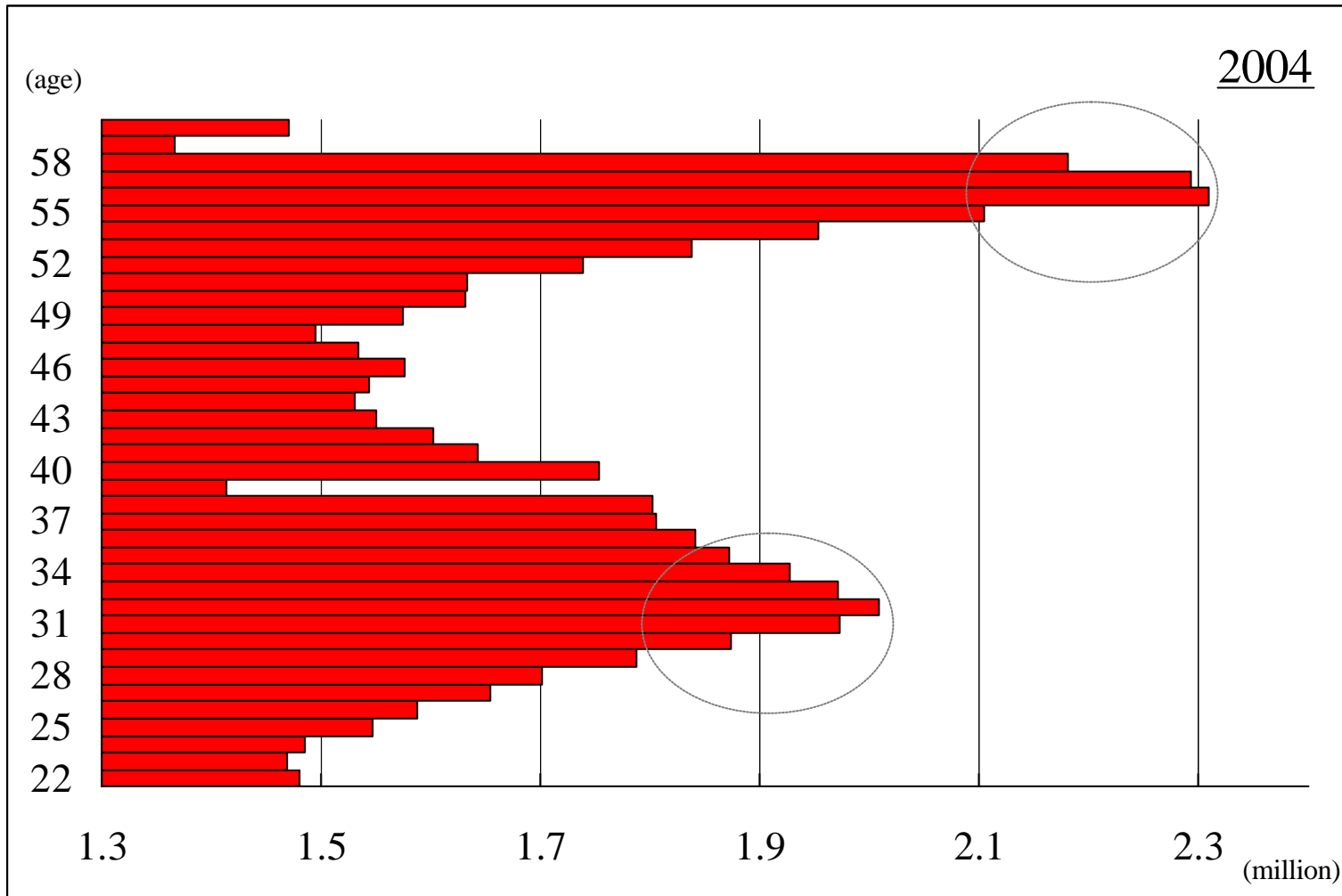
U.S. (2004)		Japan (2005)	
Others 14.1%	Non-Property Insurance -Further growth beyond GDP	Others 14.4%	Voluntary Automobile 47.6%
Worker's Compensation 11.5%		Personal Accident 8.7%	
Liability 13.2%		Fire 13.2%	
Fire 20.3%	Property Insurance -Growth proportional to GDP	CALI* 16.1%	
Voluntary Automobile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

\*CALI = Compulsory Automobile Liability Insurance

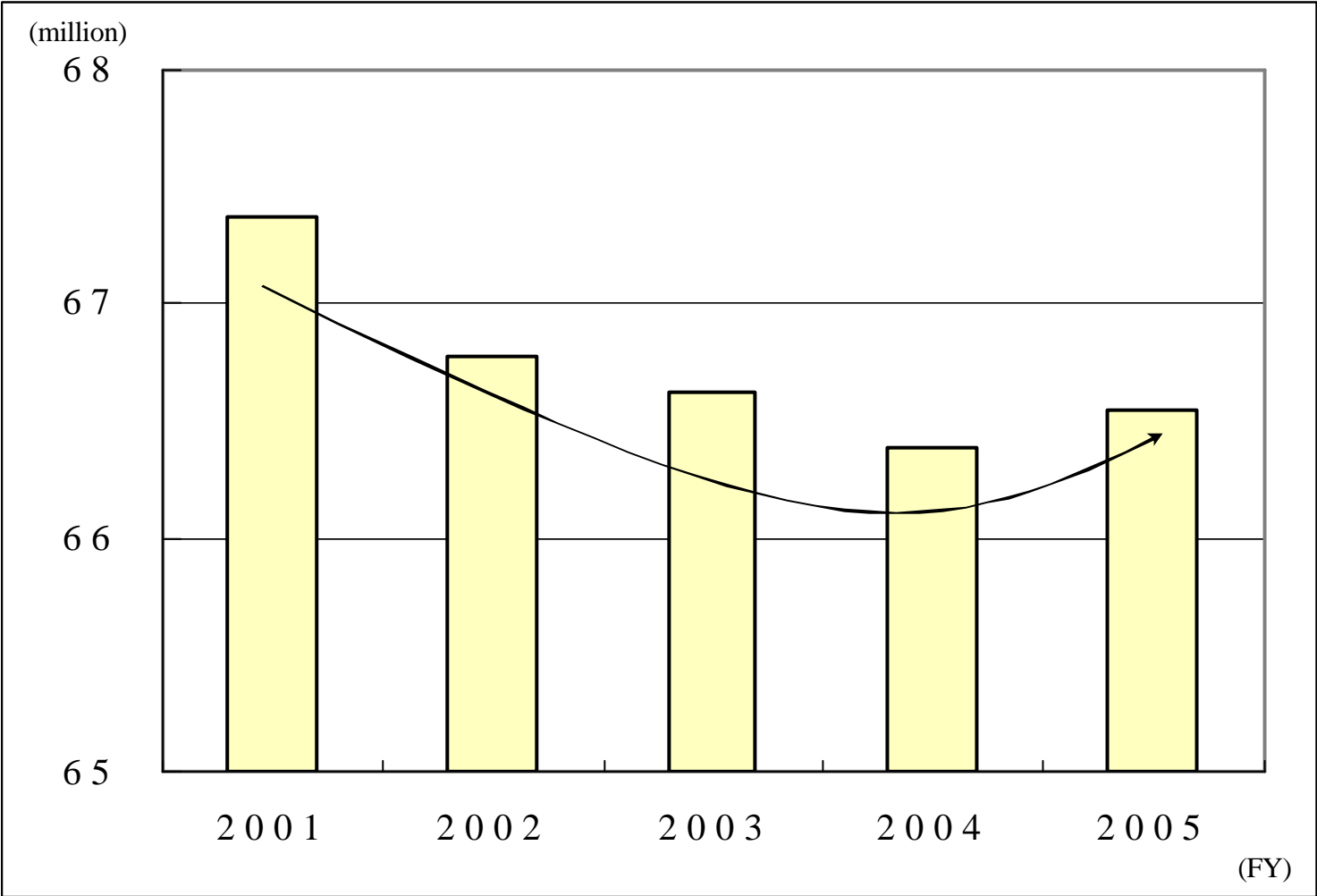
# Premium and Nominal GDP



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



Source : Ministry of Internal Affairs and Communications

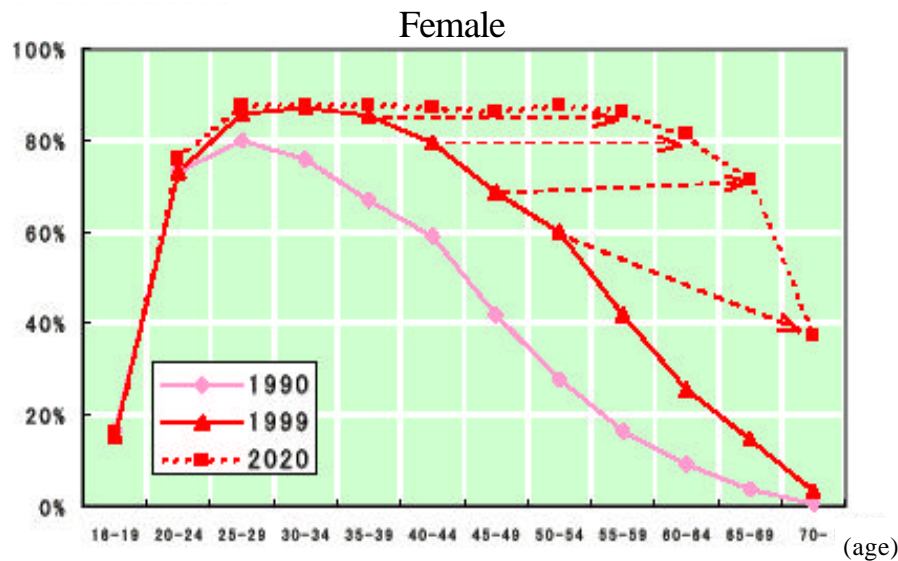
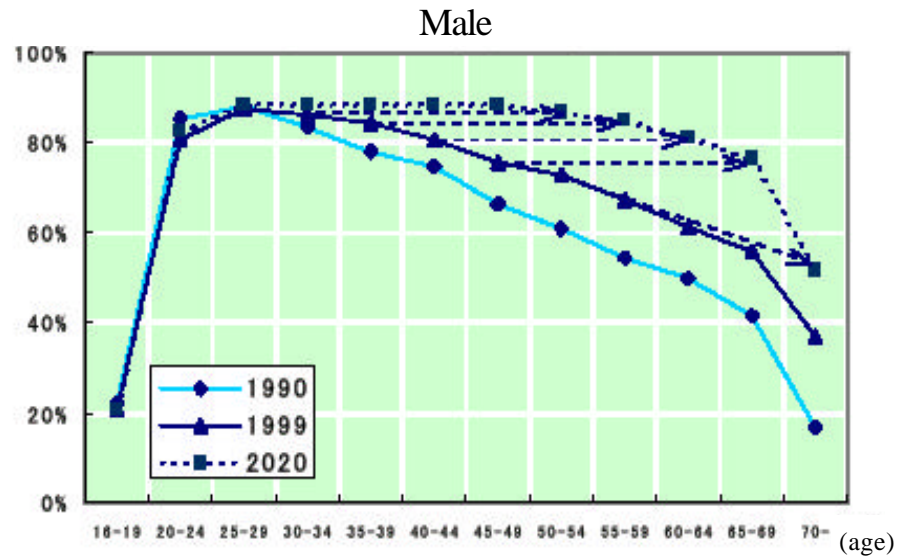


