

SOMPO JAPAN

2009

ANNUAL REPORT



A Global Insurance Provider with a Comprehensive Range of Solutions

Profile

SOMPO JAPAN INSURANCE INC. is one of Japan's leading insurance service providers, with a history stretching back to 1888. Today, we have offices and subsidiaries in 29 countries and regions outside of Japan, and provide a comprehensive range of risk and asset management solutions under a strict customer-first philosophy enshrined in our 5 "S"s—*Service, not sales; Shareholder value; Set and stick to high targets; Stimulating work environment, and Spirit of fairness.*

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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.

Financial Highlights

Consolidated Financial Highlights in FY2008

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	2009
Net premiums written	¥1,308,195	¥1,368,740	¥1,386,663	\$13,313,607
Total interest and dividend income	123,548	157,103	132,127	1,257,358
Net income (loss)	(66,710)	59,637	61,944	(678,913)
Total assets	5,913,379	6,450,734	7,002,180	60,180,938

Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥98.26=U.S.\$1.00, the approximate rate prevailing at March 31, 2009.
2. Total interest and dividend income comprises "Interest and dividend income on deposits of premiums, etc." and net "Interest and dividend income."

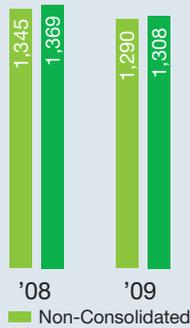
Non-Consolidated Financial Highlights in FY2008

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	2009
Net premiums written	¥1,290,465	¥1,345,025	¥1,362,785	\$13,133,167
Total interest and dividend income	102,511	135,606	113,625	1,043,263
Net income (loss)	(73,944)	44,667	48,159	(752,534)
Total assets	4,856,436	5,388,568	6,029,789	49,424,344

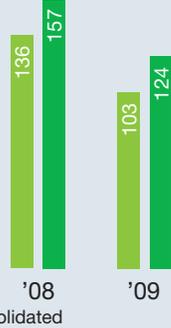
	Percent		
Loss ratio	70.3	65.1	64.3
Expense ratio	34.5	32.9	30.9

Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥98.26=U.S.\$1.00, the approximate rate prevailing at March 31, 2009.
2. Total interest and dividend income comprises "Interest and dividend income on deposits of premiums, etc." and net "Interest and dividend income."

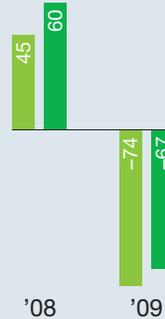
Net Premiums Written
(¥ billion)



Total Interest and Dividend Income
(¥ billion)



Net Income (Loss)
(¥ billion)



Total Assets
(¥ billion)



Enhancing Corporate Value under the Customer-First Principle



Masatoshi Sato
President and
Chief Executive Officer

Moving toward the Creation of a New Solution Service Group

In the face of a declining birthrate and an aging society, as well as of increased risks associated with a depopulating society, deteriorating global climate change, and in response to the diversified consumer demands brought by individual lifestyle changes, insurance companies are urged to take proper actions and contribute to social safety and to customers' sense of security.

Based on this shared perspective, Sampo Japan and NIPPONKOA decided to establish a "new solution service group that provides customers with security and service of the highest quality and contribute to social welfare," while sharing as a unitary group the strengths nurtured over our respective 120-year histories.

“Companies are urged to take proper actions and contribute to social safety and to customers' sense of security.”

Thank you all for your generous patronage of our company.

In FY2008, Sampo Japan celebrated the 120th anniversary of the founding of its predecessor, Tokyo Fire Insurance Company. Looking forward, in March 2009, we announced that we had agreed to establish a Joint Holding Company with NIPPONKOA Insurance Co., Ltd. for business integration.

Throughout our long history, we at Sampo Japan have remained consistently true to the customer-first principle, and we will continue to cherish this principle as we now move into a new era for our company.

With each employee firmly adhering to this customer-first principle while improving the quality of our service, we intend to achieve sustained growth, increase our corporate value, contribute to society and marshal the full capabilities of the Sampo Japan Group in opening up a new era.

We highly appreciate your continued support and assistance.

Evolution toward the Service Industry and Expansion to New Business Fields

To ensure implementation of the customer-first principle, Sampo Japan has adopted three management strategies that are now being implemented through focused measures. The three strategies are: to improve operational quality in "agencies that serve as contact points with customers," "claims handling departments" and "in-house operational processes related to products and services"; to improve profitability in the non-life insurance business, and to allocate management resources to growth areas.

In the domestic non-life insurance business, we are currently implementing our New Retail Market Business Model Reform Project ("PT-R"), which aims at building customer-oriented new business processes. Under this project, we are reviewing all service processes, from the initial drafting of an insurance contract to payment of premiums and claims handling, from the viewpoint of customers. This will enable us

to meet their diversifying needs with high-quality services that are convenient and easy to understand, and increase their sense of security and satisfaction.

We have already made progress on a variety of advanced new measures, most notably our automobile insurance *ONE-Step*, launched in February 2008, and we plan to start a new agency system in the second half of FY2009. By steadily implementing PT-R, Sampo Japan and its agencies will together aim to transform themselves into a leading service industry player that will give our customers an even greater sense of security and satisfaction.

As the life insurance business is the segment with the highest growth potential amongst the Group's businesses, and is also making a significant contribution to profits, we intend to actively develop this business further.

Sampo Japan Himawari Life launched its new medical insurance *Kenko no Omamori* in August 2008 after carefully incorporating the views of its customers into the product design. The new policy proved very popular, with more than 200,000 contracts signed in the 11 months after its launch.

Furthermore, Sampo Japan has already established a comprehensive business alliance with the Dai-ichi Mutual Life Insurance Company. The two companies continue to develop integrated sales of life and non-life insurance products, and also further reinforce this alliance through reciprocal investment in each other's strategic subsidiaries.

We strive to expand our involvement in business fields where we can fully utilize the Sampo Japan Group's capabilities, with the aim of making these areas our biggest sources of future profits after the non-life insurance and life insurance businesses.

The businesses we will focus on include the Defined Contribution ("DC") Pension Plan Business and the Asset Management Business, both of which provide our customers with wealth building services, as well as the Healthcare Business, which provides services for preventing lifestyle-related diseases and comprehensive support in the area of mental health.

As for our overseas business, we are accelerating business development by utilizing the expertise of Sampo Japan's domestic businesses in markets expected to see further

growth. For example, we have established a joint venture company in India, regional headquarters in Southeast Asia and a three-branch-office structure in China (in Dalian, Shanghai and Guangdong). In Brazil, we recently executed a strategy of expanding our business foundation through investments in leading local non-life insurance companies. Going forward, we will aim to further expand our business while taking full advantage of alliances with leading partners in other countries.

“ We will strive to expand our involvement in business fields where we can fully utilize the Sampo Japan Group's capabilities.”

Achieving Sustainable Growth

In January 2009, the Global 100 Most Sustainable Corporations in the World were announced at the annual World Economic Forum in Davos, Switzerland, with Sampo Japan becoming the first Japanese insurance company to be included in the Global 100.

The Global 100 evaluates companies' efforts and achievements in the area of sustainability, and Sampo Japan was highly rated because environmental initiatives are built into our business strategies. These initiatives include the development of diverse financial products and services that contribute to solving environmental problems, such as eco-funds.

The Sampo Japan Group will continue to focus on social contribution activities in a variety of areas, while aiming to realize sustained growth and further increase its corporate value through implementation of the customer-first principle.



Masatoshi Sato
President and Chief Executive Officer

Business Integration with NIPPONKOA

In March 2009, Sampo Japan agreed with NIPPONKOA Insurance Co., Ltd. (“NIPPONKOA”) to integrate the two companies’ businesses through the creation of a Joint Holding Company. With this business integration, the two firms aim to achieve sustainable growth, enhance corporate value and contribute to society by further pursuing revenue growth and operational efficiency. Specifically, the two companies will share, as a unitary corporate group, the strengths that they have nurtured over their respective 120-year histories, and maximize synergy effects quickly through the business integration by way of such measures as standardization and sharing of functions and services.

◆ Background and objectives of business integration

In the face of a declining birthrate and an aging society, as well as increased risks associated with a depopulating society,

deteriorating global climate change, and in response to the diversified consumer demands brought by individual lifestyle changes, companies are urged to take proper actions and contribute to social safety and to customers’ sense of security.

◆ Management’s vision and the New Group’s aspirations

Based on this shared perspective, Sampo Japan and NIPPONKOA decided to establish a “new solution service group that provides customers with security and service of the highest quality and contributes to society” (the “New Group”), while sharing as a unitary corporate group the strengths that the two companies have nurtured over their respective 120-year histories.

To receive overwhelming support from their stakeholders, Sampo Japan and NIPPONKOA will aim to realize the New Group as outlined below. The core aim and viewpoint of the



The Presidents of the two companies agree to integrate their businesses
(Left) Masatoshi Sato, *President and CEO, Sampo Japan*
(Right) Makoto Hyodo, *President and CEO, NIPPONKOA*

Management’s Vision and the New Group’s Aspirations

- 1 A group that seeks to provide the highest-quality security and service
- 2 A group with a business focus on Japan
- 3 A group that provides a broad range of solutions that are friendly to society and the environment
- 4 A group that seeks to maximize shareholder value
- 5 A group with a free, vigorous, open and energetic corporate culture
- 6 A group that is independent from the influence of any corporate or financial group

management will be: “making all value judgments from the perspective of customers, providing customers with security and service of the highest quality and contributing to society.”

◆ Effects of business integration

The New Group aims to achieve sustainable growth, enhance corporate value and contribute to society by further pursuing revenue growth and operational efficiency. The New Group will implement this business alliance thoroughly, promptly taking feasible actions and maximizing synergy effects quickly through the business integration by way of such measures as standardization and sharing of functions and services. To this end, the New Group will use strengths gained through the business integration, including the top-level non-life insurance market share in Japan, strong distribution channels utilizing exclusive and specialized professional agents and overwhelming strengths in financial institutions-related agents, especially regional banks.

1. Commitment to the “perspective of customers”

Sompo Japan and NIPPONKOA will “from the perspective of customers” review their entire service process, from the execution of an insurance contract to the payment for an insurance claim. By making use of the know-how, infrastructures and management resources of the two companies while keeping the keywords “convenience” and “easy to understand” in mind, Sompo Japan and NIPPONKOA will seek to provide a sense of security in ways that meet customer expectations.

2. Contribution to society

Sompo Japan and NIPPONKOA will:

- (1) Accelerate the implementation of plans to establish new business areas for security and safety, such as healthcare and risk consulting businesses, beyond the conventional framework of an insurance business, by using the know-how and the infrastructures developed by both companies.
- (2) Proactively work to solve global environmental problems and jointly develop and provide “products and services that would help mitigate the global warming problems.”