Source : Ministry of Internal Affairs and Communications

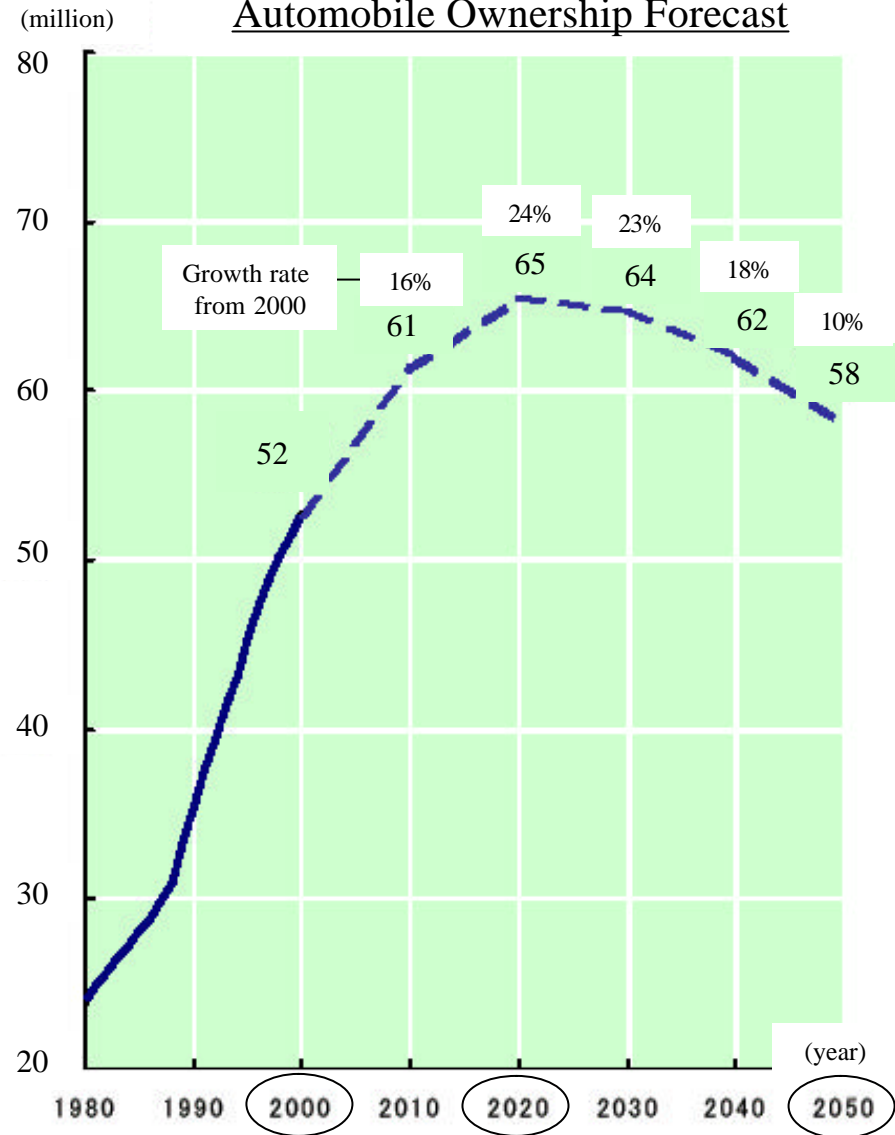


# Automobile Ownership

Possession of Driver's License Forecast

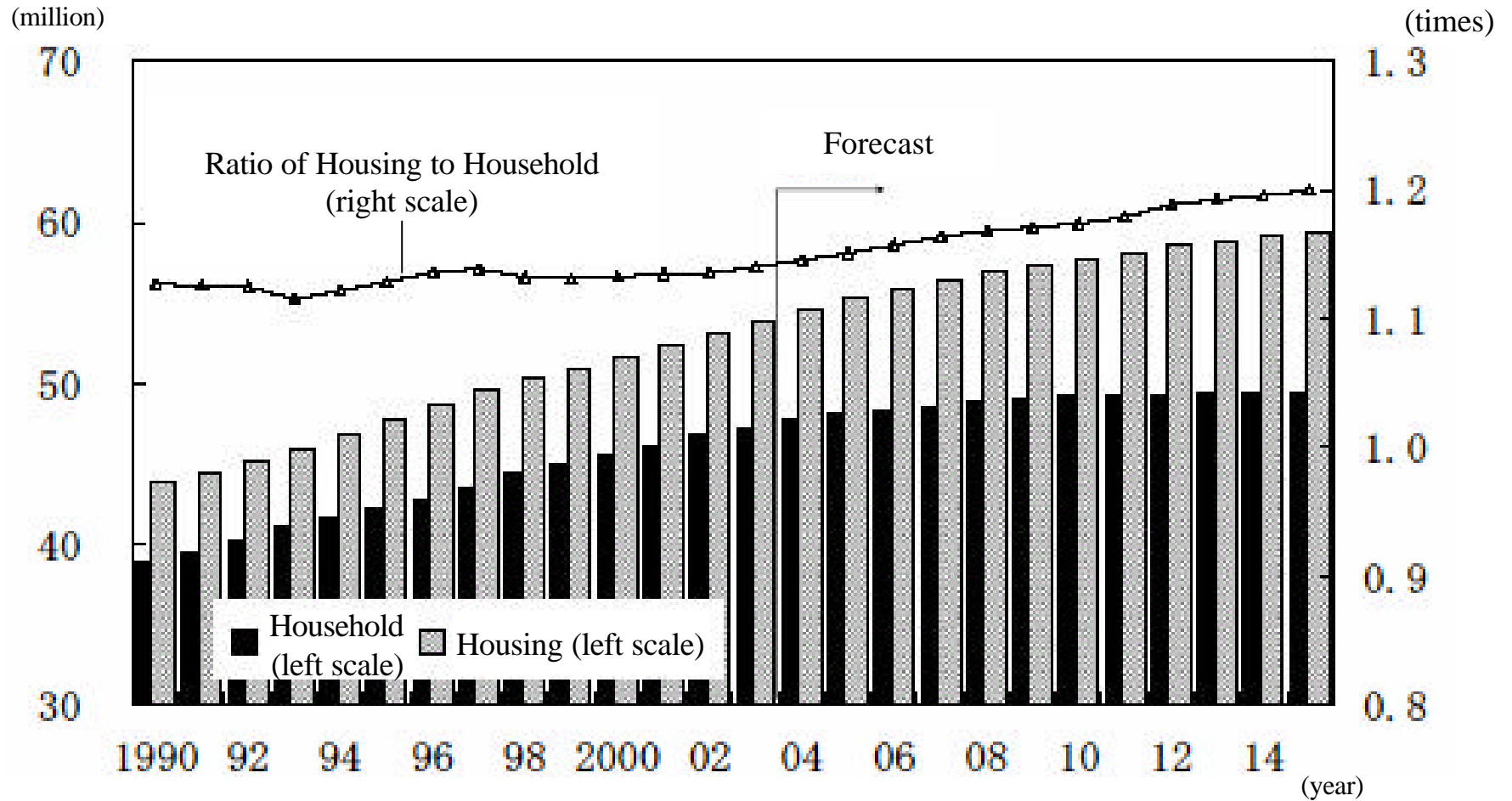


Automobile Ownership Forecast

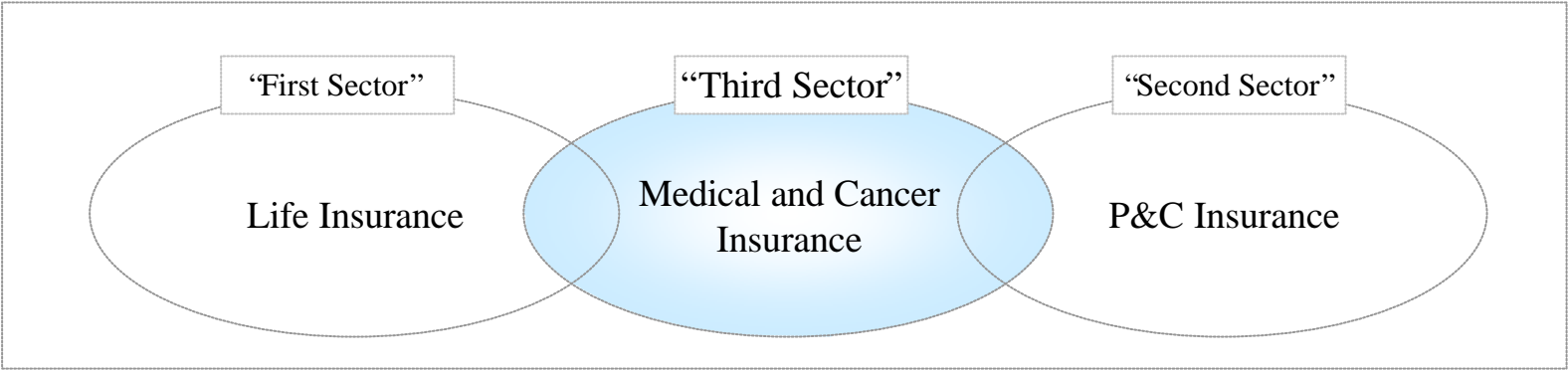


Source : Ministry of Land Infrastructure and Transport

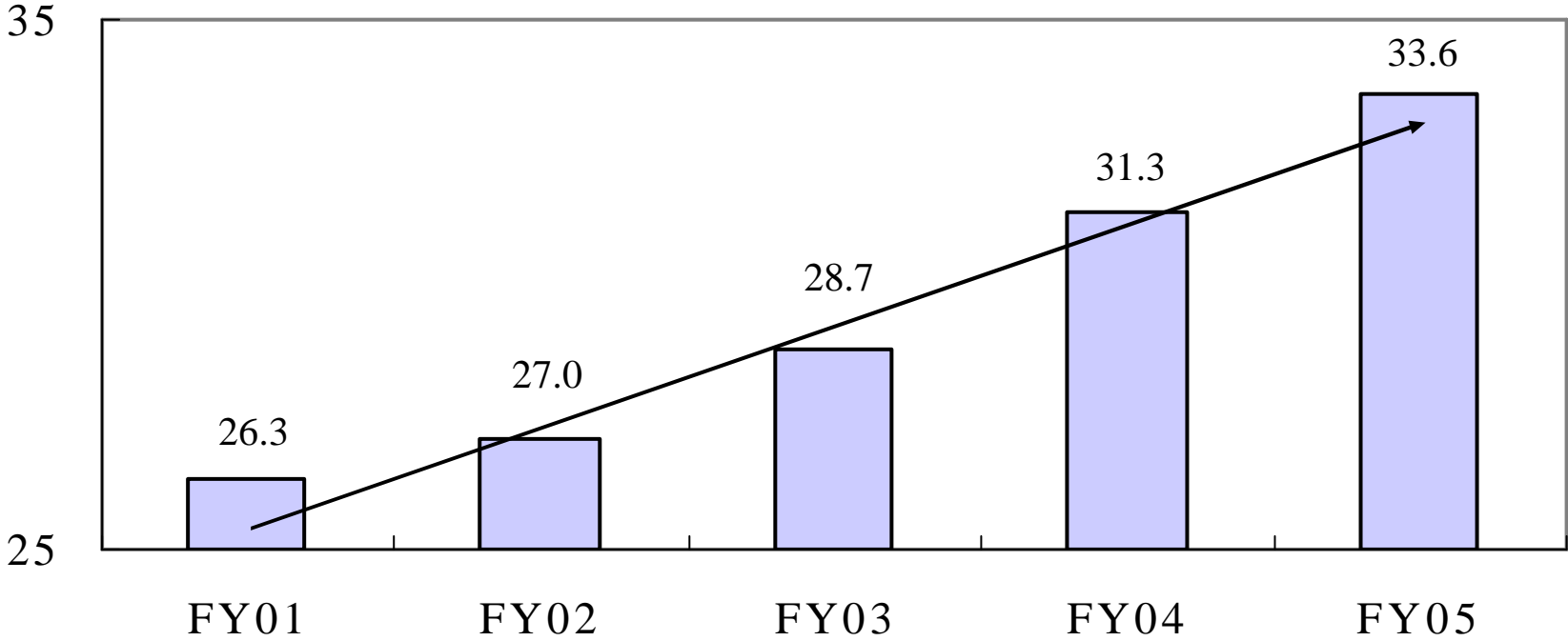
# Number of Household and Housing



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



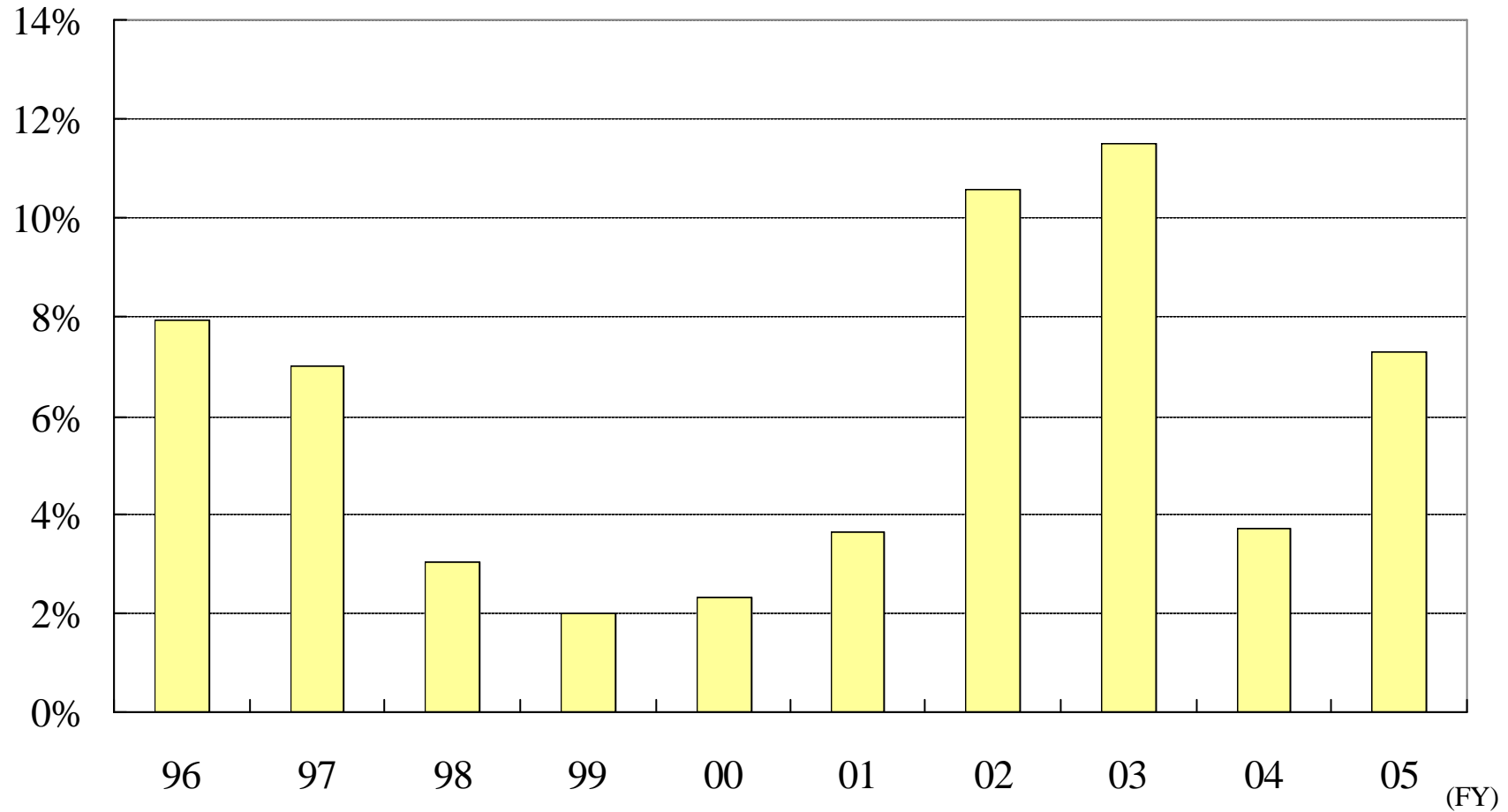
(million) Number of existing policies of Third Sector



Source : The Life Insurance Association of Japan

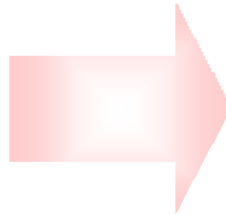
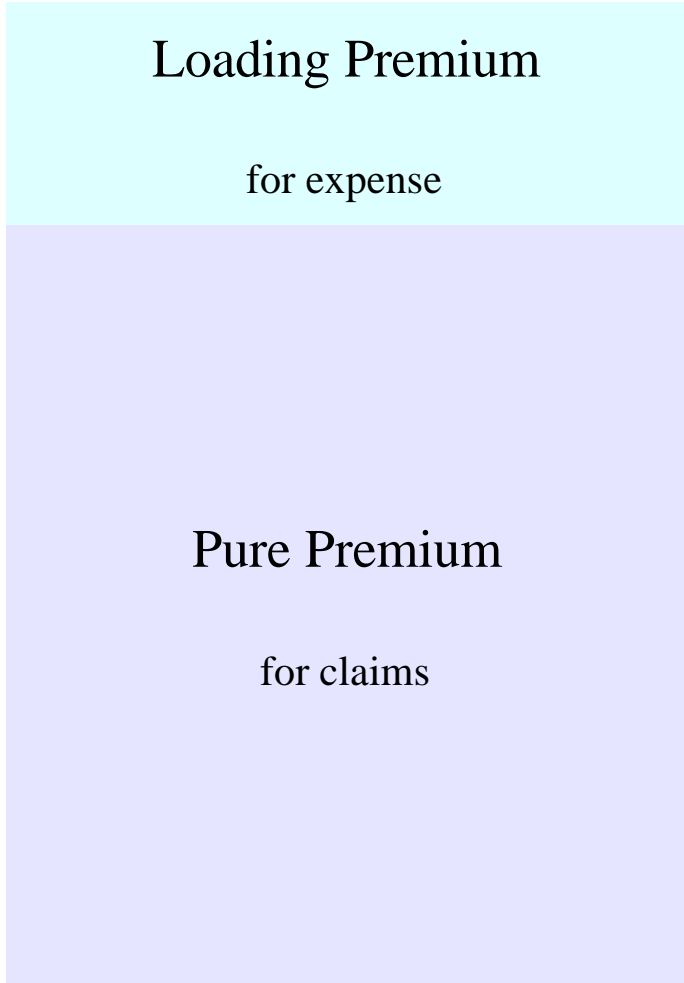
# Underwriting Balance Ratio of Japanese Market