3. Enhancement of corporate value

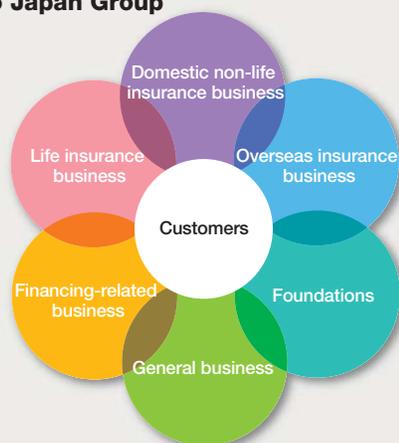
Sompo Japan and NIPPONKOA will:

- (1) Consider the best combination of underwriting, sales and claims functions in the life insurance business and consolidate the overall operational system with the goal of enhancing the life insurance business.
- (2) Aim to enhance profitability by jointly expanding the overseas insurance business with high growth potential through M&A and review of the existing overseas sales network.
- (3) Seek to improve group management efficiency through consideration and promotion of integration or reorganization in businesses associated with the existing finance-related businesses.
- (4) Seek to increase profits from insurance businesses by centralizing the risk management process through a joint risk management system and by sharing underwriting know-how.
- (5) Seek to improve the expense ratio by standardizing and sharing the business base through measures including profit management by business unit, customer centers, IT systems and administrative services.
- (6) Work to reduce procurement costs by making effective use of real estate under their ownership, reforming the supply chain through measures including joint purchase of materials and goods, enhancing the distribution system and promoting shared services.
- (7) Seek to improve their capital efficiency and financial base by enhancing the sophistication of the internal model through measures including capital adequacy measurements, and by conducting careful inspections and due diligence reviews of the investment returns of stock holdings based on the advanced risk management method.
- (8) Jointly improve and streamline their operational platforms and management and risk control systems while in compliance with the Insurance Law, the Financial Instrument and Exchange Law, international accounting standards and other regulations.

Main Business Strategies

In all of its wide-ranging business activities, the Sompo Japan Group works to create new value for customers by optimizing service quality and convenience.

Sompo Japan Group



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 are reviewing 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 are also working to further improve the functions of the insurance agency system, and enhance our support for the daily operations of the insurance agencies and customer service. With these improvements, we will be able to increase the speed and accuracy of our operations.

To accommodate the increasingly diverse lifestyles of our customers and enhance convenience, we enable them to carry out procedures at their preferred time and with their preferred method via our Customer Center, over the Internet and other methods.

Regarding the handling of incidents, we have established a structure that enables us to make insurance payments more speedily. As a part of this structure, we also have plans to establish a new front desk dedicated to car accident reporting and to which all such matters will be concentrated.

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, these three companies have continually expanded their businesses centering on automobile insurance.

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. Sompo Japan is one of the leading companies in the non-life insurance industry, which has seen a prolonged period of restructuring.

Life Insurance Business

The Sompo Japan Group offers high-quality life insurance products through three group companies: Sompo Japan Himawari Life Insurance Co., Ltd., Sompo Japan DIY Life Insurance Co., Ltd. and strategic partner Dai-ichi Mutual Life Insurance Company. Together, these companies provide a wide-ranging product line-up that enables the Group to satisfy customers' diverse needs.

In August 2008, Sompo Japan Himawari Life Insurance launched the *Kenko no Omamori* ("Japanese for "health protection") insurance series. This is a whole-life insurance with supplemental medical insurance coverage that features reasonable premiums and covers not only costs for same-day admission or surgery resulting from illness or injury, but also costs for advanced medical technologies not covered by regular health insurance throughout the policyholder's life. This product has been very popular with customers since its first year of sales. The company's 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 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 to further expand its business. In April 2009, it celebrated its tenth anniversary.

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.

In September 2008, Sompo Japan invested in Dai-ichi Frontier Life Insurance Co., Ltd., while Dai-ichi Mutual Life Insurance acquired a stake in Sompo Japan DIY Life Insurance. Sompo Japan and Dai-ichi Mutual Life Insurance are also sharing know-how in the variable annuity insurance field.

Defined Contribution (DC) Pension Business

In May 1999, Sompo Japan established Sompo Japan DC Securities Co., Ltd. (then Yasuda Kasai CIGNA Securities Co., Ltd.), a company specializing in defined contribution pension products. Sompo Japan DC Securities 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 timely and efficient establishment of schemes, it also maintains the quality and consistency of member services after their establishment.

With its reasonable prices, highly effective scheme design consultation services, full-range bilingual services and more, Sompo Japan DC Securities has earned top ratings in customer satisfaction surveys conducted by non-profit organizations. In terms of security, the company has established highly reliable systems that were certified under the ISMS standard in March 2006 and the Privacy Mark in September 2006.

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 non-life insurance-related asset management company in Japan to enter into the mutual fund business, using 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 by using expertise that the Sompo Japan Group has accumulated through its involvement in environmental and corporate social responsibility (“CSR”) activities. These products include an eco-fund, *Sompo Japan Green Open* (also called

Beech Forest), which was established in September 1999 and invests in companies that are actively working to resolve environmental problems. Another product is an SRI fund called *Sompo Japan SRI Open* (also called *Future Power*), which was established in March 2005 and invests in companies that are actively dealing with CSR issues. As of the end of March 2009, more than 100 distribution channels handled Beech Forest and the fund has been increasingly added to product portfolios in the corporate defined contribution pension system.

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.

On January 30, 2009, Sompo Japan acquired all shares in Zenkoku Houmon Kenko Shido Kyoukai K.K., Japan’s largest health guidance service provider, and on April 1, 2009, HFJ merged with this company. To maximize the benefits of the merger, the new corporate entity continues to use the name of Zenkoku Houmon Kenko Shido Kyoukai*, which has a ten-year track record as a pioneer in the field of health guidance services for people covered by the public medical insurance system. With this merger, Sompo Japan has established one of Japan’s largest health guidance networks, with approximately 1,000 counselors nationwide providing high-quality services.

The Sompo Japan Group also provides comprehensive support for companies in the area of employee mental health, an increasingly important management issue, through Sompo Japan Healthcare Services Inc. (“SJHS”), established in April 2007. 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.

* The company name is stated as Healthcare Frontier Japan Inc. in the Articles of Incorporation.

Risk Management Business

Following the recent major earthquakes and worldwide influenza outbreak, Business Continuity Management (“BCM”) is becoming an increasingly important part of risk management for many companies.

Sompo Japan Risk Management, Inc. offers companies and local governments timely BCM consulting services that correspond to the specific risks faced by each client, including new types of influenza and earthquakes.

Corporate Governance

Sompo Japan is committed to maintaining good corporate governance that enables responsible, effective decision-making and steady growth in corporate value.

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 corporate 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, May 1, 2009.



Strengthening Customer Loyalty and Satisfaction

Measures to Confirm Policy Content **Confirming Customer Understanding through Policy Confirmation Forms**

Since April 2007, Sampo Japan carefully explains to customers signing up to products such as automobile, fire and third-sector insurance about the key points of each policy. We also ask these customers to sign Policy Confirmation Forms to confirm that they have understood the policy content and that their chosen policies reflect their intentions.

Improving the Policy Confirmation Process

Since introducing the Policy Confirmation Forms, we have implemented several measures to make processes easier for customers and enhance convenience. This includes integrating the Renewal Application Forms and Policy Confirmation Forms and reviewing the items to be confirmed on these.

Confirming Policy Content via Direct Mailings

We send out direct mailings once a year to policyholders of long-term fire and/or third-sector insurance products to notify them of the present status of their policies, and to provide a vehicle for them to notify us of changes in their situations. In addition, we ask these policyholders to confirm the present status of their policies by sending in responses via these direct mailings.

Providing a High-Quality Accident Response Service

Bringing Peace of Mind and Satisfaction to Customers

Since being subjected to administrative punishment in fiscal 2006, Sampo Japan has worked to restore customer trust by improving its system for managing insurance claim payments. In fiscal 2008, we held a variety of training sessions to ensure swift and accurate insurance payments and to eliminate the causes of complaints, and strived to improve the overall quality of services.

In fiscal 2009 and onwards, we will provide customers with peace of mind and satisfaction by ensuring accurate insurance payouts and meticulously informing about the progress of our response to an accident.

Easy-to-Understand Guidance on Compensation

As part of our efforts to inform all of our customers about insurance claim payments, we began sending out our Guide to Making Insurance Claims for automobile insurance in May 2008. This guide explains about the insurance payments that customers can receive according to the particular circumstances of their accident and the terms of their insur-

ance coverage. In addition, in February 2009 we posted a guide on making casualty insurance claims on our corporate website to enhance guidance for policyholders of insurance schemes other than auto insurance.

We also make such notifications by letter to customers who prefer this rather than a postcard for privacy purposes.

Strengthening Contact with Customers to Prevent Payout Omissions

Since February 2009, we send out postcards to customers to notify them when accident response processes have been completed. These postcards are sent to customers who have declined to make insurance claims due to various circumstances despite submitting accident reports, or to customers found not to be eligible for payment under their policies.

We have also begun to send out an information document on insurance claims to customers who, after a certain period of time, have not yet confirmed their intention to file a claim.

Turning Customer Input into Action **Enhancing Call Center Functions**

In May 2006, Sampo Japan started the Saga Dondondon Call Center to provide a high-quality response to the feedback we receive from our customers and reflecting this in our management practices. This center provides services during weekdays, weekends and holidays via toll-free call.

Expanding the Customer Consultation Center

In fiscal 2008, Sampo Japan expanded the operations of its customer consultation office, and customer complaints are now handled with greater efficiency and service quality than ever before. We are also strengthening the support and follow-up procedures for the Complaints Response Department, and examining the progress of complaints handling and remedial measures.

Analyzing Customer Feedback and Sharing Results with Head Office Departments

In April 2008, Sampo Japan established the Customer Services Department with the aim of reflecting customer feedback, such as inquiries, complaints and opinions obtained through various questionnaires, in management practices.

The department accumulates inquiries, opinions, demands and complaints from customers, studies the issues and needs behind these, and works to incorporate the results into the Group's daily operations.

The department shares the analysis results with relevant departments in the head office, thereby helping to improve the quality of our operations, products and services.