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



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

## Premium



### Advisory Rate

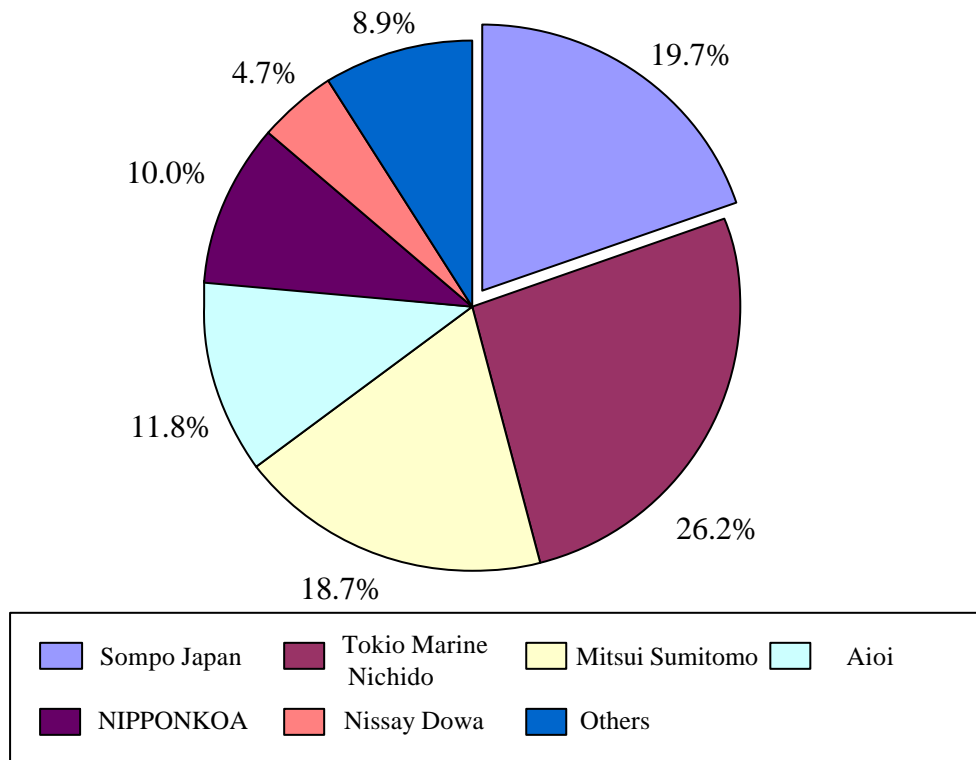
by Non-Life Insurance Rating Organization of Japan

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

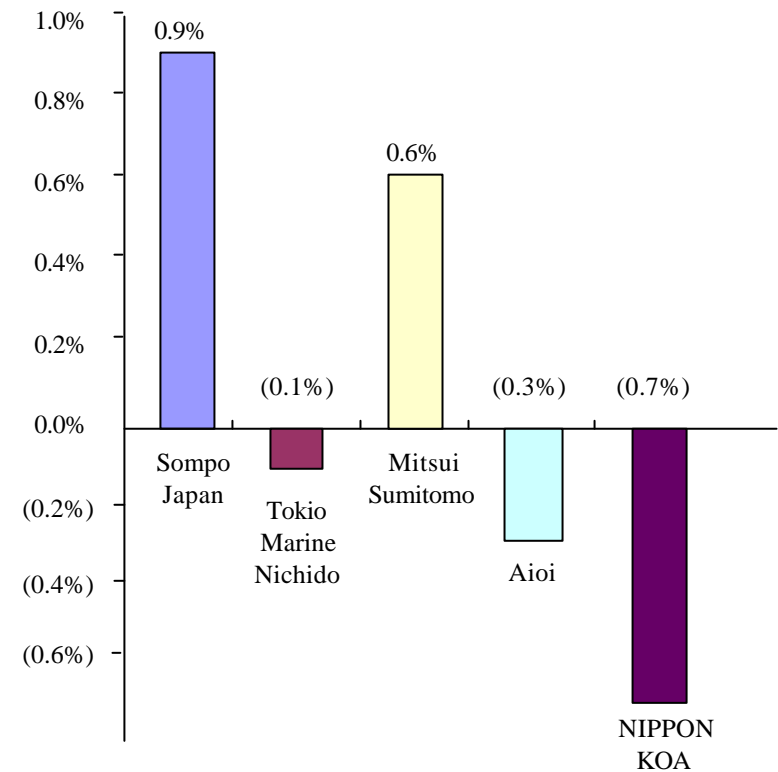
# *Why Sompo Japan?*

Including impact of the abolition of the government reinsurance program for Compulsory Automobile Liability Insurance (CALI) and impact of reinsurance contracts handled by Fortress Re.

Direct Premiums Written : FY2005



Change in Market Share (FY2000 vs FY2005)



## FY2005 Top 3 Company Comparison

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



# FY2006 1<sup>st</sup> Half Results (Non-consolidated)

	FY2005 1 <sup>st</sup> Half	FY2006 1 <sup>st</sup> Half	
Net Premiums Written	695.9 bil. JPY growth:+1.6%	694.7 bil. JPY growth:(0.2%)	-Declined mainly by business suspension in June
Loss Ratio (Including Loss Adjustments)	57.9%	59.7%	-Claim payments by natural disaster were 2 bil. JPY
Expense Ratio	30.5%	30.6%	
Combined Ratio	88.4%	90.3%	
Underwriting Balance	80.9 bil. JPY	67.3 bil. JPY	-20.6 bil. JPY booked as outstanding claims by natural disasters
Underwriting Profit	16.7 bil. JPY	8.7 bil. JPY	
Investment Profit	32.5 bil. JPY	37.7 bil. JPY	-The increases in interest and dividend income contributed -Net capital gains on securities were 17.2 bil. JPY
Ordinary Profit	51.9 bil. JPY	49.0 bil. JPY	-8.4 bil. JPY special loss by shortage of underwriting reserves of automobile insurance
Net Income	39.1 bil. JPY	22.8 bil. JPY	-2.1 bil. JPY special loss for the expense of administrative order

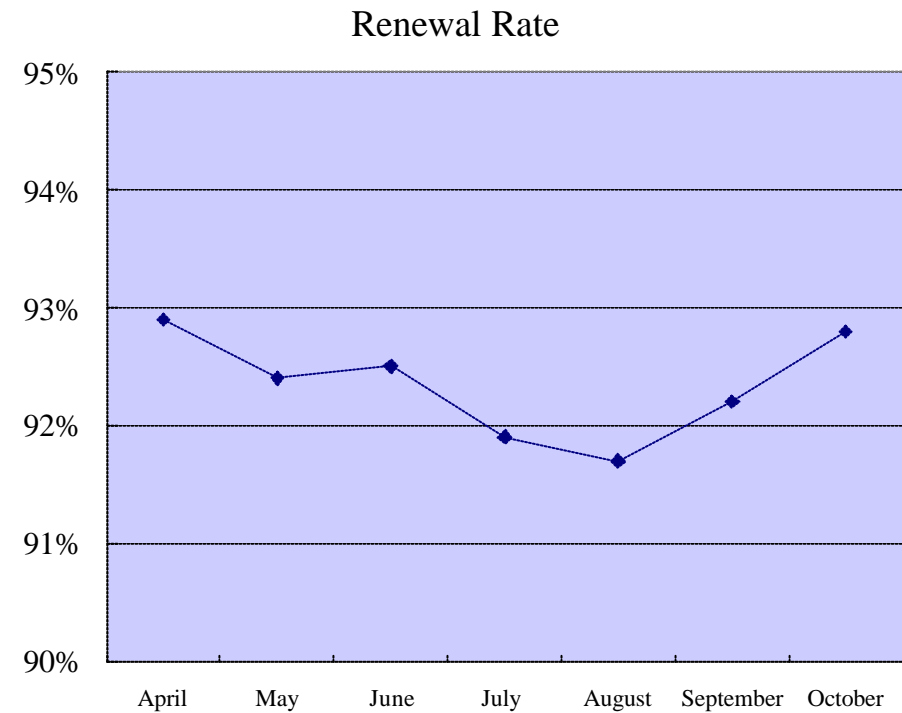
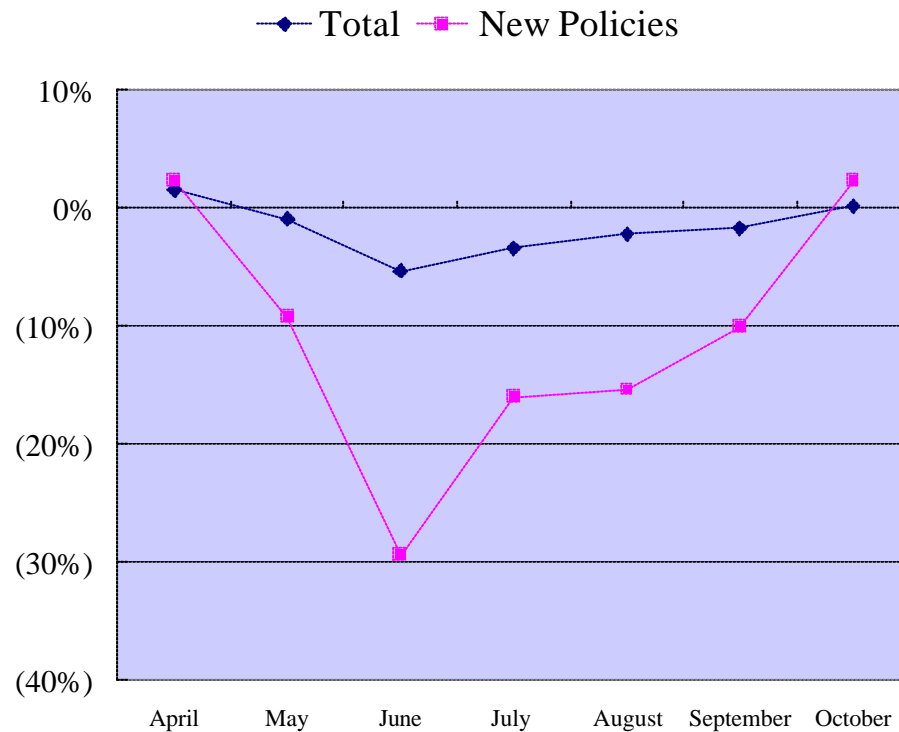
# FY2006 1<sup>st</sup> Half Results (Consolidated)

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	Ordinary profit	Net income
Non-consolidated	49.0 bil. JPY	22.8 bil. JPY
Consolidated	57.6 bil. JPY	28.2 bil. JPY

<Principal consolidated subsidiaries>	Ordinary profit	Net income	Net income after consolidated adjustment
Yasuda Seguros S.A.	0.6 bil. JPY	0.4 bil. JPY	0.4 bil. JPY
Sompo Japan Europe	0.5 bil. JPY	0.4 bil. JPY	0.4 bil. JPY
Sompo Japan America	0.4 bil. JPY	0.4 bil. JPY	0.4 bil. JPY
Sompo Japan Asia	0.3 bil. JPY	0.2 bil. JPY	0.2 bil. JPY
Sompo Japan Himawari Life	8.4 bil. JPY	5.2 bil. JPY	3.8 bil. JPY
Sompo Japan DIY Life	(0.3) bil. JPY	(0.3) bil. JPY	(0.0) bil. JPY
Sompo Japan DC Securities	(0.3) bil. JPY	(0.3) bil. JPY	(0.3) bil. JPY

<Automobile insurance : Month to month sales growth>



-Growth rate of new policies declined due to business suspension in June and recovered thereafter.

-Effect to renewal rate was slight.

# FY2006 1<sup>st</sup> Half : P&C Insurance Business by Products

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	Net premiums written FY2006 1 <sup>st</sup> half	Growth rate	Overview
<b>Automobile</b>	334.4 bil. JPY	(0.7%)	Number of policies and unit price by sales premium (Normalized) Non-fleet : Number (1.3%) Unit (1.0%) Fleet : Number (1.8%) Unit +0.2% Total : Number (1.4%) Unit (0.8%)
<b>CALI (*)</b>	118.3 bil. JPY	(2.4%)	Number of policies by sales premium : (5.7%)
<b>Fire</b>	69.5 bil. JPY	+0.4%	Direct premiums written : (3.9%) Reinsurance premium grew by change of booked timing
<b>Personal Accident</b>	68.7 bil. JPY	+1.3%	Long-term medical insurance "Dr. Japan" grew by 1.7 bil. JPY
<b>Marine</b>	15.6 bil. JPY	+11.9%	Sales of cargo insurance were firm supported by a recovery in corporate business
<b>Others</b>	87.9 bil. JPY	+1.3%	Uptrend of commercial line, mainly liability insurance

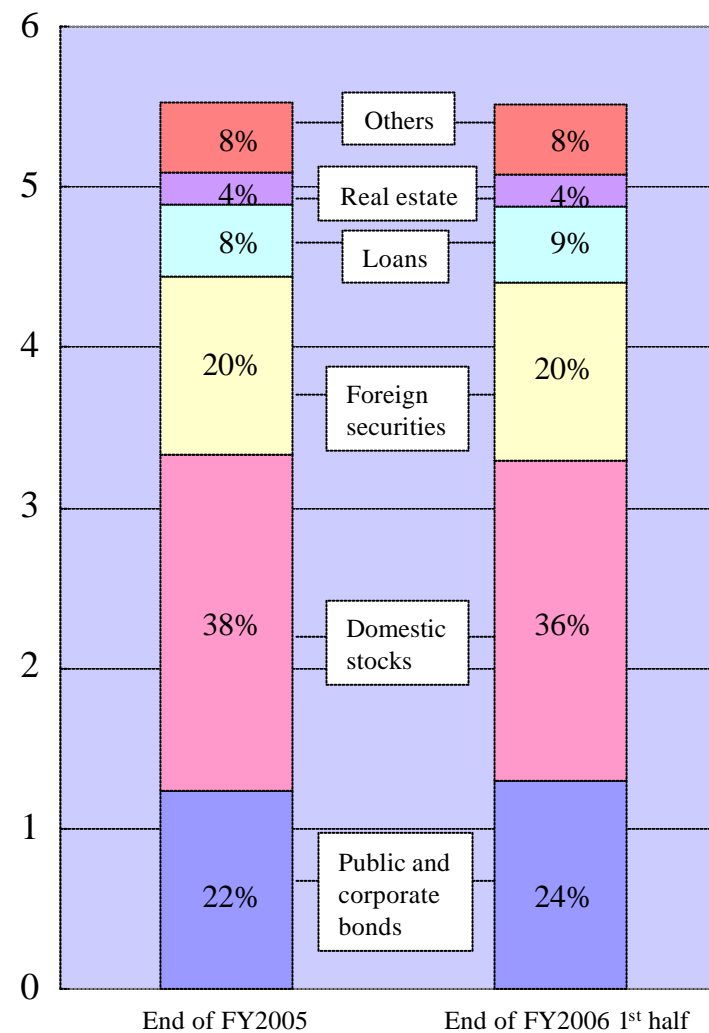
\* CALI = Compulsory Automobile Liability Insurance

# FY2006 1<sup>st</sup> Half : Investment

	FY2005 1 <sup>st</sup> half	FY2006 1 <sup>st</sup> half	Growth
Investment profit	32.5 bil. JPY	37.7 bil. JPY	+16%
Unrealized gains on securities	1,148.4 bil. JPY	1,416.6 bil. JPY	+23%
Total return	6.81%	(0.06%)	
Investment income return (annualized)	2.22%	2.49%	
Sales of stock	17.6 bil. JPY	14.4 bil. JPY	

<Asset allocation>

(tri. JPY)



<p><b>Sompo Japan Himawari Life</b></p>	<p>Annualized new premiums : 20.5 bil. JPY growth (8.9%)</p> <p>Annualized premiums : 219.8 bil. JPY growth +9.1%</p> <p>-Although new business slowed down due to Sompo Japan's administrative order, annualized premiums grew.</p>
<p><b>Sompo Japan DIY Life</b></p>	<p>Premiums : 1.5 bil. JPY growth +13.1%</p> <p>Policies in force : 43,504 growth + 8.3%</p> <p>Renewal rate : 97.0% growth + 0.3 points</p>
<p><b>Sompo Japan DC Securities</b></p>	<p>Commercial type : Presumably ranked 2<sup>nd</sup> with market share 12.1%</p> <p>Personal type : Presumably ranked top with market share 24.0%</p>

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

<b>BRICs</b>	<b>India</b>	<ul style="list-style-type: none"> <li>-Agreed to establish P&amp;C insurer with Indian state-owned banks, private owned bank, etc.</li> <li>-Operation is to start in FY2007</li> <li>-New insurer will develop local retail business with 3,700 branches of those banks</li> </ul>
	<b>SJ China</b>	<ul style="list-style-type: none"> <li>-Net income : 0.1 bil. JPY in FY2006 1<sup>st</sup> half</li> <li>-Alliances with leading players : Ping An Life, PICC, Sunshine P&amp;C, Bohai Property</li> </ul>
	<b>Yasuda Seguros S.A. (Brazil)</b>	<ul style="list-style-type: none"> <li>-Net income was all-time high in FY2004 and 2005, and trended favorably in FY2006</li> </ul>
	<b>Russia</b>	<ul style="list-style-type: none"> <li>-Moscow representative office opened in December 2005</li> <li>-Alliances with Ingosstrakh and Allianz Russia</li> </ul>
<b>Asia</b>	<b>SJ Asia</b>	<ul style="list-style-type: none"> <li>-Net income was all-time high in FY2005, and trended favorably in FY2006</li> <li>-Investment in Malaysian insurance company Berjaya</li> </ul>
<b>Europe U.S.</b>	<b>SJ Europe SJ America</b>	<ul style="list-style-type: none"> <li>-Focusing on support for Japanese corporate clients</li> <li>-SJ Europe became profitable in FY2005</li> <li>-SJ America is expected to be profitable in FY2006</li> </ul>

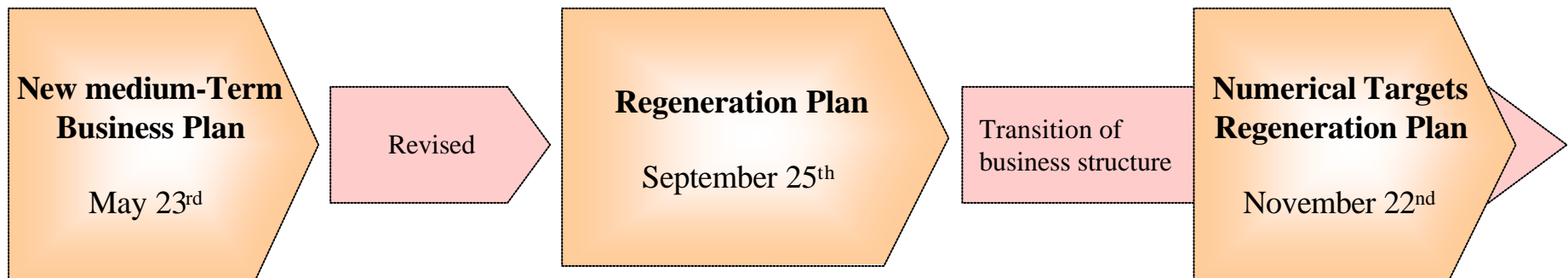
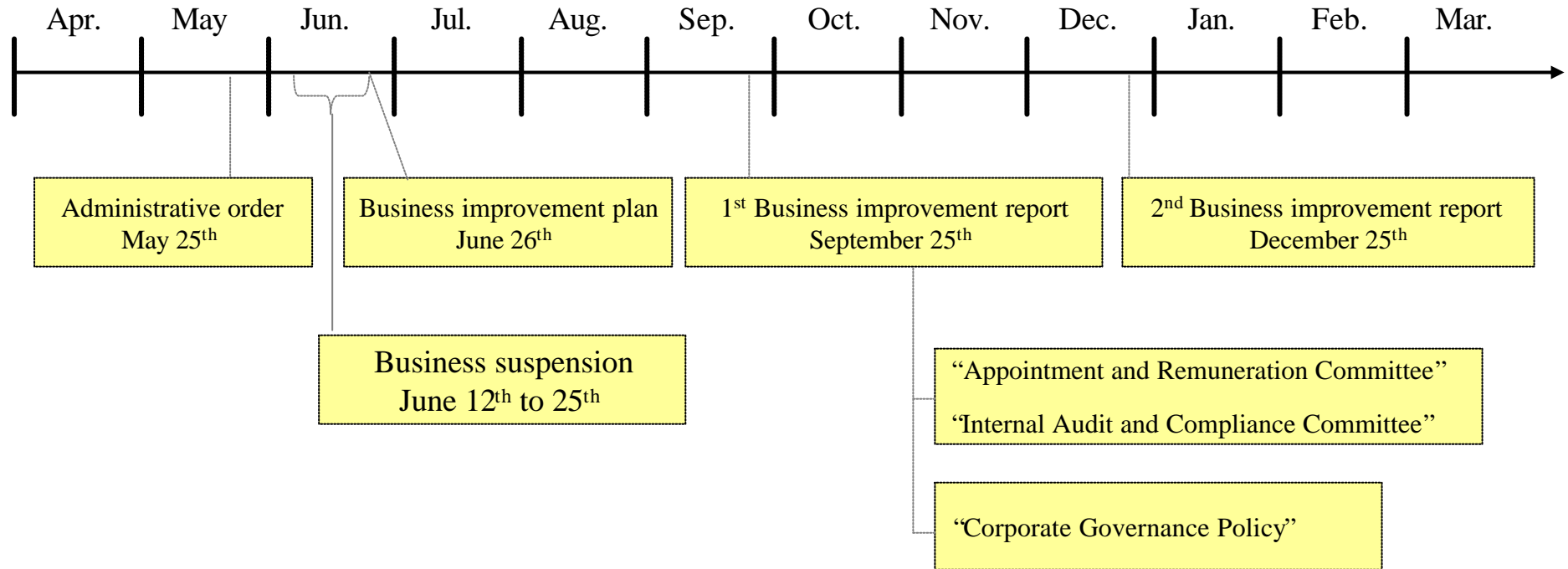
*Sompo Japan Regeneration Plan*





# Administrative Order and Regeneration Plan

FY2006



## Transparent corporate governance with external persons

- “Corporate governance policy,” “Internal Audit and Compliance Committee” and “Appointment and Remuneration Committee”

## Monitoring front-line operations and reflection to strategies

- Management discussion with employees
- Introduction of “Knowledge Management System”

## Infrastructure for customer-first policy

- “Customer Relations Office” to reflect customers’ opinion
- Improvement of quality of claim payment
- Establishment of front-line infrastructure

## Enhancement of agencies’ operation basis

- Agency monitoring system to reflect agencies’ opinions
- New business models, primarily in retail market



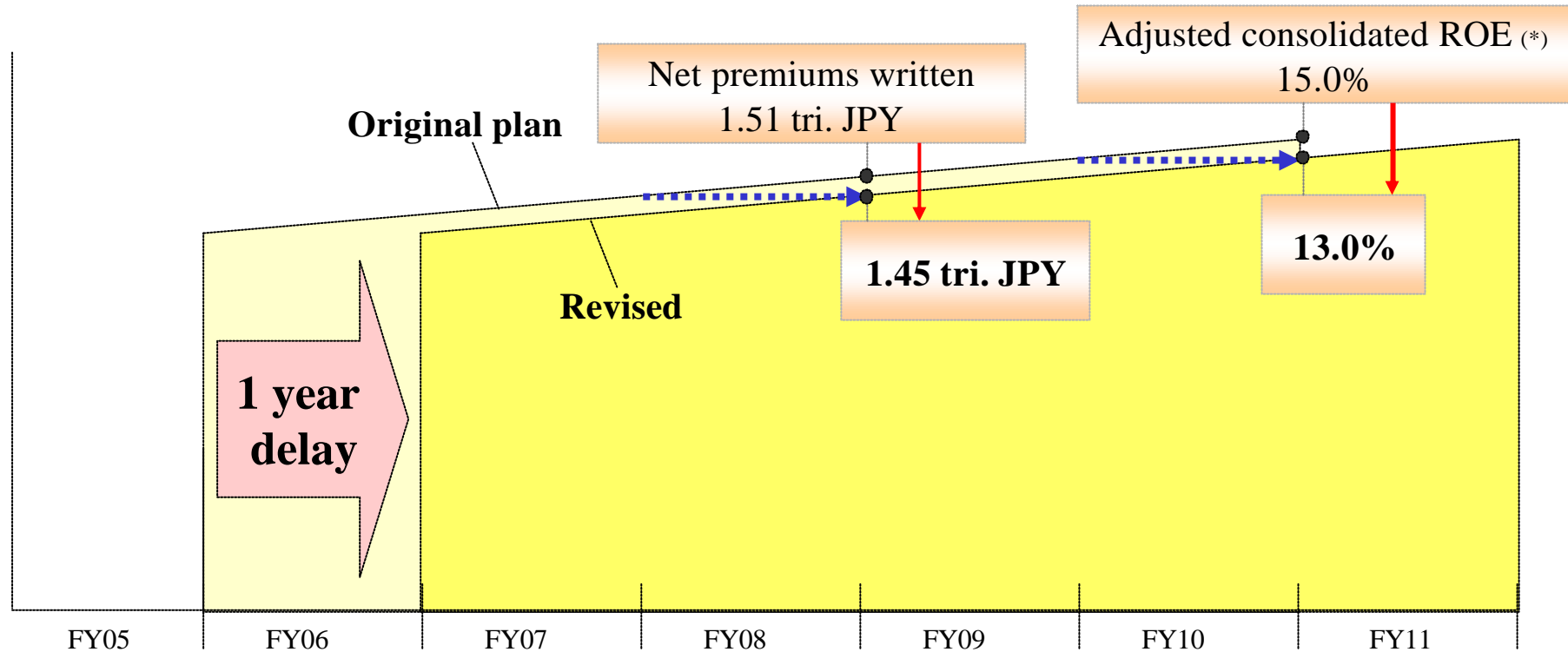
**From “recovery of credibility” to “sustainable growth”**

**No change in growth strategy of original plan**

## No change in 5 core concepts

- 1** Designating domestic business as core business domain
- 2** Improving front-line productivity to enhance pro-active sales infrastructure
- 3** Creating new business models in retail market
- 4** Contributing to profits through overseas profitable business
- 5** Reinforcing life insurance business and DC pension business

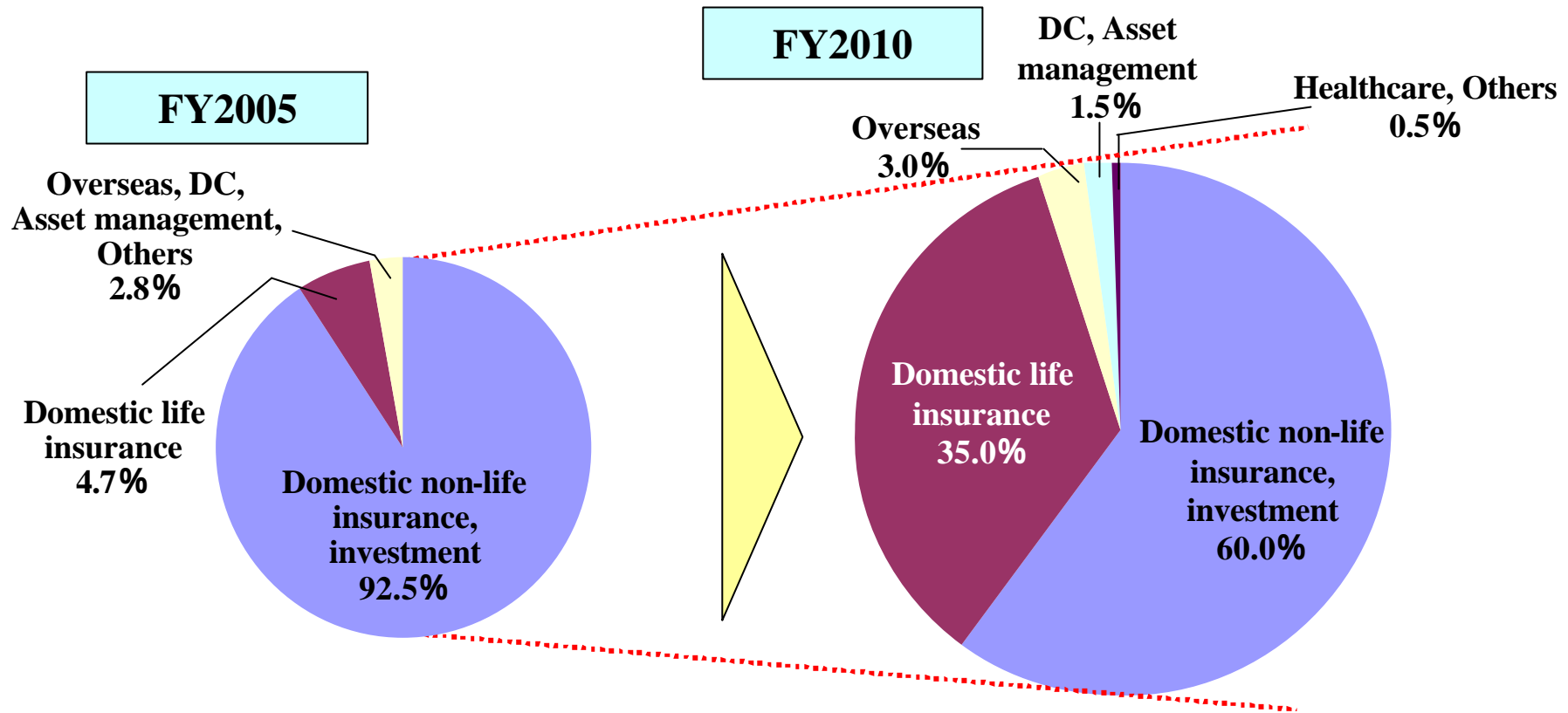
We stick to “scale” (net premiums written) and “profitability” (ROE).