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 the management of an insurance company 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 Rules are 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 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. Upon receiving reports on important issues concerning risk manage-

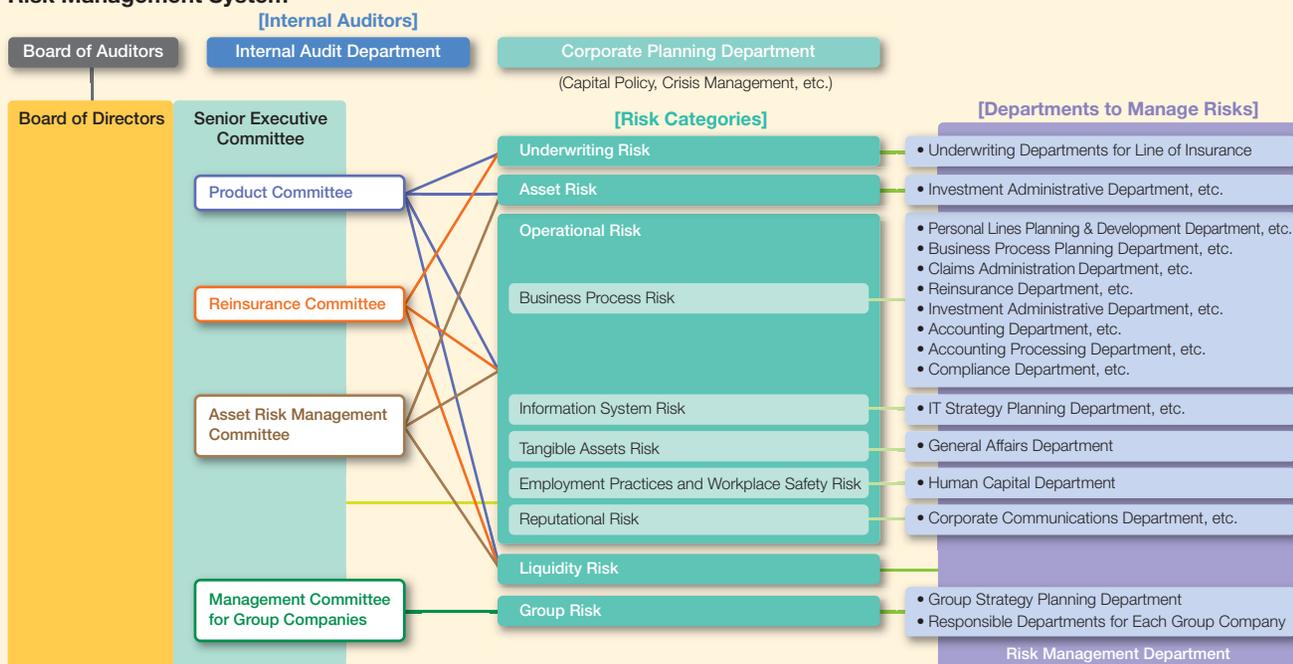
ment, they secure the effectiveness of our risk management and then take active steps to strengthen our risk management system. Moreover, dedicated committees, namely the Product Committee, the Reinsurance Committee, the Asset Risk Management Committee, and the Management Committee for Group Companies have been 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 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).

Risk quantity is measured using Value at Risk ("VaR") with a one-year holding period. Its confidence level is 99.95%, equivalent to the AA rating (as of July 1, 2009) obtained by Sompo Japan from a rating agency. As of March 31, 2009, the total risk quantity was about ¥1,050 billion and actual net assets were approximately ¥1,300 billion. With actual net assets exceeding the total risk by around ¥250 billion, financial soundness was fully maintained.

Risk Management System



(As of July 1, 2009)

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 underwriting risk.

In development and revision of insurance products, we not only address 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 an integrated 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, tangible 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 risk owner 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 catastrophe.

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 to help them to establish 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 environment. 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.

Compliance

Strict compliance and a high level of business ethics are fundamental to all of Sompo Japan's business operations, and for sustained growth in corporate value.

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. Compliance is a fundamental prerequisite for all of our business development, and we continuously work to strengthen the confidence placed in us by customers, local communities and shareholders by fortifying our initiatives in this area and conducting ourselves in accordance with the norms of society.

Sompo Japan Group's Basic Compliance Promotion Policy

To ensure strict compliance, the Sompo Japan Group has formulated the Group Basic Compliance Promotion Policy. This policy focuses on the following four basic policies in order to implement its central tenet: "Spirit of fairness: We will act with a spirit of fairness and integrity based on high ethical standards and rational judgment."

Strengthening Compliance

To guarantee fairness, appropriateness and greater transparency in business operations, Sompo Japan has placed its

internal control system under review by a "second pair of eyes" through the establishment of the Business Audit and Compliance Committee (within the Business Audit Department), and by appointing its chairman and a majority of its members from outside the Company. The committee 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 directors and executive officers, and is responsible for proposing, planning and implementing company-wide compliance promotion activities.

Also, Regional Compliance Committees have been set up in all regional headquarters and placed under the Compliance Implementation Department. 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 sources including the Business Audit Department, the Compliance Officers in each region and a network of Compliance Implementation Officers, who have been appointed to all local departments as well as the headquarters.

Group Basic Compliance Promotion Policy

(1) 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.

(2) Acting in accordance with laws, regulations and high ethical standards

All Sompo Japan Group officers shall think, decide and act in accordance with laws and regulations and based on high moral values.

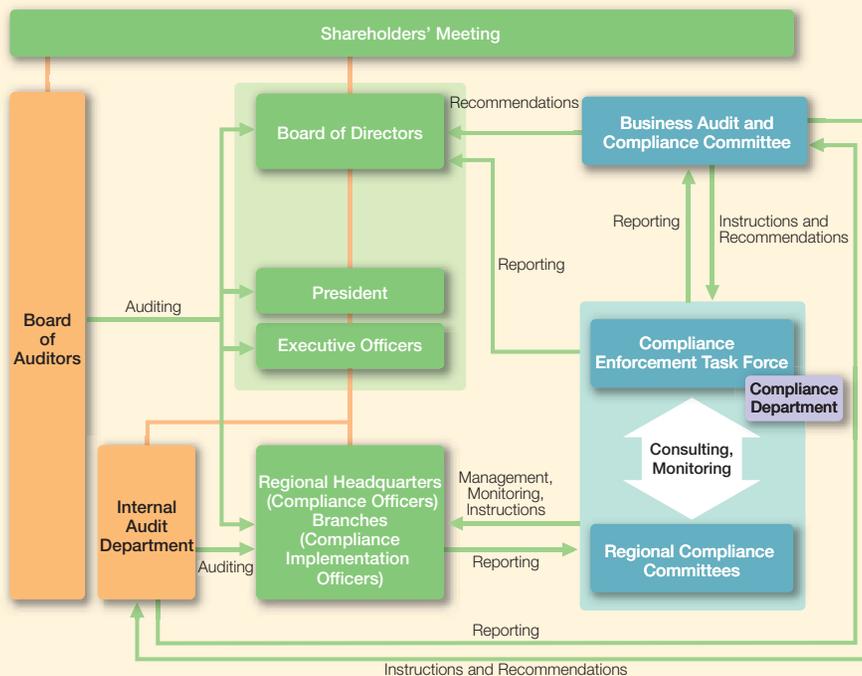
(3) Maintaining systems for ensuring proper business execution

The Sompo Japan Group shall maintain systems that ensure proper business execution, and strengthen its business foundation with compliance as a fundamental prerequisite.

(4) Implementing organization-wide initiatives for prompt understanding and resolution of problems

The Sompo Japan Group shall share information about issues arising during operations and resolve them within the organization.

Internal Management System



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 for promoting compliance and 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, as well as 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 a promotion plan set by the Board of Directors at the beginning of the fiscal year. Upon receiving the plan, 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 Hotlines

Sompo Japan is actively resolving compliance problems by offering direct consultation to company officers and employees who have compliance concerns. This is done 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.

Ensuring Proper Handling of Customer Information

Sompo Japan sees proper handling of customer information as an important social responsibility and central to business stability. Based on this view, we have formulated a basic policy

for establishing a system for ensuring proper management of information about the Sompo Japan Group's customers, and strictly manage this information as befits its importance. We also state our commitment to personal information protection in the Privacy Policy on our corporate website.

Sompo Japan has appointed the Director of the Compliance Department as a Chief Privacy Officer, who will oversee company-wide efforts toward protecting customer information, while the Information Security Office of the Compliance Department is in charge of the secretariat. For each corporate body handling personal data, Sompo Japan appoints the head of that organization, for instance the section chief or the sub-branch manager, as a Personal Data Manager, and also assigns a Personal Data Supervisor charged with supervising the Personal Data Manager.

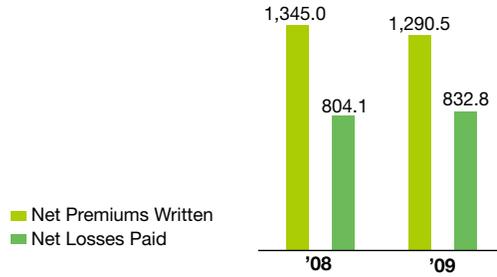
Sompo Japan also provides rules and guidebooks for handling and managing overall customer information, and ensures that all employees fully understand the contents of these rules and guidebooks through related training and inspection.

Sompo Japan at a Glance

Underwriting Operations

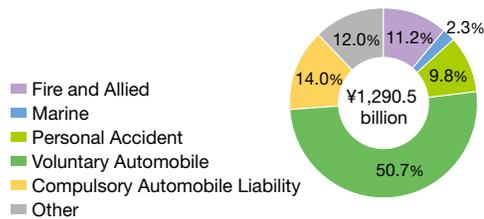
Net Premiums Written and Net Losses Paid

(¥ billion)



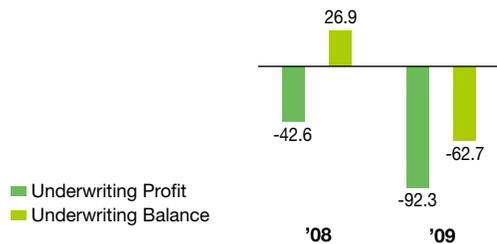
Breakdown of Net Premiums Written

(For the year ended March 31, 2009)



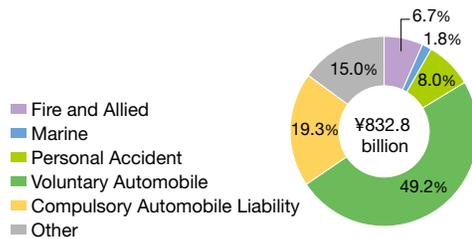
Underwriting Profit

(¥ billion)



Breakdown of Net Losses Paid

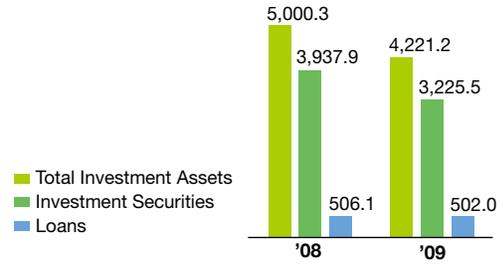
(For the year ended March 31, 2009)



Investment Operations

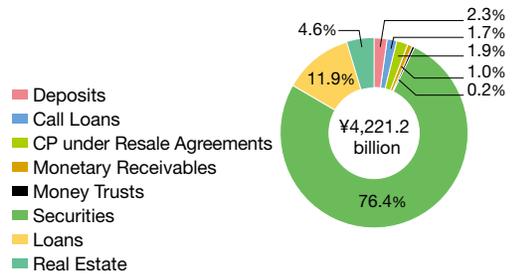
Investment Assets

(¥ billion)



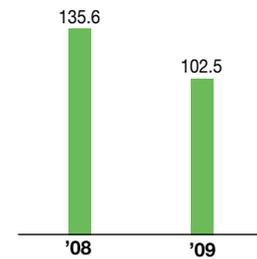
Breakdown of Investment Assets

(March 31, 2009)



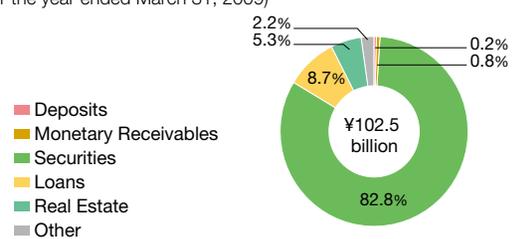
Interest and Dividend Income on Investment Assets