- Since priority is set on reinforcement of business basis, the implementation of growth strategies is delayed.
- Annualized growth rate from FY2007 to 2008 : +2.8%
- On Japanese GAAP, acquisition cost is not deferred and profit is realized with time lag.

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

## No change in the direction



Himawari Life 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.

No change in both principle and target

Seeking steady increase in actual amounts of dividends

Target : Consolidated “Dividend on Equity (DOE)” 2% (FY2005 : 1.1%)

$$\text{DOE} = \frac{\text{Total dividend}}{\text{Consolidated net asset}} = \frac{\text{Total dividend}}{\text{Net income}} \times \frac{\text{Net income}}{\text{Net asset}}$$

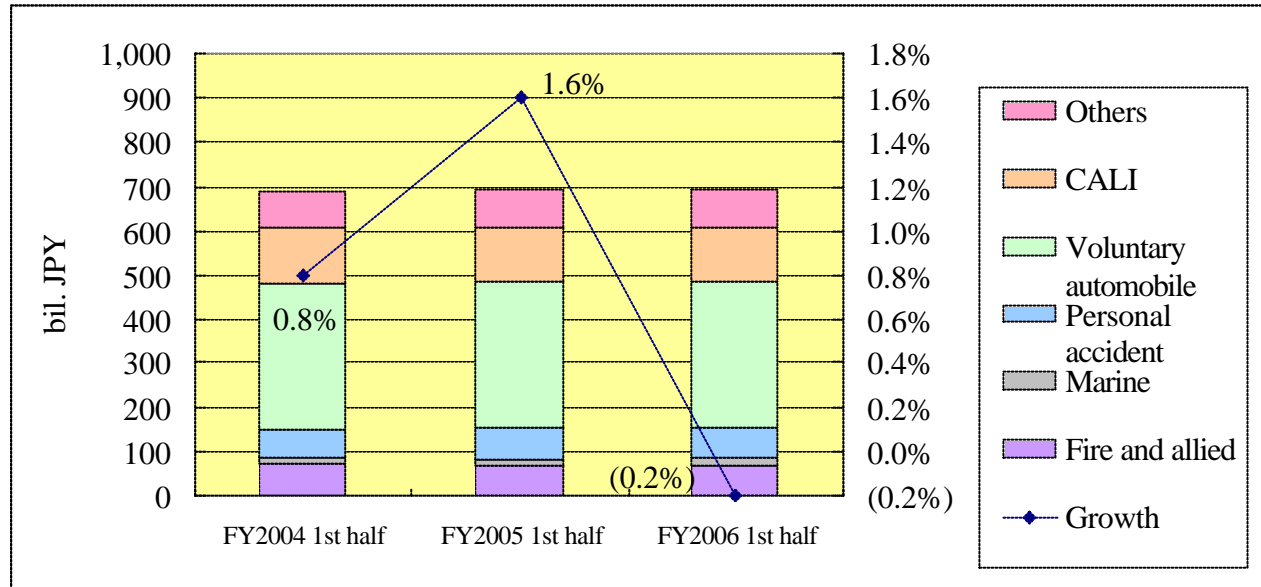
Payout ratio                      ROE

-DOE is the ratio of return to net asset

-Improving both payout ratio and ROE      Increase of shareholder value

***<Reference> FY2006 1<sup>st</sup> Half Results***

# Net Premiums Written



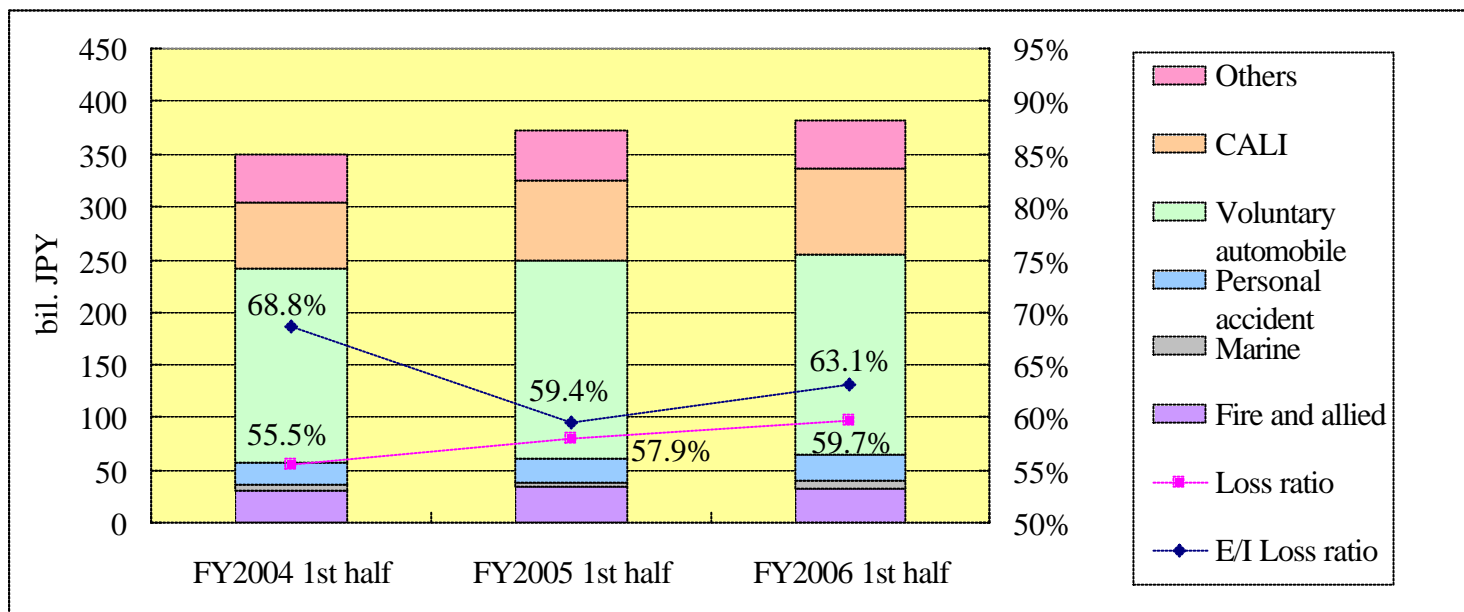
(Unit: bil. JPY)

Line	FY2004 1st half		FY2005 1st half		FY2006 interim	
	Amount	Growth(%)	Amount	Growth(%)	Amount	Growth(%)
Fire and allied	70.9	(2.4%)	69.3	(2.3%)	69.5	0.4%
Marine	12.6	2.9%	14.0	10.7%	15.6	11.9%
Personal accident	63.8	4.9%	67.8	6.2%	68.7	1.3%
Voluntary automobile	334.1	(1.1%)	336.6	0.7%	334.4	(0.7%)
CALI	127.3	2.2%	121.3	(2.3%)	118.3	(2.4%)
Others	79.2	6.4%	86.8	9.6%	87.9	1.3%
<b>Total</b>	<b>688.2</b>	<b>0.8%</b>	<b>695.9</b>	<b>1.6%</b>	<b>694.7</b>	<b>(0.2%)</b>

Note) For FY05 1st half and FY06 1st half, CALI figures are after deduction of postdated policies within the fiscal year.



# Net Claims Paid

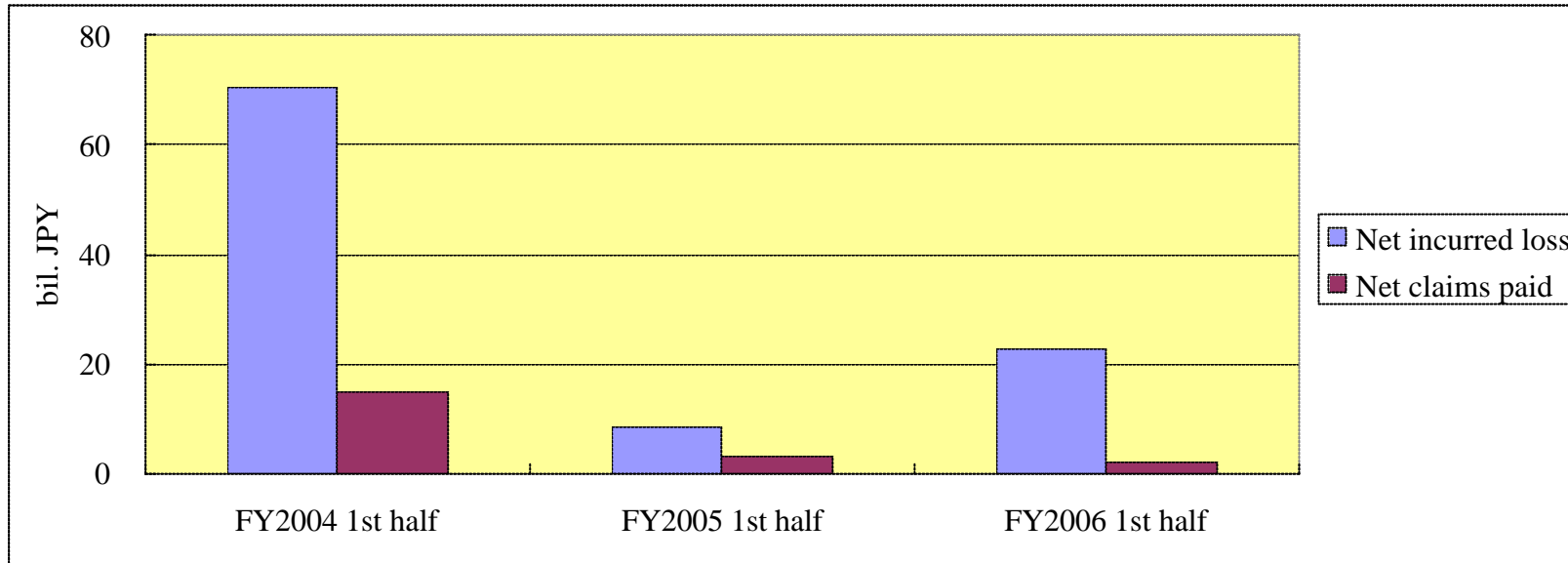


(Unit: bil. JPY)

Line	FY2004 1st half		FY2005 1st half		FY2006 1st half	
	Amount	L/R(%)	Amount	L/R(%)	Amount	L/R(%)
Fire and allied	29.9	43.5%	33.2	49.3%	32.1	47.7%
Marine	5.6	49.4%	5.4	43.0%	6.7	46.3%
Personal accident	21.8	37.9%	22.8	37.1%	25.6	40.4%
Voluntary automobile	185.4	60.7%	187.8	60.7%	190.4	62.7%
CALI	62.4	54.7%	75.8	68.5%	81.2	74.2%
Others	45.1	61.0%	46.7	57.6%	46.1	55.8%
<b>Total</b>	<b>350.4</b>	<b>55.5%</b>	<b>372.0</b>	<b>57.9%</b>	<b>382.4</b>	<b>59.7%</b>
<b>E/I Loss ratio</b>		<b>68.8%</b>		<b>59.4%</b>		<b>63.1%</b>

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

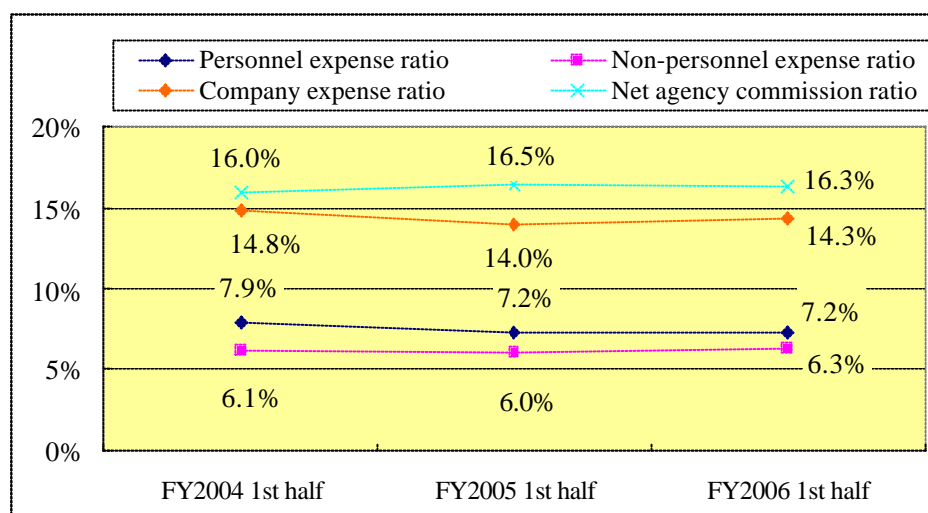
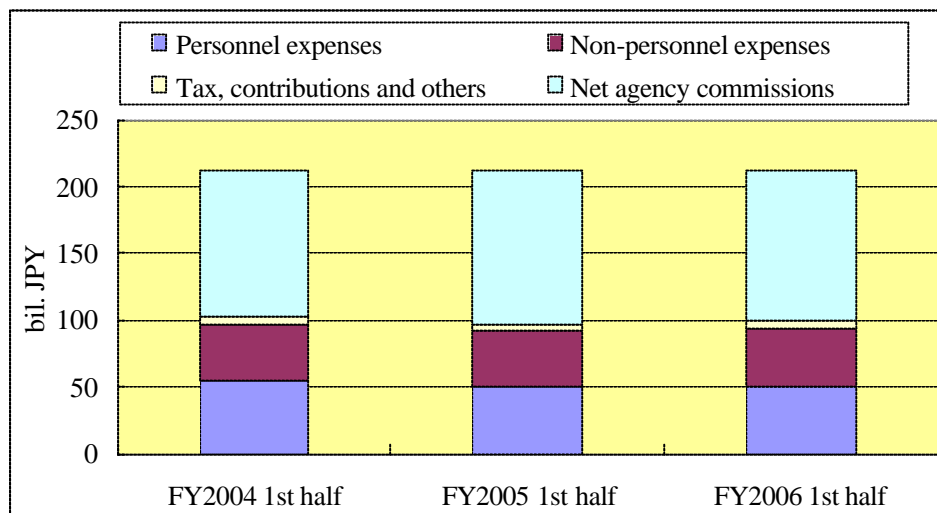
2) "E/I Loss ratio" = (Net incurred loss + Loss adjustment) / Earned premiums : ex. Household earthquake, CALI