(¥ billion)



Breakdown of Interest and Dividend Income on Investment Assets

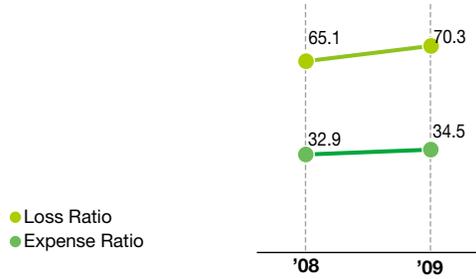
(For the year ended March 31, 2009)



Operating Indicators

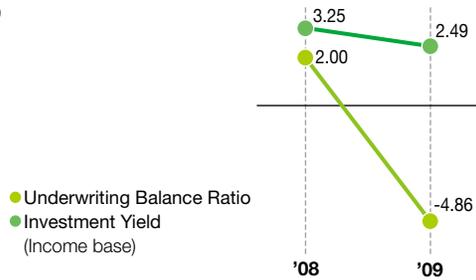
Loss Ratio and Expense Ratio

(%)



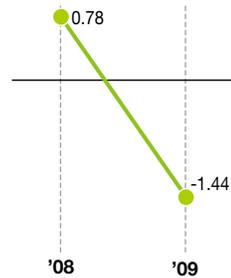
Underwriting Balance Ratio and Investment Yield (Income base)

(%)



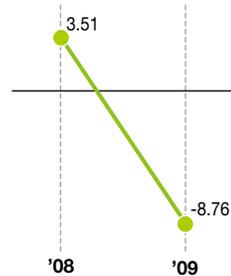
Return on Assets

(%)



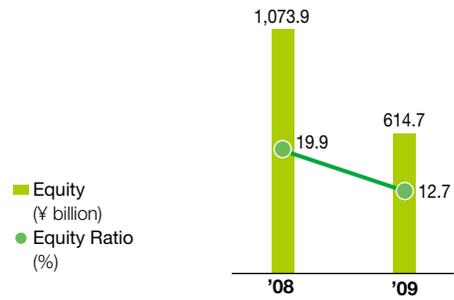
Return on Equity

(%)

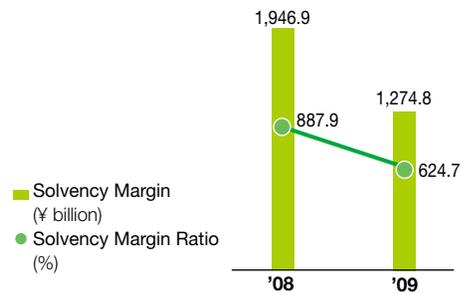


Financial Soundness

Equity Ratio

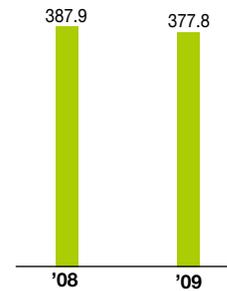


Solvency Margin



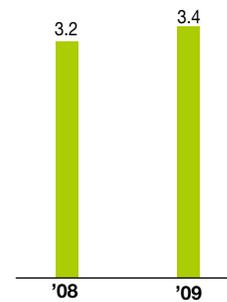
Catastrophic Loss Reserves

(¥ billion)



Risk-Monitored Loans

(¥ billion)



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, the Middle East, and North, Central and South America, as well as in China, Southeast Asia and Oceania.

Overseas Strategies of Sompo Japan

The Sompo Japan Group, which regards the overseas insurance business as a central element of its growth strategy, will seek to increase earnings by allocating management resources mainly to countries and regions that are expected to achieve high growth and profitability in the medium-term, including China, India, Brazil and the ASEAN region. In these countries and regions, the Group will strive to develop markets by expanding existing businesses and pursuing its M&A strategy. The Group will also provide high-quality insurance services worldwide for Japanese companies operating overseas, a strategy linked to the domestic non-life insurance business.

Establishing Regional Headquarters in Southeast Asia

In September 2008, Sompo Japan established Sompo Japan Asia Holdings Pte. Ltd. in Singapore as its regional headquarters in Southeast Asia, with the aim of strengthening the group management systems in the region, centering on the ASEAN countries. With Sompo Japan subsidiaries and affiliates in Southeast Asia under its umbrella, the new company will provide management supervision and enhanced support to strategic projects across the whole region, while also furthering business expansion and reinforcing internal control.



President and CEO Masatoshi Sato speaking at the launch of Sompo Japan Asia Holdings Pte. Ltd.

Opening a New Branch in Guangdong, China

In February 2009, Sompo Japan Insurance (China) Co., Ltd. received official approval from China Insurance Regulatory Commission to establish a branch in Guangdong Province. The new branch started its operations in March.

With the opening of the Guangdong branch, the Sompo Japan Group became the first Japanese non-life insurance group to run operating bases in three regions of China, namely North China (Liaoning Province), East China (Shanghai City) and South China (Guangdong Province).



The opening ceremony for the new branch in Guangdong Province

Establishing a System Development Center in Dalian, China

Sompo Japan System Solutions Inc. ("SJS"), a Sompo Japan Group company, has set up a System Development Center in Dalian, China. The aim is to establish an SJS-led system development structure in which the whole process from system design to testing is conducted in China. Through the new center, SJS will enhance the efficiency of system development and secure a stable source of excellent IT professionals for its Chinese operations.

New Insurance Brokerage Subsidiaries in South Korea and Taiwan

Sompo Japan commenced operations of two wholly owned insurance brokerage subsidiaries in South Korea and Taiwan, namely Sompo Japan Consulting (Korea) Inc. in April 2009 and Sompo Japan Insurance (Taiwan) Brokers Co., Ltd. in May 2009. With this achievement, Sompo Japan became the first Japanese non-life insurance company to establish wholly owned insurance brokerage subsidiaries in these markets.

The two subsidiaries will conduct business together with leading local insurance companies that are in alliance with Sompo Japan to provide high-quality insurance consulting services, particularly for Japanese companies operating locally. In addition, they will aim to further increase profits by engaging in the reinsurance business together with major Korean insurance companies that do not have business bases in the ASEAN countries.

1. South Korea

Name: Sompo Japan Consulting (Korea) Inc.

Commencement date: April 1, 2009

Investment by Sompo Japan: KRW1 billion
(approximately ¥65 million)

Number of personnel: 4



2. Taiwan

Name: Sompo Japan Insurance (Taiwan) Brokers Co., Ltd.

Commencement date: May 11, 2009

Investment by Sompo Japan: TWD29 million
(approximately ¥77 million)

Number of personnel: 7

Indian Joint Venture Launches Bancassurance (Sales at Bank Service Counters)

In India, Universal Sompo General Insurance Company Limited, a joint venture between Sompo Japan and local partners including two national banks and one private bank, began bancassurance in November 2008. The three partner banks, who together have over 4,800 branches across the country, sell various insurance products at their service counters. The joint venture aims to develop business operations for corporate customers and within the retail market of India, a country that continues to see steady economic growth.



Universal Sompo General Insurance Company, Sompo Japan's joint venture in India

Investment in Marítima Seguros of Brazil

In July 2009, Sompo Japan acquired 50% of the common shares and part of the preferred shares in Marítima Seguros S.A., Brazil's tenth-largest insurance company, through its subsidiary Yasuda Seguros S.A. By investing in Marítima Seguros, which has established a strong brand name and a solid sales network as a broker bank, Sompo Japan will aim to further expand its business in Brazil.

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 (regional base in Singapore). This expansive network allows us to provide customers with a wide range of support as they work to expand their worldwide operations.

At present, we have offices and subsidiaries in 29 countries and regions providing insurance services and risk management expertise, with approximately 2,500 staff.

Reinsurance

The Reinsurance Department offers worldwide reinsurance services in Tokyo and Hong Kong. With a particular focus on insurance companies in Asia and Middle East, 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.

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 and a Guangdong branch office on February 18, 2009.

In addition to the above, Sompo Japan continued to reinforce its underwriting system in the East Asia region by establishing insurance brokerage subsidiaries in Seoul, South Korea and Taipei, Taiwan. Going forward, Sompo Japan will further expand its underwriting system and increase earnings, while strengthening its relationships with local partners of high repute.

South Asia and Australasia

In South Asia, Sompo Japan operates insurance companies in Singapore, Malaysia, Indonesia, the Philippines, Thailand and Vietnam under the control of Sompo Japan Asia Holdings Pte. Ltd. ("SJAH"), regional headquarters established in Singapore in 2008.



In Australia, we provide insurance services via a branch office that has more than 35 years of operating history.

In India, Universal Sompo General Insurance Limited, which was set up in 2008 as the head office in Mumbai, opened up branch offices in major cities, including Delhi, Kolkata, Chennai and 12 other cities in all corners of the country. At present, the Company sells various insurance products at the service counters of partner banks.

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 also 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 representative 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 as a comprehensive insurance provider.

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 Canada branch 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, Yasuda Seguros S.A. provides services for the insurance needs of local businesses and individuals, as well as affiliates of Japanese companies.

The company will seek to further expand its operations by obtaining a stake in Maritima Seguros S.A.

Support for Business Continuity Management

Sompo Japan is actively developing solutions to help corporations and individuals recover from extreme unforeseen events, such as natural disasters.

Developing Countermeasures for Large-scale Disasters and Pandemic Influenza Consulting Services Aimed at Ensuring Compliance with the Revised Fire Service Law

In recent years, researchers have pointed out the imminent risk of a large-scale earthquake in Japan, for instance in the Tokai, Tonankai or Nankai Prefectures, or even directly below the Tokyo Metropolitan Area. In response to this risk, the Law Partially Amending the Fire Service Law (Revised Fire Service Law) was promulgated on June 22, 2007 and went into force on June 1, 2009.

With the revised law now in effect, owners of certain large-scale or high-rise structures used by indeterminate numbers of people are obliged to prepare firefighting plans for the event of a large-scale earthquake. They must also organize self-protection firefighting groups, which will assist in evacuating people to safety and fight fires before firefighters arrive, as well as appoint disaster prevention managers and conduct earthquake drills.

Because such a disaster would necessitate numerous and simultaneous efforts to rescue people from fires and building debris, it is absolutely essential that companies improve firefighting and disaster prevention schemes and ensure self-protection firefighting capabilities.

In FY2008, Sompo Japan Risk Management began to provide consulting services aimed at helping companies to

comply with the Revised Fire Service Law and develop appropriate countermeasures for the event of an earthquake or fire. These services include support for preparing firefighting plans, as well as support for conducting and evaluating earthquake evacuation drills.

Launch of Simple Consulting Service Regarding New Influenza Types

On June 1, 2009, Sompo Japan Risk Management, Inc. began to offer its *Simple Consulting Service Regarding New Influenza Types*, which enables a flexible response to the different threats posed by new influenza viruses. This service helps companies to quickly formulate effective measures against new types of influenza by providing models of action plans and business continuity plans, as well as advice about formulating these plans.