(Unit: bil. JPY)

Line	FY2004 1st half		FY2005 1st half		FY2006 1st half	
	Net incurred loss	Net claims paid	Net incurred loss	Net claims paid	Net incurred loss	Net claims paid
Fire and allied	57.0	9.1	6.6	2.2	20.2	1.2
Voluntary automobile	11.2	5.5	1.5	0.9	2.2	0.7
Others	2.0	0.3	0.3	0.0	0.0	0.0
<b>Total</b>	<b>70.3</b>	<b>15.1</b>	<b>8.5</b>	<b>3.2</b>	<b>22.6</b>	<b>2.0</b>

# Expense Ratio



(Unit: bil. JPY)

Item
Personnel expenses
Non-personnel expenses
Tax, contributions and others
<b>Total company expenses</b>
Net agency commissions
<b>Total operating expenses</b>

FY2004 1st half		FY2005 1st half		FY2006 1st half	
Amount	Change	Amount	Change	Amount	Change
54.6	(6.9)	50.1	(4.4)	49.8	(0.3)
41.7	(1.0)	41.5	(0.1)	43.9	2.4
5.8	(0.2)	5.8	(0.0)	5.7	(0.0)
<b>102.2</b>	<b>(8.3)</b>	<b>97.5</b>	<b>(4.6)</b>	<b>99.5</b>	<b>2.0</b>
110.3	(1.2)	114.6	4.3	112.9	(1.7)
<b>212.5</b>	<b>(9.5)</b>	<b>212.2</b>	<b>(0.2)</b>	<b>212.5</b>	<b>0.2</b>

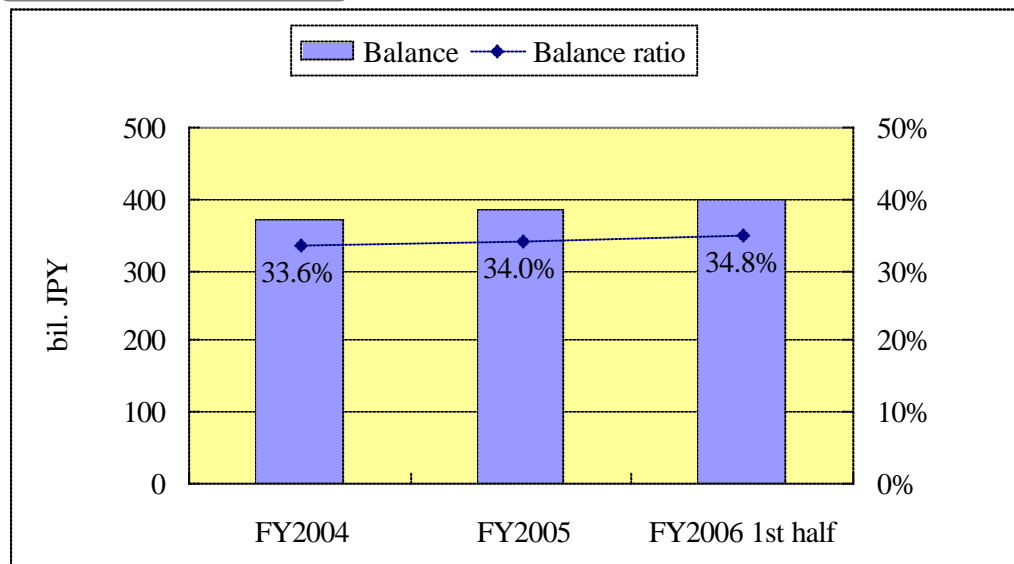
FY2004 1st half		FY2005 1st half		FY2006 1st half	
Expense ratio	Change	Expense ratio	Change	Expense ratio	Change
7.9%	(1.1%)	7.2%	(0.7%)	7.2%	0.0%
6.1%	(0.2%)	6.0%	(0.1%)	6.3%	0.3%
0.9%	0.0%	0.8%	(0.1%)	0.8%	0.0%
<b>14.8%</b>	<b>(1.4%)</b>	<b>14.0%</b>	<b>(0.8%)</b>	<b>14.3%</b>	<b>0.3%</b>
16.0%	(0.3%)	16.5%	0.5%	16.3%	(0.2%)
<b>30.9%</b>	<b>(1.6%)</b>	<b>30.5%</b>	<b>(0.4%)</b>	<b>30.6%</b>	<b>0.1%</b>

<Reference>

Net premiums written	688.2	5.4	695.9	7.7	694.7	(1.2)
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Note) Figures above are operating expenses regarding underwriting business.

## Total



(Unit: bil. JPY)

	FY2004	FY2005	FY2006 1st half
<b>Balance</b>	371.3	384.5	400.2
<b>Change</b>	(56.2)	13.2	15.6
<b>Balance ratio</b>	33.6%	34.0%	34.8%

<b>Provision</b>	66.6	68.5	34.5
<b>Reversal</b>	122.9	55.2	18.9

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

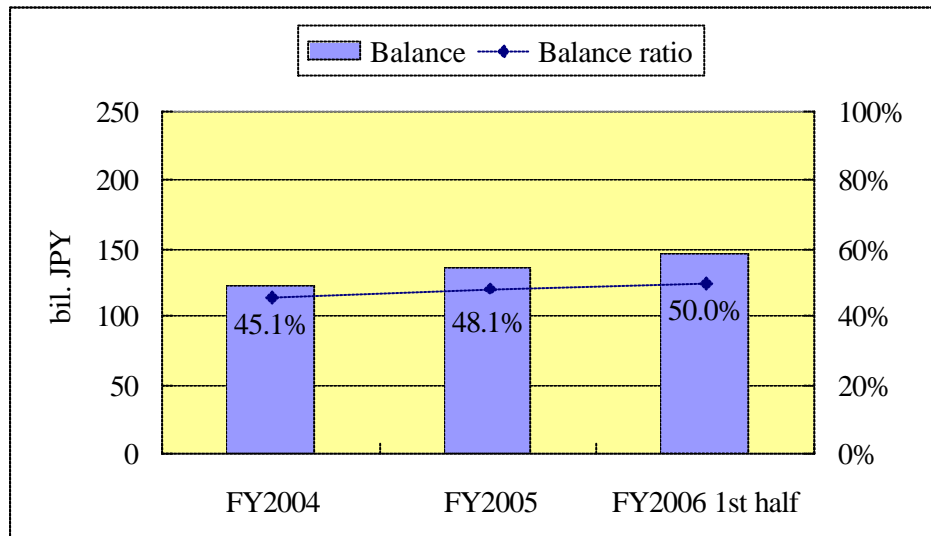
- "Balance" and "Balance ratio" other than FY2006 1st half figures are for the full fiscal year
- Net premiums written as the denominator to calculate FY2006 1st half "Balance ratio" is the doubled figures of the 1st half result

## <Reference> Solvency Margin Ratio

(Unit: mil. JPY)

	FY2006 interim
<b>Total of Solvency Margin</b>	2,377,414
<b>Total of Risks</b>	471,588
Ordinary Insurance Risks	76,027
Assumed Interest Risks	3,592
Asset Management Risks	263,612
Business Management Risks	10,529
Major Catastrophe Risks	183,248
<b>Solvency Margin Ratio</b>	<b>1,008.3%</b>

## Fire Group



(Unit: bil. JPY)

	FY2004	FY2005	FY2006 1st half
<b>Balance</b>	123.0	136.1	146.9
<b>Balance ratio</b>	45.1%	48.1%	50.0%

<b>Provision</b>	20.6	21.3	10.8
<b>Reversal</b>	68.9	8.2	-

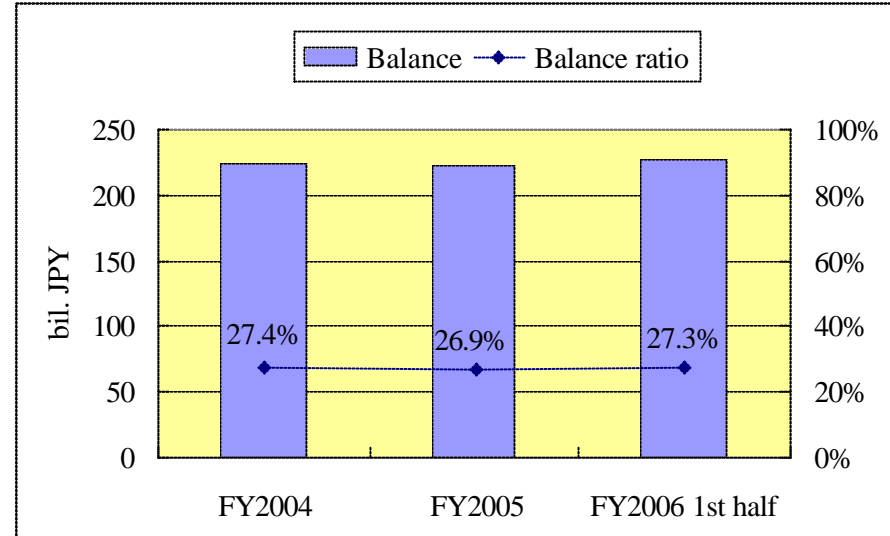
Fire Group:

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

Note) Net premiums written as the denominator to calculate FY2006 1st half

"Balance ratio" is the doubled figures of the 1st half result

## Automobile Group



(Unit: bil. JPY)

	FY2004	FY2005	FY2006 1st half
<b>Balance</b>	224.4	223.3	227.7
<b>Balance ratio</b>	27.4%	26.9%	27.3%

<b>Provision</b>	44.8	45.5	23.0
<b>Reversal</b>	53.5	46.6	18.5

Automobile Group:

Voluntary automobile, Personal accident, Ship passenger liability, Fidelity & Credit Guarantee(ex.Guarantee securities), Glass, Machinery, Burglary, Animal,

Workers' compensation, Boiler, Business interruption (ex. Nursing care expense)

Note) Net premiums written as the denominator to calculate FY2006 1st half

"Balance ratio" is the doubled figures of the 1st half result

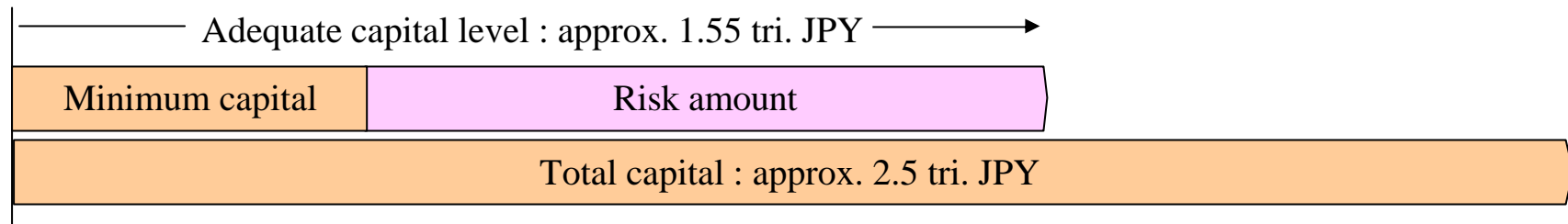
# Investment Profit

(Unit: mil. JPY)

	FY2004 1st half	FY2004	FY2005 1st half	FY2005	FY2006 1st half (Compared with FY2005 1st half)	
Net interest and dividend income (+)	15,365	36,411	22,324	49,354	29,360	7,036
Interest and dividend income	37,636	82,705	44,154	95,039	51,766	7,611
Assumed interest for policyholders, etc.	(22,271)	(46,294)	(21,829)	(45,685)	(22,405)	(575)
Gains on Money in trust (+)	1,085	1,442	1,066	2,808	1,534	467
Gains on Trading securities (+)	(63)	(83)	(28)	(74)	112	141
Realized gains on securities (+)	19,475	36,401	16,845	40,898	17,247	401
Redemption gains on securities (+)	464	31	(14)	103	(234)	(220)
Devaluation losses on securities (-)	1,106	1,626	1,570	308	2,491	920
Gains on derivatives* (+)	(10,708)	(9,225)	(1,286)	(4,661)	(5,341)	(4,054)
Gains on foreign exchange transactions* (+)	(45)	(2,069)	(972)	82	609	1,582
Other investment balance (+)	(244)	(650)	(467)	(1,145)	(260)	206
<b>Gross investment margin (excluding activities other than investments)</b>	<b>24,221</b>	<b>60,631</b>	<b>35,895</b>	<b>87,057</b>	<b>40,536</b>	<b>4,641</b>
Investment expenses (-)	4,359	8,203	3,970	7,119	3,460	(509)
Allowances and losses for bad debts* (-)	(3,142)	(5,969)	(635)	(1,624)	(637)	(2)
Written-off expense and devaluation allowances for equities and bonds (-)	46	72	(18)	(109)	2	21
<b>Investment profit</b>	<b>22,958</b>	<b>58,324</b>	<b>32,578</b>	<b>81,672</b>	<b>37,710</b>	<b>5,131</b>

\* 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



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

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

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

- Approx. 950 bil. JPY surplus, stemming primarily from increased unrealized gains on securities.
- Sompo Japan seeks steady increase in actual amounts of dividends.  
Dividend on Equity (DOE) is used as an indicator with the long-term target 2%.
- Surplus earmarked for capital allocation to risk-taking toward higher investment return  
and expansion of profit in existing and new business.