Publishing a Handbook on Coping with Pandemic Influenza

In 2009, people in both Japan and overseas were infected by a pandemic influenza virus. With this situation in mind, Nikkei Publishing, Inc., published *When Pandemic Influenza Strikes: A Survival Handbook* in December 2008. The book introduced measures for companies and households to take in countering pandemic influenza.

Examples of Consulting Services Aimed at Ensuring Compliance with the Revised Fire Service Law

	Items	Details
(1)	Reviewing firefighting plans	Carrying out reviews of firefighting plans prepared by customers
(2)	Preparing firefighting plans	Checking requirements set forth in laws/ordinances and guidelines, and preparing firefighting plans as required under the Revised Fire Service Law
(3)	Conducting/evaluating earthquake evacuation drills	Preparing drill scenarios in line with the Revised Fire Service Law; Observing drills conducted by customers and evaluating these drills using checklists, and more

Information Supplement

To help clients advance their risk management, Sampo Japan Risk Management issues *SAFETY EYE* four times a year.

In FY2008, the featured topics were *corporate social responsibility through BCM and regional alliances, crime-preventing security measures for companies, use of third-party certificate systems for BCM and the revised Fire Service Law and companies' responses*.

A variety of information about Sampo Japan Risk Management is available on the following website:

<http://www.sjrm.co.jp>



Asset Management Policy

Basic Investment Policy

Our basic investment policy is "to maximize the total return while providing an appropriate degree of risk control." While paying full consideration to security, liquidity and profitability, as is appropriate for an insurance company to do in the area of asset management, we conduct our investment activities fiducially.

Risk Control by Diversified Investments

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

Asset and Liability Management

To meet liabilities related to 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.



Special Topics

FY2008 was a year of many achievements for Sampo Japan. In addition to launching new, innovative services, we received global recognition for our sustainability efforts.

Sampo Japan Included among the Global 100 Most Sustainable Corporations

On January 28, 2009, it was announced that Sampo Japan had been included among the Global 100 Most Sustainable Corporations in the World, making us the first Japanese insurance company to be selected for this honor.



The Global 100 consists of companies picked from more than 1,800 major corporations worldwide and from all business sectors after an evaluation of their efforts in the sustainability area, based on environmental, social and governance performance criteria. The selected 100 are highly valued as the most sustainable companies in the world. Sampo Japan was rated highly for the “integration of sustainability issues into its business strategy.”

The certification mark of the Global 100

Becoming One of Japan’s Leading Health Guidance Service Providers—Acquisition of Shares in Zenkoku Houmon Kenko Shido Kyoukai K.K.

On January 30, 2009, Sampo Japan acquired all shares in Zenkoku Houmon Kenko Shido Kyoukai K.K., Japan’s largest health guidance service provider. Following this acquisition, Sampo Japan subsidiary Healthcare Frontier Japan Inc. merged with Zenkoku Houmon Kenko Shido Kyoukai K.K. on

April 1, 2009. With this merger, Sampo Japan established one of Japan’s largest networks of health guidance counselors and will be able to provide high-quality services throughout Japan. The new corporate entity continues to use the name of Zenkoku Houmon Kenko Shido Kyoukai*, which has a ten-year track record as a pioneer in the field of health guidance services.

* The company name is stated as Healthcare Frontier Japan Inc. in the Articles of Incorporation.

Launching the Sampo Japan Friendly Insurance Shop—Japan’s First Shop Outlet for Non-Life Insurance

On September 19, 2008, Sampo Japan opened a “face-to-face” shop outlet for insurance products, called Sampo Japan Friendly Insurance Shop, near Meiji-jingumae Station on the Tokyo Metro Line. With this outlet, we are able to directly interface with customers and capture their diversifying needs, as well as better respond to people’s desire for, for instance, insurance consultations at convenient times and away from one’s home or workplace.

In the shop, insurance product designers serve as customer contact points for consultation about non-life insurance products and life insurance products*.

By operating this shop outlet, Sampo Japan will not only increase convenience for customers but also support outlets of Sampo Japan agencies.

* For life insurance products, the insurance product designers serve as solicitation agents for Sampo Japan Himawari Life Insurance Co., Ltd.



Signing ceremony for the basic agreement regarding the acquisition of all shares in Zenkoku Houmon Kenko Shido Kyoukai K.K. on November 18, 2008



Exterior of the Sampo Japan Friendly Insurance Shop in Tokyo

Establishing an Accident Support Desk for Integrated Car Accident Handling

As part of the New Retail Market Business Reform Project (“PT-R”), Sompo Japan plans to establish an “accident support desk” in December 2009. Dedicated to car accident handling services, this call center will integrate a range of services, from receiving reports from policyholders nationwide about the specifics of their car accidents and giving guidance about claims, to payments of insurance claims for certain standardized property damage accidents.

The center will also accept cashless payments of the cost for a tow truck, taxi and hotel immediately after a car accident, as well as offer advice according to each situation. Through this operation, Sompo Japan will provide car accident handling services 24 hours a day, 365 days a year, at an unprecedented level of quality.



Sompo Japan staff working to set up the new car accident support desk

Launch of New *Kenko no Omamori* Medical Insurance

In August 2008, Sompo Japan Himawari Life Insurance Co., Ltd. launched the new *Kenko no Omamori* (Japanese for “health protection”) medical insurance series.

This is an insurance product designed to meet the needs for the latest medical security at reasonable premiums, and covers not only the costs for same-day admission and surgery but also, by adding a rider, costs for advanced medical technologies not covered by health insurance up to a total of ¥10.0 million throughout the policyholder’s life.

The *Kenko no Omamori* insurance series was developed by fully adopting suggestions from our customers and has been a hit product, with the number of policies exceeding 200,000 in the 11 months after its launch.



Information pamphlet for the *Kenko no Omamori* insurance series

Toward a Sustainable Society

In 1992, Sampo Japan (then: Yasuda Fire and Marine Insurance) established the Department of Global Environment to address CSR-related issues, such as environmental problems. Since then, Sampo Japan has maintained a policy of active communication with all stakeholders.

CSR Activities—Four Material Issues

To be a corporate group that continues to grow with society, the Sampo Japan Group needs to leverage the strength it possesses 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, Sampo Japan has selected four key CSR priorities, known as the Four Material 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 Sampo Japan's business management.

Four Material Issues

- (1) Adaptation to and mitigation of climate change
- (2) Risk management for safety and security
- (3) CSR financing
- (4) Community involvement

Support for Caring for Climate

In June 2007, Sampo Japan declared its support for Caring for Climate: The Business Leadership Platform, advocated by the United Nations Global Compact, the World Business Council for Sustainable Development and the United Nations Environment Programme. Sampo Japan has participated in all of these.

Promoting Sampo Japan's Eco-Funds Continued Strong Performance by the Sampo Japan Green Open

Sampo Japan's eco-fund product, *Sampo Japan Green Open*, was launched in September 1999 by Sampo 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 Tokyo Stock Price Index ("TOPIX"), which is used as a performance guide, by 13.7% (as of March 31, 2009).

The number of sales agents that handle *Sampo Japan Green Open* has been steadily increasing throughout the country since the launch of the fund in 1999. By FY2008,

the number of companies participating in the group of sales agents had increased to seven, and 120 agents in total now sell the product. In addition, in FY2008, 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 Socially Responsible Investment ("SRI") investors.

Performance of the Sampo Japan Green Open
(Before-Tax Allocations Reinvested)



- The Net Asset Value (NAV) per unit used in the graph is NAV per unit with before-tax allocations, dividend reinvested.
- NAV per unit before-tax allocations, dividend reinvested is calculated by the management company assuming that dividends are reinvested at the price on the payment date.
- Asset management fees (1.575% of NAV, including tax) are deducted when calculating the NAV per unit.
- Performance of the benchmark (TOPIX, excluding dividends) is indexed by the management company with the level on the inception date.
- The figures shown represent past results. No warranty is provided concerning future investment results.

Development of Eco-Funds for Qualified Institutional Investors

Sampo 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, Sampo 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.

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

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

Selected for the 2009 World's Most Ethical Companies

In an announcement on April 13, 2009 by the Ethisphere Institute, an American-based international think-tank, Sampo Japan was the only financial institution in Japan to be chosen as one of the "World's Most Ethical Companies". Companies from 35 different industries in over 100 countries were evaluated with the top 99 companies included in the list.

Sampo Japan Included in the Dow Jones Sustainability Indexes for Nine Consecutive Years

Sampo Japan Shares Recommended in SRI Indexes

Sampo 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 nine 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.



Public Seminar and Symposium on the Environment Held in Tokyo and Tottori

Sampo Japan's Public Seminar on the Environment was held in Tokyo in early 2008. In Tottori Prefecture, a symposium that commemorated Sampo Japan's agreement on tree planting with the Tottori prefectural government was held in September 2008.

For the Solution of Environment Problems

Under the Sampo 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) corporate citizenship activities.

Provision of Financial Products, Insurance Products and Services

Sampo 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. Sampo 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 Services for the Acquisition of ISO 14001 Certification

Sampo Japan Risk Management Inc. and Sampo Japan Agency Support Inc., both of which are Sampo 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 Sampo 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, Sampo 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, Sampo 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 Sampo Japan Corporate Citizenship Principles were formulated in October 2002. These principles make it clear that Sampo 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 Sampo 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.

Efforts in the Area of Art and Culture

Seiji Togo Memorial Sampo Japan Museum of Art Sampo Japan Fine Art Foundation

To commemorate the completion of Sampo Japan's head office building in 1976, the Sampo Japan Fine Art Foundation was established and the Seiji Togo Memorial Sampo 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 Gauguin, Cezanne and Renoir. Exhibitions held during FY2008 included the *Exhibition of Vlaminck*, the *Exhibition of Andre Banchant et Grandma Moses*, the *Exhibition of Giotto, the Father of Western Painting* and the *Exhibition of the Marubeni Collection*.

The museum attracts some 200,000 visitors annually, and about 4.3 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.



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

Efforts in Social Welfare

Sompo Japan Foundation

The Sompo 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 Sompo 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 ¥2,03 billion.

Efforts in the Area of the Environment

Sompo Japan Environment Foundation

The Sompo 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 Scholar-



CSO Learning Scholarship Program kickoff meeting

ship Program, 64 students were sent to 33 organizations and the total number of students who graduated from the internship was 458 in FY2008. For the scholarships offered to students, funds from the Earth Club Social Contribution Fund are used.

Public Seminar on the Environment

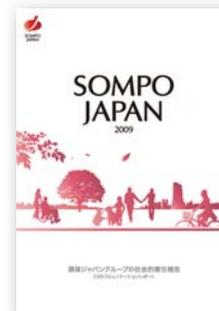
The Sompo Japan Environment Foundation has joined with the Japan Environmental Education Forum, an environmental NPO, to host a series of open public seminars on the environment, an initiative that entered its 16th year in FY2008. Launched in October 1993, the seminars, which include gatherings in local areas and outdoors, had been attended by more than 14,500 people as of the end of March 2009. This includes company representatives, government officials, NPO workers, housewives and students.