	FY2005 1 <sup>st</sup> Half	FY2006 1 <sup>st</sup> Half	
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	640.7 bil. JPY growth:+1.6%	641.2 bil. JPY growth:+0.1%
	Loss Ratio (Including Loss Adjustments)	56.1%	57.2%
	Expense Ratio	33.1%	33.1%
	Combined Ratio	89.2%	90.3%
	Underwriting Balance	69.0 bil. JPY	61.8 bil. JPY
	Underwriting Profit	7.1 bil. JPY	7.5 bil. JPY
Investment Profit	32.5 bil. JPY	37.7 bil. JPY	
Ordinary Profit	51.9 bil. JPY	49.0 bil. JPY	
Net Income	39.1 bil. JPY	22.8 bil. JPY	



## Interim Consolidated Balance Sheet

Item	End of previous interim fiscal period (at September 30, 2005)		End of this interim fiscal period (at September 30, 2006)		Increase (decrease)	End of previous fiscal year (at March 31, 2006)	
	Amount	% of total	Amount	% of total		Amount	% of total
	Books closed						
<b>Assets:</b>							
Cash and deposits	216,913	3.44	166,279	2.44	(50,633)	241,823	3.57
Call loans	20,000	0.32	86,000	1.26	66,000	55,000	0.81
Receivables under resale agreements	29,998	0.48	69,957	1.03	39,958	19,998	0.30
Monetary receivables bought	14,226	0.23	20,017	0.29	5,790	18,005	0.27
Money in trust	29,032	0.46	33,140	0.49	4,108	33,278	0.49
Securities	4,845,917	76.96	5,282,460	77.48	436,542	5,262,320	77.67
Loans	464,367	7.37	484,545	7.11	20,178	458,164	6.76
Property and equipment	234,568	3.73	-	-	-	230,409	3.40
Tangible fixed assets	-	-	226,807	3.33	-	-	-
Intangible fixed assets	-	-	29,423	0.43	-	-	-
Other assets	431,825	6.86	432,048	6.34	223	442,174	6.53
Deferred tax assets	3,711	0.06	5,952	0.09	2,241	5,832	0.09
Consolidated goodwill	29,649	0.47	-	-	-	28,713	0.42
Allowance for possible loan losses	(23,088)	(0.37)	(19,120)	(0.28)	3,968	(20,903)	(0.31)
Allowance for possible losses on investment securities	(13,09)	(0.00)	(4)	(0.00)	126	(4)	(0.00)
<b>Total assets</b>	<b>6,296,990</b>	<b>100.00</b>	<b>6,817,508</b>	<b>100.00</b>	<b>520,517</b>	<b>6,774,812</b>	<b>100.00</b>
<b>Liabilities:</b>							
Underwriting funds:	4,716,475	74.90	4,904,337	71.94	187,862	4,798,495	70.83
Reserve for outstanding losses and claims	651,755		723,352		69,597	695,167	
Underwriting reserves	4,064,720		4,180,985		116,265	4,103,327	
Other liabilities	221,625	3.52	225,164	3.30	3,538	232,963	3.44
Accrued severance benefits	88,845	1.41	93,407	1.37	4,562	91,089	1.34
Reserve for bonus payments	14,887	0.24	15,346	0.23	459	12,650	0.19
Price fluctuation reserve	20,817	0.33	27,302	0.40	6,485	24,057	0.36
Deferred tax liabilities	127,784	2.03	217,176	3.19	89,392	253,503	3.74
<b>Total liabilities</b>	<b>5,190,435</b>	<b>82.43</b>	<b>5,482,735</b>	<b>80.42</b>	<b>292,299</b>	<b>5,412,760</b>	<b>79.90</b>
Minority interests	409	0.01	-	-	-	469	0.01
<b>Shareholders' equity:</b>							
Common stock	70,000	1.11	-	-	-	70,000	1.03
Additional paid-in capital	24,232	0.38	-	-	-	24,229	0.36
Retained earnings	284,311	4.52	-	-	-	313,357	4.63
Unrealized gains on securities available for sale, net of tax	735,763	11.68	-	-	-	959,485	14.16
Foreign currency translation adjustments	(5,367)	(0.09)	-	-	-	(2,633)	(0.04)
Treasury stock	(2,794)	(0.04)	-	-	-	(2,857)	(0.04)
<b>Total shareholders' equity</b>	<b>1,106,144</b>	<b>17.57</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,361,582</b>	<b>20.10</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>6,296,990</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,774,812</b>	<b>100.00</b>
<b>Net assets:</b>							
Stockholders' equity:							
Common stock	70,000		70,000	1.03	-	-	-
Additional paid-in capital	24,230		24,230	0.36	-	-	-
Retained earnings	328,448		328,448	4.82	-	-	-
Treasury stock	(2,951)		(2,951)	(0.04)	-	-	-
Total shareholders' equity	419,727		419,727	6.16	-	-	-
Valuation and translation adjustments:							
Unrealized gains on securities available for sale, net of tax	916,791		916,791	13.45	-	-	-
Foreign currency translation adjustments	(2,420)		(2,420)	(0.04)	-	-	-
Total valuation and translation adjustments	914,370		914,370	13.41	-	-	-
Stock acquisition rights	152		152	0.00	-	-	-
Minority interests	522		522	0.01	-	-	-
<b>Total net assets</b>	<b>1,334,773</b>		<b>1,334,773</b>	<b>19.58</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and net assets</b>	<b>6,817,508</b>		<b>6,817,508</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Interim Consolidated Statement of Income

Item	Term	Previous interim fiscal period (April 1, 2005 to September 30, 2005)		This interim fiscal period (April 1, 2006 to September 30, 2006)		Increase (decrease)	Summary of consolidated statement of income for the previous fiscal period (April 1, 2005 to March 31, 2006)	
		Amount	% of total	Amount	% of total		Amount	% of total
		<b>Ordinary income and expenses</b>						
Ordinary income:		954,189	100.00	957,053	100.00	2,863	1,931,473	100.00
Underwriting income:		900,070	94.33	891,710	93.17	(8,359)	1,802,073	93.30
Net premiums written		708,220		707,219			1,394,783	
Deposits of premiums by policyholders		77,299		69,126			157,477	
Interest and dividend income on deposits of premiums, etc.		21,829		22,405			45,685	
Life insurance premiums written		87,527		91,639			196,508	
Investment income:		50,502	5.29	59,425	6.21	8,922	116,518	6.03
Interest and dividend income		51,538		60,535			110,321	
Investment gain on money held in trust		1,066		1,534			2,808	
Investment gain on securities for trading purposes		-		112			-	
Realized gain on sales of securities		17,124		17,892			41,511	
Transfer of interest and dividend income on deposits of premiums, etc.		(21,829)		(22,405)			(45,685)	
Other ordinary income		3,616	0.38	5,917	0.62	2,300	12,881	0.67
Ordinary expenses:		902,720	94.61	899,391	93.98	(3,328)	1,816,600	94.05
Underwriting expenses:		770,810	80.78	761,485	79.57	(9,325)	1,559,857	80.76
Net claims paid		379,513		388,966			791,268	
Loss adjustment expenses		31,262		32,948			64,986	
Net commissions and brokerage fees		128,251		124,586			253,748	
Maturity refunds to policyholders		118,245		99,477			235,317	
Life insurance claims paid		17,533		16,644			36,898	
Provision of reserve for outstanding losses and claims		6,408		28,035			46,827	
Provision of underwriting reserves		89,124		70,368			128,213	
Investment expenses:		3,907	0.41	9,923	1.04	6,016	7,465	0.39
Investment loss on money held in trust		0		-			-	
Investment loss on securities for trading purposes		28		-			74	
Realized loss on sales of securities		265		940			617	
Devaluation loss on securities		1,570		2,491			317	
Operating, general and administrative expenses		126,715	13.28	127,602	13.33	886	246,465	12.76
Other ordinary expenses:		1,286	0.13	380	0.04	(905)	2,811	0.15
Interest paid		92		39			207	
Ordinary profit		51,469	5.39	57,662	6.02	6,192	114,873	5.95
Special gains and losses								
Special gain s		12,290	1.29	114	0.01	(12,175)	12,817	0.66
Special losses:		5,981	0.63	14,952	1.56	8,970	10,094	0.52
Impairment loss		233		790			233	
Provision for price fluctuation reserve		3,234		3,245			6,474	
Other special loss		2,513		10,916			3,386	
Income before income taxes and minority interests		57,778	6.06	42,823	4.47	(14,954)	117,596	6.09
Income taxes-current		2,873	0.30	27,767	2.90	24,893	21,462	1.11
Income taxes-deferred		16,360	1.71	(13,199)	(1.38)	(29,560)	28,691	1.49
Gain on minority interests		6	0.00	48	0.01	41	65	0.00
Net income		38,536	4.04	28,207	2.95	(10,329)	67,377	3.49

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

***<Reference> Forecast for FY2006***

**Growth rate of net premiums written will recover to positive.  
Loss ratio and expense ratio will rise because of increase of net claims paid and IT investment.**

(Unit: bil. JPY)

	FY2005			FY2006 1st half			FY2006 forecast		
		YOY change	Growth(%)		YOY change	Growth(%)		YOY change	Growth(%)
<b>Net premiums written</b>	1,370.9	19.0	1.4%	694.7	(1.2)	(0.2%)	1,372.0	10.8	0.1%
<b>Net claims paid</b>	776.0	(37.0)	(4.6%)	382.4	10.4	2.8%	823.0	46.9	6.1%
<b>Loss ratio</b> (Including loss adjustments)	61.3%			59.7%			64.7%		
<b>Expense</b>	416.0	(2.0)		212.5	0.2		433.0	16.9	
<b>Expense ratio</b>	30.3%		(0.6%)	30.6%		0.1%	31.6%		1.2%
<b>Underwriting balance</b>	114.8	57.0	98.7%	67.3	(13.6)	(16.8%)	51.0	(63.8)	(55.6%)
<b>Underwriting balance ratio</b>	8.4%			9.7%			3.7%		
<b>Underwriting profit</b>	24.0	7.5	46.1%	8.7	(7.9)	(47.8%)	29.0	4.9	20.5%
<b>Interest and dividend income</b>	95.0	12.3	14.9%	51.7	7.6	17.2%	98.0	2.9	3.1%
<b>Ordinary profit</b>	114.2	40.0	54.0%	49.0	(2.8)	(5.6%)	100.0	(14.2)	(12.5%)
<b>Net income</b>	67.8	10.9	19.3%	22.8	(16.2)	(41.6%)	53.0	(14.8)	(21.9%)

<Reference>

<b>Savings premium income</b>	157.4	(35.3)	(18.3%)	69.1	(8.1)	(10.6%)	145.0	(12.4)	(7.9%)
<b>Maturity refunds</b>	235.3	(37.5)	(13.8%)	99.4	(18.7)	(15.9%)	226.0	(9.3)	(4.0%)

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

# Forecast for FY2006 by Business Line

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Special factors and strategies in 2<sup>nd</sup> half are reflected to the trend in 1<sup>st</sup> half.

## Net premiums written

(Unit: bil. JPY)

	FY2005		FY2006 1st half		FY2006 forecast	
	Amount	Growth	Amount	Growth	Amount	Growth
Fire and allied	152.0	1.1%	69.5	0.4%	148.8	(2.2%)
Marine	28.3	12.5%	15.6	11.9%	29.8	5.1%
Personal accident	127.6	5.7%	68.7	1.3%	133.0	4.2%
Voluntary automobile	674.0	0.7%	334.4	(0.7%)	672.0	(0.3%)
CALI	237.9	(2.6%)	118.3	(2.4%)	232.2	(2.4%)
Others	150.8	6.0%	87.9	1.3%	156.2	3.5%
<b>Total</b>	<b>1,370.9</b>	<b>1.4%</b>	<b>694.7</b>	<b>(0.2%)</b>	<b>1,372.0</b>	<b>0.1%</b>

## Net claims paid

(Unit: bil. JPY)

	FY2005		FY2006 1st half		FY2006 forecast	
	Amount	L/R	Amount	L/R	Amount	L/R
Fire and allied	74.0	50.5%	32.1	47.7%	78.9	55.0%
Marine	12.4	47.5%	6.7	46.3%	14.2	50.7%
Personal accident	48.0	41.3%	25.6	40.4%	51.7	42.0%
Voluntary automobile	393.7	63.6%	190.4	62.7%	405.8	66.0%
CALI	155.3	71.2%	81.2	74.2%	164.4	76.7%
Others	92.4	65.6%	46.1	55.8%	108.0	72.8%
<b>Total</b>	<b>776.0</b>	<b>61.3%</b>	<b>382.4</b>	<b>59.7%</b>	<b>823.0</b>	<b>64.7%</b>

Note) Loss adjustments are included in L/R (Loss Ratio)

-4.2 bil. JPY increase in net premiums written is expected, owing to strategies in 2<sup>nd</sup> half.

-24 bil. JPY of net incurred loss for natural disasters is expected, including 19 bil. JPY for fire, 4 bil. JPY for automobile and 1 bil. JPY for others.

# Forecast for FY2006 (Consolidated)

	Ordinary profit	Net income
Non-consolidated	100.0 bil. JPY	53.0 bil. JPY
Consolidated	112.0 bil. JPY	60.0 bil. JPY

<Principal consolidated subsidiaries>	Ordinary profit	Net income	Net income after consolidated adjustment
Yasuda Seguros S.A.	1.1 bil. JPY	0.8 bil. JPY	0.8 bil. JPY
Sompo Japan Europe	0.5 bil. JPY	0.4 bil. JPY	0.4 bil. JPY
Sompo Japan America	0.6 bil. JPY	0.6 bil. JPY	0.6 bil. JPY
Sompo Japan Asia	0.6 bil. JPY	0.5 bil. JPY	0.5 bil. JPY
Sompo Japan Himawari Life	12.8 bil. JPY	8.1 bil. JPY	5.1 bil. JPY
Sompo Japan DIY Life	(0.0) bil. JPY	(0.0) bil. JPY	(0.0) bil. JPY
Sompo Japan DC Securities	(0.8) bil. JPY	(0.8) bil. JPY	(0.8) bil. JPY