Improving and Furthering CSR Communication

In addressing CSR issues, promoting continuous two-way communication with stakeholders is essential. Sompo Japan has positioned our CSR Report (Corporate Social Responsibility Communication) as an important two-way communication tool in the process to engage stakeholders in a dialogue, rather than simply unilaterally presenting the results of our initiatives for the previous year.

Furthermore, Sompo Japan has launched the Sompo Japan CSR Communication Website as a portal site specifically for CSR communication. This site is not merely a place for us to send out our information and answer questions; it is a venue for us to communicate directly with stakeholders for further engagement.

Sompo Japan CSR Communication Website
<http://sompo-japan.stadiams.jp>



CSR Communication Report 2009

Non-Consolidated Financial Review

Net Premiums Written by Category (Millions of yen)

Years ended March 31,	2009	2008	2007	2006	2005
Fire and Allied Insurance	¥ 145,000	¥ 145,999	¥ 148,865	¥ 152,077	¥ 150,367
Marine Insurance	29,884	31,384	31,050	28,362	25,199
Personal Accident Insurance	126,388	128,535	127,747	127,634	120,795
Voluntary Automobile Insurance	654,002	655,778	666,900	674,073	669,097
Compulsory Automobile Liability Insurance	179,983	228,503	232,716	237,918	244,156
Other Insurances	155,208	154,826	155,507	150,856	142,300
Total	¥1,290,465	¥1,345,025	¥1,362,785	¥1,370,920	¥1,351,915

Highlights of the Year under Review

FY2008 was the final year of Sompo Japan's three-year medium-term business plan. The Company improved the quality of services offered by agents, who serve as key points of contact with customers, and the efficiency of in-house operations related to the products and services we provide. We gained the support of many customers by releasing new products, such as the voluntary automobile insurance "ONE-Step" and the medical insurance "Kenko no Omamori" offered by Sompo Japan Himawari Life Insurance Co., Ltd.

In the domestic non-life insurance business, revenues from mainstay voluntary automobile insurance and fire and allied insurance decreased. Overall net premiums written also decreased, affected by the revision of premium rates for compulsory automobile liability insurance and the deterioration of the Japanese economy. As the domestic non-life insurance business is Sompo Japan's core business, as well as the driving force behind the development of the Group's business activities, we will take decisive steps to increase profits from this business.

In response to the influence of the subprime loan crisis in the U.S., as we had been offering guarantees for securitized paper as part of our financial guarantee insurance, the loss (sum of net losses paid and provision for reserve for outstanding losses and claims, etc.) due to this effect for FY2008 was ¥147.9 billion.

As for insurance underwriting, although there was little impact from typhoons and other natural disasters, and ordinary non-life insurance remained strong, the underwriting balance ended in a deficit, due to insurance claim payments related to financial guarantee insurance and the provision for reserve for outstanding losses and claims. In terms of asset management, due to the worldwide turmoil in financial markets, devaluation loss on securities increased substantially. In addition, interest and dividend income and realized gain on sales of securities decreased.

Overview of the Insurance Underwriting Business

Net premiums written in underwriting income decreased by 4.1% from the previous year to ¥1,290,465 million, while net losses paid in underwriting expenses increased by 3.6% to ¥832,768 million. The loss ratio rose by 5.2 percentage points from the previous year to 70.3%. Operating, general and administrative expenses associated with insurance underwriting increased by 2.8% to ¥229,697 million. The expense ratio rose by 1.6 percentage points from the previous year to 34.5%.

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 ¥89,564 million from the previous year to a loss of ¥62,665 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 ¥92,275 million.

Fire and Allied Insurance

Affected by a fall in long-term contracts relating to housing loans, net premiums written decreased by 0.7% from the previous year to ¥145,000 million. The loss ratio fell by 1.4 percentage points to 40.3% due to fewer natural disasters, such as typhoons.

Marine Insurance

Net premiums written decreased by 4.8% from the previous year to ¥29,884 million owing to a fall in revenues from ocean cargo insurance, although revenues from hull insurance were brisk. The loss ratio rose by 6.9 percentage points to 54.0%.

Personal Accident Insurance

Sales of group medical insurance remained strong, but sales of other personal accident insurance policies decreased. As a result, net premiums written decreased by 1.7% from the previous year to ¥126,388 million. The loss ratio rose by 7.9 percentage points to 57.4%.

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 0.3% from the previous year to ¥654,002 million. The loss ratio rose by 1.2 percentage points to 70.0%.

Compulsory Automobile Liability Insurance

Net premiums written decreased by 21.2% from the previous year to ¥179,983 million due to a revision of premium rates in April 2008. The loss ratio rose by 19.5 percentage points to 95.7%.

Other Insurances

Net premiums written increased by 0.2% from the previous year to ¥155,208 million due to brisk sales of general liability insurance and other business-related products. The loss ratio rose by 12.4 percentage points to 84.1%, reflecting payments of insurance claims related to financial guarantee insurance.

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

Years ended March 31,	2009		2008		2007		2006		2005	
	Net Losses Paid	Loss Ratio								
Fire and Allied Insurance	¥ 56,127	40.3%	¥ 58,799	41.7%	¥ 84,100	58.1%	¥ 74,049	50.5%	¥ 126,893	86.3%
Marine Insurance	14,947	54.0%	13,883	47.1%	13,623	47.0%	12,416	47.5%	12,987	55.2%
Personal Accident Insurance	66,837	57.4%	58,704	49.5%	53,527	45.8%	48,052	41.3%	44,534	40.5%
Voluntary Automobile Insurance	409,814	70.0%	405,981	68.8%	397,805	66.0%	393,717	63.6%	395,819	64.2%
Compulsory Automobile Liability Insurance	160,461	95.7%	161,338	76.2%	160,849	74.4%	155,311	71.2%	133,212	60.5%
Other Insurances	124,582	84.1%	105,426	71.7%	96,968	66.2%	92,497	65.6%	99,652	74.4%
Total	¥ 832,768	70.3%	¥ 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 ¥532,132 million from the previous year to ¥4,856,436 million. Investment assets, such as securities and loans, decreased by ¥779,075 million to ¥4,221,208 million.

Unrealized gains on securities decreased by ¥567,044 million from the previous year to ¥316,939 million. Unrealized gains on securities available for sale (in the net assets section), after deducting the corresponding value of corporate income taxes, decreased by ¥365,541 million from the previous year to ¥205,017 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 decreased by ¥33,095 million from the previous year to ¥102,511 million, due to a drop in income gained through foreign currency-denominated invest-

ment 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. decreased by ¥65,700 million from the previous year to ¥79,496 million.

Meanwhile, devaluation loss on securities rose by ¥70,504 million from the previous year to ¥78,746 million due to the worldwide turmoil in financial markets. Investment expenses, such as realized loss on sales of securities, increased by ¥114,077 million from the previous year to ¥134,285 million.

Assets by Category (Millions of yen)

Years ended March 31,	2009	2008	2007	2006	2005
Cash	¥ 87,024	¥ 109,245	¥ 118,582	¥ 186,255	¥ 162,897
Short-Term Investments	175,829	210,662	158,938	120,185	47,568
Investments in Securities	3,225,496	3,937,922	4,673,746	4,546,230	3,866,653
Loans	502,025	506,054	483,417	448,525	463,126
Accrued Investment Income	8,986	10,397	12,454	12,580	13,184
Tangible Fixed Assets, at Cost	451,241	447,092	447,266	450,785	466,467
Less Accumulated Depreciation	(234,377)	(229,344)	(225,650)	(222,503)	(228,556)
Intangible Fixed Assets	758	758	762	—	—
Premiums Receivable and Agents' Balances	116,425	112,470	113,677	110,919	101,782
Reinsurance Balances Recoverable	102,721	110,507	109,868	116,602	120,175
Other Business Balances Receivable	8,290	9,335	8,962	9,620	11,889
Other Assets	198,387	186,321	149,445	175,590	155,199
Deferred Tax Assets	237,294	—	—	—	—
Reserve for Possible Loan Losses	(16,375)	(16,403)	(15,915)	(20,023)	(23,154)
Reserve for Possible Losses on Investment Securities	(7,288)	(6,448)	(5,763)	(4)	(150)
Total	¥4,856,436	¥5,388,568	¥6,029,789	¥5,934,761	¥5,157,080

Solvency Margin Ratio (%)

Years ended March 31,	2009	2008	2007	2006	2005
Solvency Margin (a) (Millions of yen)	¥1,274,787	¥1,946,855	¥2,475,904	¥2,378,680	¥1,719,839
Risk Total (b) (Millions of yen)	405,628	438,486	490,115	420,688	321,187
Solvency Margin Ratio (c=a/(b/2))	624.7%	887.9%	1,010.3%	1,130.9%	1,070.9%

Ordinary Profit and Net Income

Ordinary income decreased by ¥87,810 million from the previous year to ¥1,637,825 million. Meanwhile, ordinary expenses increased by ¥139,392 million from the previous year to ¥1,791,710 million. Ordinary profit (loss) came to a loss of ¥153,885 million, a decrease of ¥227,202 million from the previous year. After adjustments for such items as special gains and losses and current and deferred income taxes, net income (loss) amounted to a loss of ¥73,944 million, a decrease of ¥118,611 million from the previous year.

Consolidated Financial Review

Profit and Loss

The non-life insurance industry recorded revenue decreases in both voluntary automobile insurance and fire and allied insurance. The former was due to slow growth in the new car market and a decline in the unit price of premiums caused by the progression of no-claims bonuses, and the latter was due to a decline in the number of housing starts.

Consolidated ordinary income decreased by ¥126,141 million from the previous year to ¥1,767,980 million, due to declines in both net premiums written and life insurance premiums written.

Ordinary expenses increased by ¥111,976 million from the previous year to ¥1,912,033 million despite a decrease in the provision for underwriting reserves. This was due to an increase in net losses paid, provision for reserve for outstanding losses and claims and devaluation loss on securities.

Ordinary profit (loss), calculated by deducting ordinary expenses from ordinary income, came to a loss of ¥144,053 million, a decrease of ¥238,117 million from the previous year.

After adjustment for such items as special gains and losses, current and deferred income taxes, and minority interests, net income (loss) amounted to a loss of ¥66,710 million, a decrease of ¥126,347 million from the profit seen in the previous year.

Segment Review

In the non-life insurance business, net premiums written decreased by ¥60,545 million from the previous year to ¥1,308,195 million, mainly because of a decrease in revenues from the compulsory automobile liability insurance, caused by a revision of premium rates. Ordinary income (net premiums written plus investment income and other items) decreased by ¥50,797 million from the previous year to ¥1,662,807 million, largely owing to a decline in interest and dividend income.

Ordinary expenses increased by ¥179,253 million from the previous year to ¥1,813,307 million. Losses related to the payment for damage from typhoons and other natural disasters were low, and ordinary non-life insurance remained strong. However, the financial guarantee insurance business recorded a loss of ¥147.9 billion, and there was also a loss from the devaluation of securities.

As a result, the non-life insurance business recorded an ordinary loss of ¥150,500 million.

In the life insurance business, ordinary income decreased by ¥75,810 million from the previous year to ¥108,249 million, primarily due to a decline in life insurance premiums written at Sompo Japan Himawari Life Insurance Co., Ltd.