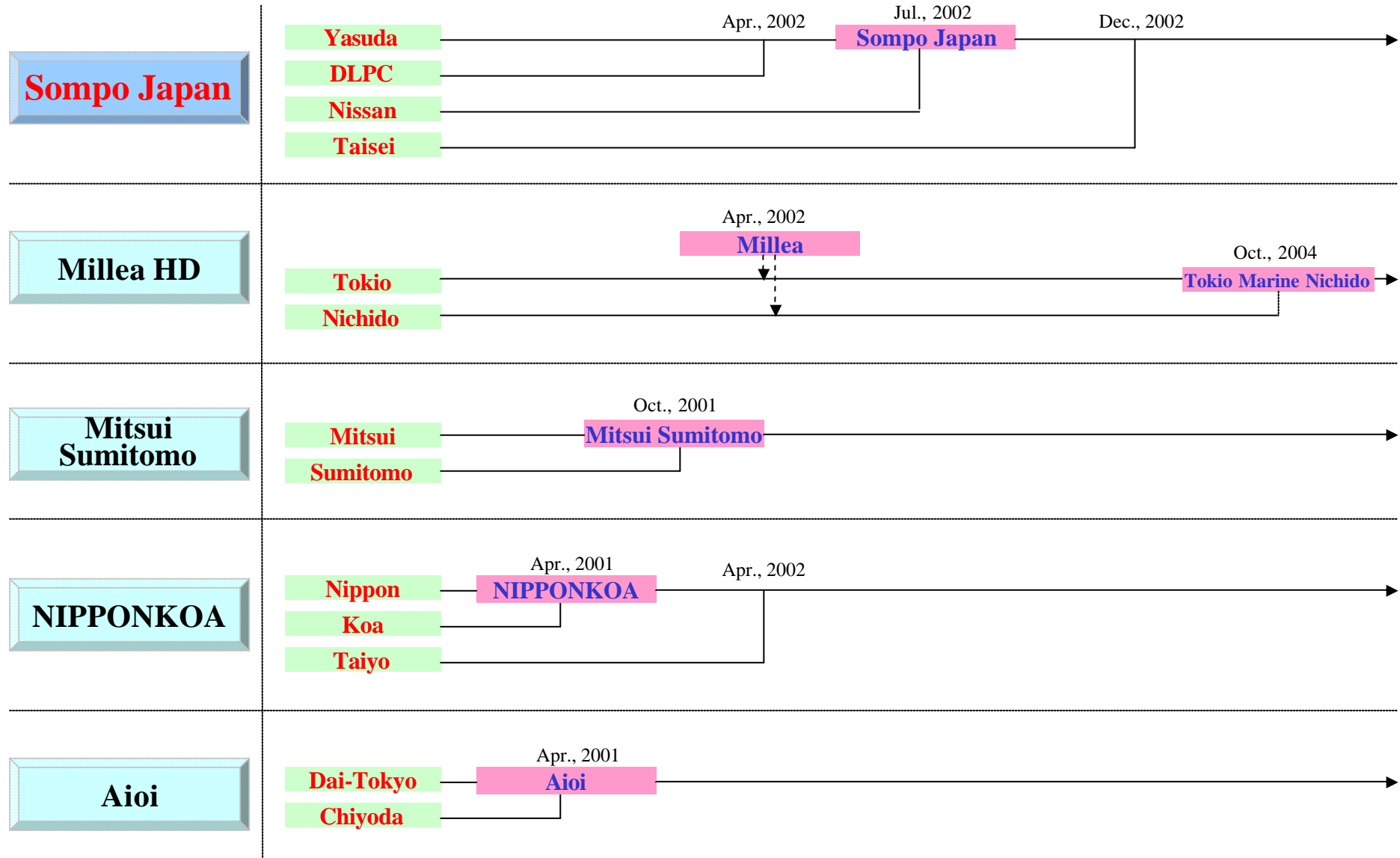
# *Appendix*



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



# Consolidation in Japanese P&C Industry



# Distribution Channels of Sompo Japan



Channel category	Description	Target market	Main Products
<b>Professional agency</b> W/T : 27.8%	Full-time agencies (exclusive/non-exclusive), including former trainees	- Retail (local habitants) - Properties and employees of small/mid sized local enterprise	All lines Life insurance
<b>Auto dealer</b> W/T : 18.6%	Auto dealers (Capitalized/non-capitalized by auto manufactures)	- Own properties and employees - Customers	Voluntary auto CALI
<b>Repair shop</b> W/T : 11.4%	Car repair shops (3 categories by scope of operations)	- Own properties and employees - Customers	Voluntary auto CALI
<b>Motor related business</b> W/T : 4.6%	Gas stations, Used car shops, Motorcycle shops, Car accessory shops, etc.	- Own properties and employees - Customers	Voluntary auto CALI
<b>Enterprise</b> W/T : 18.1%	Middle-sized or larger enterprises and their subsidiaries	- Own (group's) properties and employees - Customers - Suppliers	All lines Life insurance
<b>Financial corporation</b> W/T : 7.6%	Financial corporations and their subsidiaries *Including Dai-ichi Life, SAISON	- Properties and employees of their own and accommodated enterprises - Mortgage loan customers - Existent life/non-life customers (by Dai-ichi, SAISON)	Fire Personnel accident New types
<b>Public organization, Association</b> W/T : 6.0%	Governments, Non-profit organizations, Benefit/Cooperative societies, Communions, etc. and their subsidiaries	- Own properties and employees - Members and believers, etc.	Personnel accident New types
<b>Others</b> W/T : 6.0%	Real estate agencies, Professionals, Insurance brokers, Direct underwriting, etc.	- Customers	All lines Life insurance

W/T : Proportion of each channel's sales premium in FY2005

Sompo Japan has been the main insurance company for banks, especially regional banks, and handled fire insurance related housing loans for 50 years.

## No. of banks handling SJ's insurance at over-the counter

	Total	SJ's agencies	
Mega / Trust Bank	16	<b>6</b>	(37.5%)
Regional Bank	110	<b>94</b>	(85.5%)
Credit Union	290	<b>287</b>	(99.0%)
Credit Cooperative	169	<b>75</b>	(44.4%)
<u>Labor Union</u>	<u>13</u>	<u><b>13</b></u>	<u>(100.0%)</u>
Total	598	<b>475</b>	(79.4%)

## Survey by newspaper

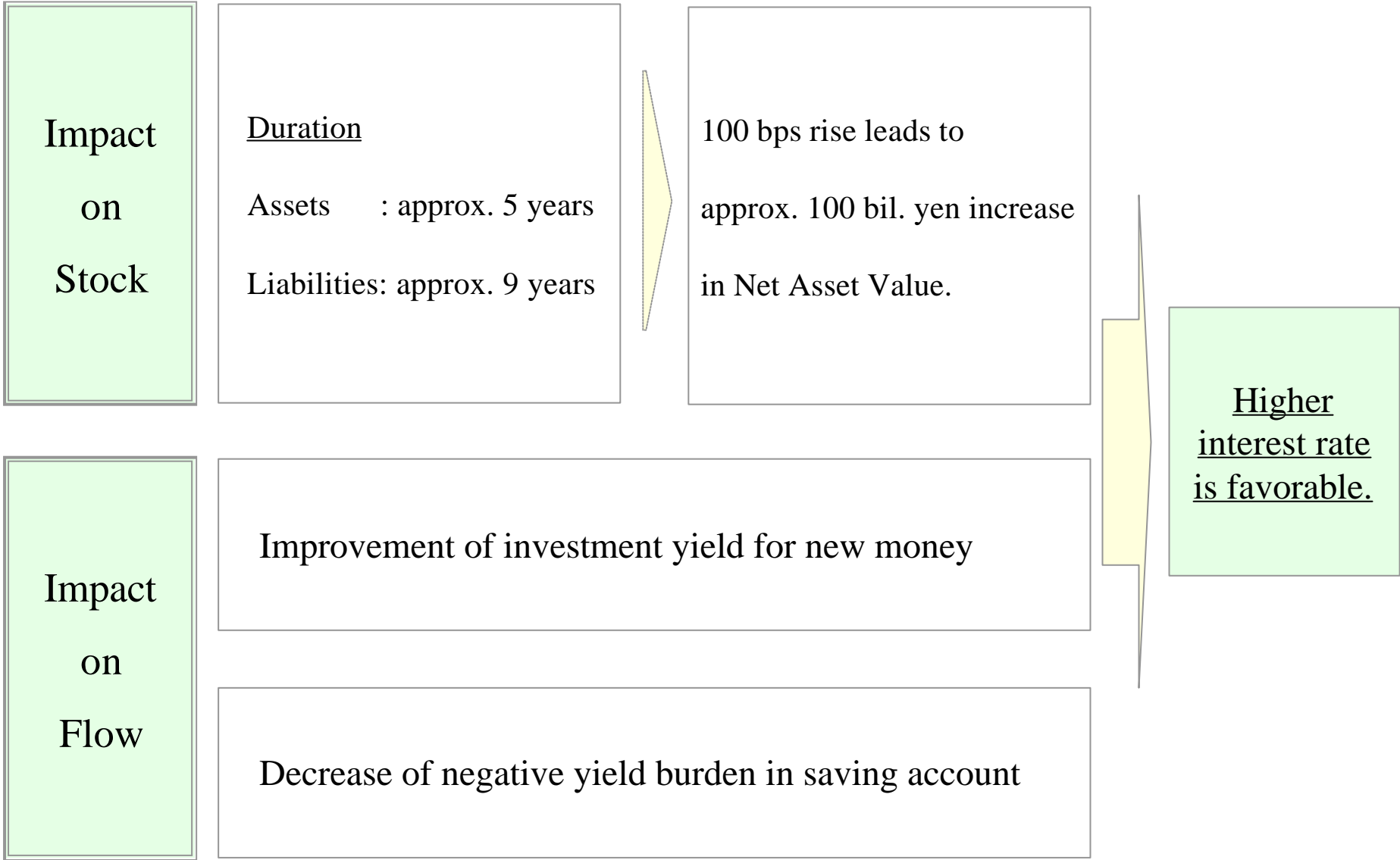
-30% of regional banks responded that Sompo Japan is their main insurance company.

	Total	SJ's agencies	
Regional Bank	64	<b>16</b>	(25.0%)
Second-tire regional bank	46	<b>11</b>	(23.9%)
<u>Credit union</u>	<u>93</u>	<u><b>35</b></u>	<u>(37.6%)</u>
Total	203	<b>62</b>	(30.5%)

Source: Nikkin

\*SJ = Sompo Japan

# Impact of Higher Interest Rate (Non-Consolidated)



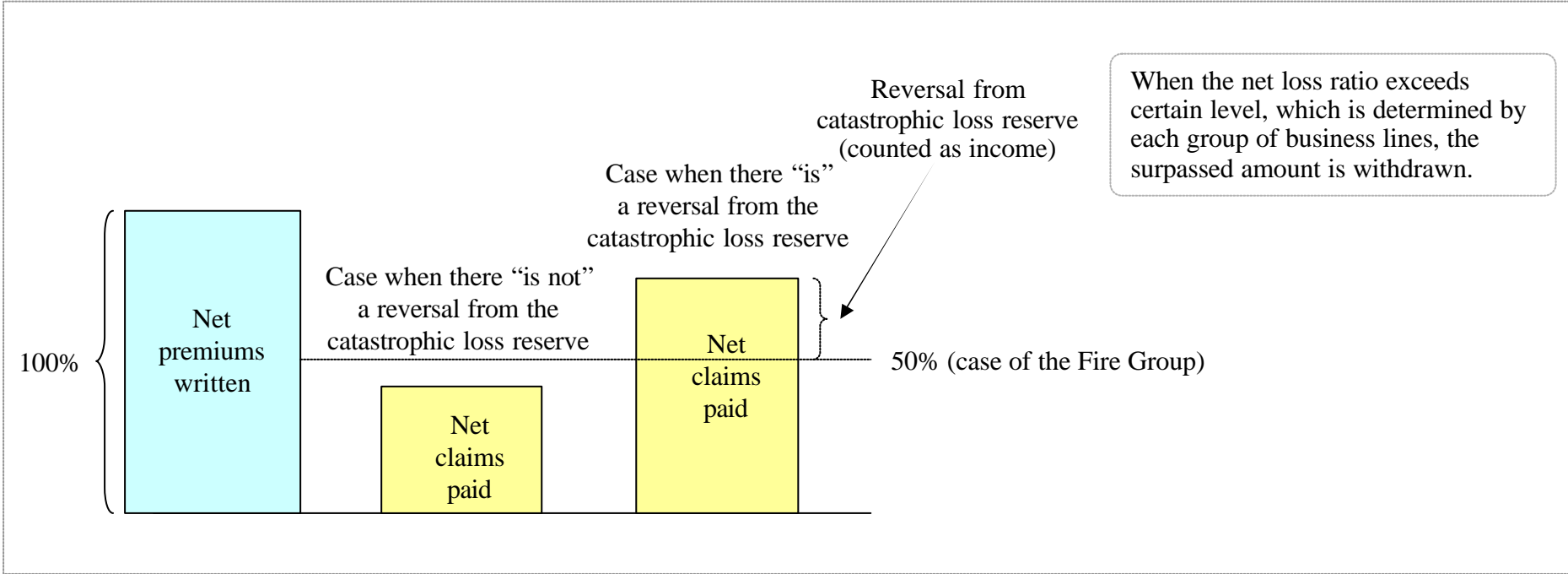
# Failure in Claim Payments by Non-Life Insurance Companies

45

Feb. 2005	Fuji Fire announced failure in claim payments.
Sep. 2005	Financial Services Agency ordered 48 non-life insurance companies to investigate the failure in claim payments.
Oct. 2005	Non-life insurance companies reported the results of investigation to FSA.
Nov. 2005	FSA imposed business improvement order on 26 non-life insurance companies.
Jan. 2006	26 non-life insurance companies submitted business improvement plan to FSA.
May 2006	FSA imposed administrative order on Sompo Japan.
Jun. 2006	FSA imposed administrative order on Mitsui Sumitomo Insurance.
Jul. 2006	FSA ordered 48 insurance companies to investigate the failure in claim payments of third sector products.
Aug. 2006	FSA ordered 26 non-life insurance companies to investigate the failure in claim payments of automobile insurance etc.
Sep. 2006	26 non-life insurance companies reported the results of reinvestigations on automobile insurance etc. to FSA.
Oct. 2006	48 non-life insurance companies reported the results of investigations of third sector products.
Nov. 2006	FSA ordered non-life insurance companies to report the timeframe to investigate the failure in claim payments.
Dec. 2006	26 non-life insurance companies reported to FSA the completion time of internal investigation.

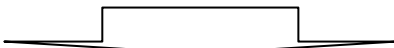
# Catastrophic Loss Reserve

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



## Statistical IBNR (Incurred But Not Reported) reserve rules

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

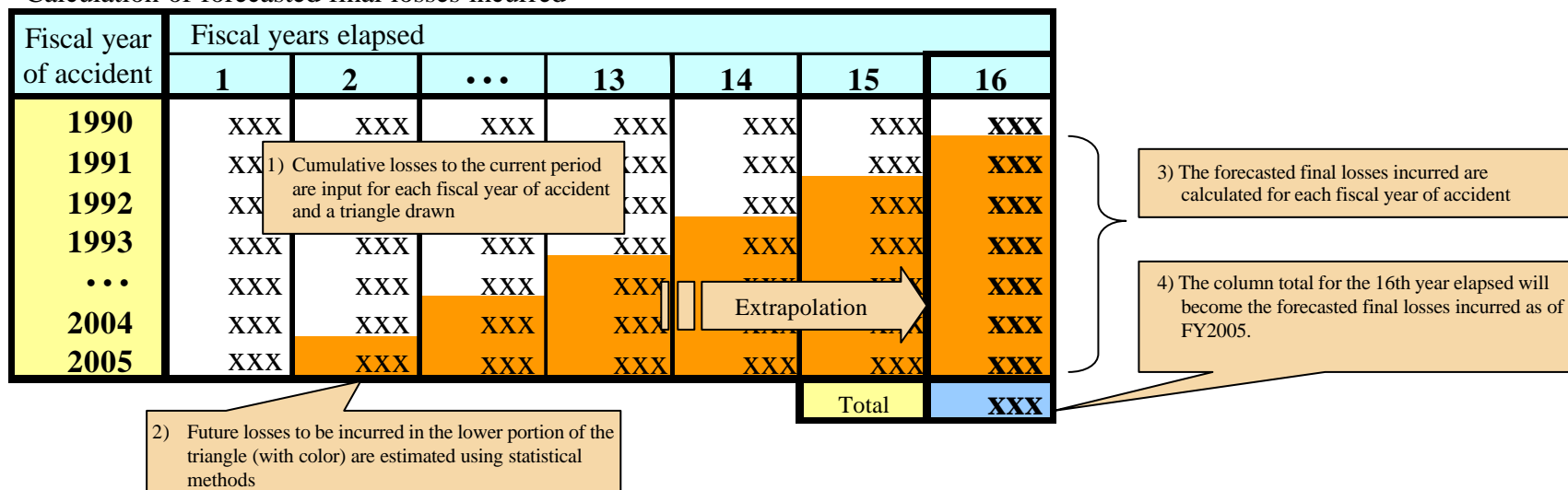



## Sompo Japan's approach

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

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

Calculation of forecasted final losses incurred





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