Ordinary expenses declined by ¥67,743 million from the previous year to ¥101,802 million, mainly due to a decline in the provision for underwriting reserves and other factors at Sompo Japan Himawari Life Insurance Co., Ltd.

As a result, the life insurance business recorded an ordinary profit of ¥6,447 million.

Financial Position

Net cash used in operating activities was ¥37,138 million, an increase of ¥128,986 million from the previous year, reflecting a decrease in income from insurance premiums and an increase in claims paid.

Net cash provided by investing activities increased by ¥78,455 million from the previous year to ¥41,246 million, mainly due to a decrease in purchases of investment securities.

Net cash used in financing activities was ¥19,304 million, a decrease of ¥3,402 million from the previous year caused by an increase in dividends paid. As a result, cash and cash equivalents at the end of the fiscal year under review decreased by ¥20,501 million from the previous year to ¥299,498 million.

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. (the "Company") and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income (loss), 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 the Company and consolidated subsidiaries at March 31, 2009 and 2008, 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.

Supplemental Information

1. As described in Note 17, the Company issued subordinated bond (hybrid securities) on May 27, 2009 according to the resolution at the meeting of the Board of Directors on May 20, 2009.
2. As described in Note 17, the Company passed a resolution at the meeting of the Board of Directors on May 20, 2009 to acquire the common shares of the Brazilian insurance firm Maritima Seguros S.A. through its subsidiary Yasuda Seguros S.A.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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.

We also have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as of March 31, 2009 of the Company and consolidated subsidiaries (the "Management's Report"). The Company's management is responsible for designing and operating internal control over financial reporting and preparing the Management's Report. Our responsibility is to express an opinion on the Management's Report based on our audit. Internal control over financial reporting may not prevent or detect misstatements.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free of material misstatement. An internal control audit includes examining, on a test basis, the overall presentation of the Management Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as of March 31, 2009 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 25, 2009

Consolidated Balance Sheets

Sompo Japan Insurance Inc. March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
ASSETS			
Cash (Note 11)	¥ 115,246	¥ 140,250	\$ 1,172,868
Short-term investments (Notes 3 and 11)	203,829	233,177	2,074,384
Investments in securities (Notes 4 and 11)	4,125,568	4,846,949	41,986,241
Loans (Note 5)	517,895	519,618	5,270,659
Accrued investment income	13,423	15,544	136,607
Tangible fixed assets, at cost (Note 6)	455,088	451,600	4,631,467
Less accumulated depreciation	(236,041)	(231,064)	(2,402,208)
	219,047	220,536	2,229,259
Intangible fixed assets	26,456	26,429	269,245
Insurance business balances receivable:			
Premiums receivable and agents' balances	123,269	122,092	1,254,519
Reinsurance balances recoverable	108,187	115,884	1,101,028
Other	8,382	9,588	85,304
	239,838	247,564	2,440,851
Other assets	219,090	207,024	2,229,697
Deferred tax assets (Note 7)	249,508	10,907	2,539,263
Reserve for possible loan losses	(16,521)	(17,264)	(168,136)
Total assets	¥5,913,379	¥6,450,734	\$60,180,938

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
LIABILITIES AND NET ASSETS			
Liabilities:			
Underwriting funds:			
Reserve for outstanding losses and claims	¥ 818,053	¥ 748,553	\$ 8,325,392
Underwriting reserves	4,180,524	4,221,266	42,545,532
	4,998,577	4,969,819	50,870,924
Insurance business balances payable:			
Reinsurance balances payable	66,167	74,443	673,387
Other	4,824	4,919	49,094
	70,991	79,362	722,481
Accrued taxes	6,175	44,850	62,843
Accrued severance benefits (Note 8)	99,343	96,517	1,011,022
Reserve for officers' retirement allowances	31	2,503	316
Reserve for decline in value of assets	6,488	37,909	66,029
Other liabilities	136,533	135,359	1,389,507
Deferred tax liabilities (Note 7)	295	13,239	3,002
Total liabilities	5,318,433	5,379,558	54,126,124
Net assets (Note 10):			
Common stock:			
Authorized 2,000,000,000 shares, issued 987,733,424 shares in 2008 and 2009	70,000	70,000	712,396
Additional paid-in capital	24,230	24,241	246,591
Retained earnings (Note 9)	320,381	407,051	3,260,543
Treasury stock, 3,181,995 shares in 2008 and 3,188,703 shares in 2009, at cost	(2,840)	(2,843)	(28,903)
Total shareholders' equity	411,771	498,449	4,190,627
Unrealized gains on securities available for sale	207,504	571,377	2,111,785
Translation adjustments	(26,275)	246	(267,403)
Stock options (Note 15)	984	558	10,014
Minority interests	962	546	9,791
Total net assets	594,946	1,071,176	6,054,814
Total liabilities and net assets	¥5,913,379	¥6,450,734	\$60,180,938

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Sompo Japan Insurance Inc. For the years ended March 31, 2009 and 2008

	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
Balance at March 31, 2007	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 changes in retained earnings	—	—	—	483	—	—	—	—	—
Changes 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)
Balance at March 31, 2008	987,733	¥70,000	¥24,241	¥407,051	¥(2,843)	¥ 571,377	¥ 246	¥558	¥546
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	(258)	—	—	—	—	—
Net loss	—	—	—	(66,710)	—	—	—	—	—
Cash dividends	—	—	—	(19,691)	—	—	—	—	—
Changes in treasury stock – net	—	—	(11)	(11)	3	—	—	—	—
Changes in other than shareholders' equity, net	—	—	—	—	—	(363,873)	(26,521)	426	416
Total changes	—	—	(11)	(86,670)	3	(363,873)	(26,521)	426	416
Balance at March 31, 2009	987,733	¥70,000	¥24,230	¥320,381	¥(2,840)	¥ 207,504	¥(26,275)	¥984	¥962

	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	
Balance at March 31, 2008	\$712,396	\$246,703	\$4,142,591	\$(28,933)	\$ 5,814,950	\$ 2,504	\$ 5,679	\$5,557	
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	(2,626)	—	—	—	—	—	—
Net loss	—	—	(678,913)	—	—	—	—	—	—
Cash dividends	—	—	(200,397)	—	—	—	—	—	—
Changes in treasury stock – net	—	(112)	(112)	30	—	—	—	—	—
Changes in other than shareholders' equity, net	—	—	—	—	(3,703,165)	(269,907)	4,335	4,234	
Total changes	—	(112)	(882,048)	30	(3,703,165)	(269,907)	4,335	4,234	
Balance at March 31, 2009	\$712,396	\$246,591	\$3,260,543	\$(28,903)	\$ 2,111,785	\$(267,403)	\$10,014	\$9,791	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Sompo Japan Insurance Inc. For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
Operating activities			
Income (loss) before income taxes and minority interests	¥(110,670)	¥ 89,057	\$(1,126,298)
Depreciation	10,792	10,640	109,831
Net amortization of excess of cost of investments over net assets acquired in subsidiaries	1,872	1,885	19,051
Increase (decrease) in reserve for outstanding losses and claims	85,595	50,733	871,107
Increase (decrease) in underwriting reserves	(37,714)	27,746	(383,818)
Increase (decrease) in reserve for possible loan losses	(36)	449	(366)
Increase (decrease) in reserve for possible losses on investment securities	—	(4)	—
Increase (decrease) in accrued severance benefits	3,077	1,514	31,315
Increase (decrease) in reserve for officers' retirement allowances	(2,471)	2,503	(25,148)
Increase (decrease) in reserve for decline in value of assets	(31,421)	7,208	(319,774)
Increase (decrease) in other reserves	552	784	5,618
Total interest and dividend income	(123,549)	(157,103)	(1,257,368)
Loss (profit) on securities	63,066	(32,492)	641,828
Interest expense	114	146	1,160
Loss (profit) on loans	38	69	387
Equity in losses (gains) of affiliates	339	1,644	3,450
Other, net	48,618	(27,640)	494,789
Subtotal	(91,798)	(22,861)	(934,236)
Interest and dividends received	126,286	153,576	1,285,223
Interest paid	(111)	(142)	(1,130)
Income taxes paid	(71,515)	(38,725)	(727,814)
Net cash provided by (used in) operating activities	(37,138)	91,848	(377,957)
Investing activities			
Net decrease (increase) in short-term investments	22,146	(1,043)	225,382
Purchases of investment securities	(577,045)	(793,731)	(5,872,634)
Proceeds from sales or maturity of investment securities	598,410	802,743	6,090,067
Loans made	(150,152)	(187,482)	(1,528,109)
Collection of loans	142,233	162,356	1,447,517
Purchases of tangible fixed assets	(9,601)	(9,549)	(97,710)
Proceeds from sales of tangible fixed assets	1,338	3,392	13,617
Other, net	13,917	(13,895)	141,634
Net cash provided by (used in) investing activities	41,246	(37,209)	419,764
Financing activities			
Proceeds from issuance of stock	700	—	7,124
Purchases of treasury stock	(213)	(256)	(2,168)
Proceeds from sales of treasury stock	194	257	1,975
Dividends paid	(19,724)	(15,735)	(200,733)
Dividends paid to minority shareholders	(5)	(87)	(51)
Other, net	(256)	(81)	(2,605)
Net cash provided by (used in) financing activities	(19,304)	(15,902)	(196,458)
Effect of exchange rate changes on cash and cash equivalents	(5,305)	(847)	(53,989)
Net increase (decrease) in cash and cash equivalents	(20,501)	37,890	(208,640)
Cash and cash equivalents at beginning of year	319,999	282,109	3,256,656
Cash and cash equivalents at end of year (Note 11)	¥ 299,498	¥ 319,999	\$ 3,048,016

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sompo Japan Insurance Inc. March 31, 2009

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, with necessary accounting adjustments for consolidation. 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.

Effective the year ended March 31, 2009, due to the issuance of the Accounting Standards Board of Japan Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements", necessary accounting adjustments for consolidation are applied to the foreign subsidiaries' books of account in conformity with those of their countries of domicile.

The effect due to this change is immaterial to "Ordinary loss" and "Loss before income taxes and minority interests" for the year ended March 31, 2009.

(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. 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 excluding leased 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.

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, 2009 and 2008 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, 2009 and 2008, 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

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.

The Company formerly recorded reserve for officers' retirement allowances, based on internal regulations. Following the approval of payment of accrued allowances associated with the abolition of the retirement allowance plan for officers at the Annual Shareholders' Meeting on June 25, 2008, and the final decision on the amount and timing of payments by the Board of Directors on October 24, 2008, the reserve for officers' retirement allowances was reversed in its entirety and the outstanding balance was transferred to "Other liabilities".

(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 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.

(16) Amounts per share

Basic net income (loss) 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 March 31, 2008. Diluted net income per share has not been disclosed because of net loss in the consolidated statement of income for the year ended March 31, 2009.

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

(17) Leases

The Company and consolidated subsidiaries formerly treated 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.

Effective the year ended March 31, 2009, due to the issuance of the Accounting Standards Board of Japan Statement No. 13 "Accounting Standard for Lease Transactions" and Accounting Standards Board of Japan Guidance No. 16 "Guidance on Accounting Standard for Lease Transactions", finance leases other than those which transfer the ownership of the leased property to the Company and consolidated subsidiaries which commenced on or after April 1, 2008 are treated according to the accounting method equivalent to that used for ordinary sale and purchase transactions.

The effect due to this change is immaterial to "Ordinary loss" and "Loss before income taxes and minority interests" for the year ended March 31, 2009.

Finance leases other than those which transfer the ownership of the leased property to the Company and consolidated subsidiaries which commenced on or before March 31, 2008 continue to be accounted for as operating leases.

(18) Amortization of software costs

Amortization of software costs of consolidated subsidiaries are computed by the straight-line method based on the estimated useful life.

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 ¥98.26 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2009. 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, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Time deposits	¥ 35,539	¥ 32,003	\$ 361,683
CP under resale agreements	81,979	47,947	834,307
Money trusts	9,716	39,430	98,881
Call loans	73,600	108,800	749,033
Commercial paper	1,999	4,997	20,344
Certificate of deposit	996	—	10,136
	¥203,829	¥233,177	\$2,074,384

The cost and related aggregate market values of money trusts as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cost	¥11,708	¥42,910	\$119,154
Market value	9,716	39,430	98,881
Net unrealized loss	¥ (1,992)	¥ (3,480)	\$ (20,273)

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, 2009 and 2008 were ¥203 million (\$2,066 thousand) and ¥1,849 million, respectively.

4. Investments in Securities

The components of investments in securities as of March 31, 2009 and 2008 and their fair value and other related information by holding intentions are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Domestic securities:			
Bonds	¥2,291,719	¥2,261,848	\$23,323,010
Stocks	928,667	1,435,334	9,451,120
Foreign securities	850,588	1,053,586	8,656,503
Other securities	54,594	96,181	555,608
	¥4,125,568	¥4,846,949	\$41,986,241

a) Trading securities included in investments in securities as of March 31, 2009 and 2008 were ¥29,266 million (\$297,842 thousand) and ¥13,251 million, respectively.

b) Information regarding marketable securities classified as held-to-maturity bonds as of March 31, 2009 and 2008 were as follows:

	Millions of yen					
	2009			2008		
	Carrying value	Market value	Unrealized gain (loss)	Carrying value	Market value	Unrealized gain (loss)
Securities whose market value exceeds their carrying value:						
Domestic bonds	¥657,737	¥676,847	¥19,110	¥600,010	¥614,427	¥14,417
Foreign bonds	6,064	6,103	39	63,909	64,991	1,082
Subtotal	663,801	682,950	19,149	663,919	679,418	15,499
Securities whose carrying value exceeds their market value:						
Domestic bonds	79,944	78,599	(1,345)	62,831	62,229	(602)
Foreign bonds	90,203	86,497	(3,706)	37,196	35,829	(1,367)
Subtotal	170,147	165,096	(5,051)	100,027	98,058	(1,969)
Total	¥833,948	¥848,046	¥14,098	¥763,946	¥777,476	¥13,530

	Thousands of U.S. dollars		
	2009		
	Carrying value	Market value	Unrealized gain (loss)
Securities whose market value exceeds their carrying value:			
Domestic bonds	\$6,693,843	\$6,888,327	\$194,484
Foreign bonds	61,714	62,111	397
Subtotal	6,755,557	6,950,438	194,881
Securities whose carrying value exceeds their market value:			
Domestic bonds	813,596	799,908	(13,688)
Foreign bonds	918,003	880,287	(37,716)
Subtotal	1,731,599	1,680,195	(51,404)
Total	\$8,487,156	\$8,630,633	\$143,477

c) Information regarding marketable securities available for sale as of March 31, 2009 and 2008 were as follows:

	Millions of yen					
	2009			2008		
	Cost	Market value	Unrealized gain (loss)	Cost	Market value	Unrealized gain (loss)
Securities whose market value exceeds their cost:						
Domestic securities:						
Bonds	¥1,249,353	¥1,281,361	¥ 32,008	¥1,266,716	¥1,296,996	¥ 30,280
Stocks	351,110	704,903	353,793	491,382	1,284,076	792,694
Foreign securities	207,364	230,732	23,368	389,556	491,332	101,776
Other securities	38,908	40,435	1,527	76,886	88,301	11,415
Subtotal	1,846,735	2,257,431	410,696	2,224,540	3,160,705	936,165
Securities whose cost exceeds their market value:						
Domestic securities:						
Bonds	272,668	267,577	(5,091)	299,605	296,111	(3,494)
Stocks	181,028	166,225	(14,803)	111,035	97,001	(14,034)
Foreign securities	487,901	424,037	(63,864)	362,925	336,747	(26,178)
Other securities	40,800	39,556	(1,244)	34,260	32,090	(2,170)
Subtotal	982,397	897,395	(85,002)	807,825	761,949	(45,876)
Total	¥2,829,132	¥3,154,826	¥325,694	¥3,032,365	¥3,922,654	¥890,289

	Thousands of U.S. dollars		
	2009		
	Cost	Market value	Unrealized gain (loss)
Securities whose market value exceeds their cost:			
Domestic securities:			
Bonds	\$12,714,767	\$13,040,515	\$ 325,748
Stocks	3,573,275	7,173,855	3,600,580
Foreign securities	2,110,360	2,348,178	237,818
Other securities	395,970	411,510	15,540
Subtotal	18,794,372	22,974,058	4,179,686
Securities whose cost exceeds their market value:			
Domestic securities:			
Bonds	2,774,965	2,723,153	(51,812)
Stocks	1,842,336	1,691,685	(150,651)
Foreign securities	4,965,408	4,315,459	(649,949)
Other securities	415,225	402,565	(12,660)
Subtotal	9,997,934	9,132,862	(865,072)
Total	\$28,792,306	\$32,106,920	\$3,314,614

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, 2009 and 2008 were ¥71,487 million (\$727,529 thousand) and ¥7,174 million, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Proceeds from sales	—	¥42,506	—
Gain on sales	—	506	—
Loss on sales	—	—	—

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Proceeds from sales	¥227,290	¥365,551	\$2,313,149
Gain on sales	19,447	40,596	197,914
Loss on sales	2,223	1,120	22,624

- f) The redemption schedules as of March 31, 2009 and 2008 for securities available for sale and held-to-maturity bonds with maturity date were as follows:

	Millions of yen							
	2009				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	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	¥105,145	¥ 436,053	¥257,449	¥608,701	¥ 94,222	¥ 477,653	¥223,573	¥547,649
Municipal bonds	15,096	84,281	18,962	1,000	29,509	61,841	61,848	1,000
Corporate bonds	67,668	363,607	178,118	150,540	80,123	316,422	208,912	154,200
Foreign bonds	56,556	200,697	126,216	97,267	49,215	274,852	142,287	101,011
Other securities	2,324	6,830	9,341	26,749	6,083	9,865	9,251	29,427
Total	¥246,789	¥1,091,468	¥590,086	¥884,257	¥259,152	¥1,140,633	¥645,871	¥833,287

	Thousands of U.S. dollars			
	2009			
	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	\$1,070,069	\$ 4,437,747	\$2,620,079	\$6,194,799
Municipal bonds	153,633	857,734	192,978	10,177
Corporate bonds	688,663	3,700,458	1,812,721	1,532,058
Foreign bonds	575,575	2,042,510	1,284,511	989,894
Other securities	23,652	69,509	95,064	272,227
Total	\$2,511,592	\$11,107,958	\$6,005,353	\$8,999,155

- g) Total interest and dividend income for the years ended March 31, 2009 and 2008 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Interest on bank deposits	¥ 707	¥ 979	\$ 7,195
Interest on CP under resale agreements	513	580	5,221
Interest on call loans	363	649	3,694
Interest and dividends on securities	105,756	138,613	1,076,287
Interest on loans	9,445	9,165	96,123
Income from real estate	5,346	5,314	54,407
Total income from investment assets	122,130	155,300	1,242,927
Interest on other assets	1,418	1,803	14,431
Total interest and dividend income	¥123,548	¥157,103	\$1,257,358
Presentation in the consolidated statements of income:			
Interest and dividend income on deposits of premiums, etc.	¥ 43,025	¥ 46,608	\$ 437,869
Interest and dividend income	80,523	110,495	819,489
Total interest and dividend income	¥123,548	¥157,103	\$1,257,358

5. Loans

As of March 31, 2009 and 2008, the balances of loans included the following risk-monitored loans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans to borrowers in bankruptcy	¥ 492	¥ 153	\$ 5,007
Overdue loans	2,474	2,228	25,178
Loans overdue for three months or more	5	—	51
Restructured loans	451	838	4,590
	¥3,422	¥3,219	\$34,826

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, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Land	¥ 104,174	¥ 104,929	\$ 1,060,187
Buildings	288,022	284,235	2,931,223
Furniture and equipment	59,231	60,649	602,799
Leased assets	2,441	—	24,842
Construction in progress	1,220	1,787	12,416
	455,088	451,600	4,631,467
Less accumulated depreciation	(236,041)	(231,064)	(2,402,208)
	¥ 219,047	¥ 220,536	\$ 2,229,259

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 2009 and 2008, 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 year ended March 31, 2008 to the statutory tax rate was as follows:

	2008
Statutory tax rate	36.09%
Effect of:	
Permanently nontaxable dividends received	(6.81)
Permanently nondeductible expenses	1.28
Change in valuation allowance	0.77
Amortization of excess of net assets acquired over cost of investment	0.76
Other, net	0.86
Effective tax rate	32.95%

No reconciliation between the statutory income tax rate and the effective income tax rate has been disclosed for the year ended March 31, 2009, because of net loss before income taxes and minority interest in the consolidated statement of income for the year ended March 31, 2009.

Deferred tax assets and liabilities as of March 31, 2009 and 2008 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets (liabilities):			
Underwriting reserves	¥ 190,843	¥ 188,288	\$ 1,942,225
Reserve for outstanding losses and claims	71,331	42,607	725,941
Accrued severance benefits	35,829	34,717	364,635
Devaluation loss on securities and real estate	33,591	33,728	341,858
Tax loss carryforward	31,568	7,983	321,270
Intangible fixed assets in tax matters	20,758	18,187	211,256
Unrealized gains on securities available for sale	(113,823)	(314,748)	(1,158,386)
Other, net	18,713	29,897	190,444
Valuation allowance	(39,597)	(42,991)	(402,982)
Net deferred tax assets (liabilities)	¥ 249,213	¥ (2,332)	\$ 2,536,261

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, 2009 and 2008 for the Company's and the consolidated subsidiaries' severance benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Retirement benefit obligation	¥(121,447)	¥(120,592)	\$(1,235,976)
Plan assets at fair value	3,026	4,131	30,796
Unfunded retirement benefit obligation	(118,421)	(116,461)	(1,205,180)
Unrecognized actuarial loss	20,327	22,443	206,869
Unrecognized prior service costs	(1,249)	(2,499)	(12,711)
Net retirement benefit obligation	(99,343)	(96,517)	(1,011,022)
Accrued severance benefits	¥ (99,343)	¥ (96,517)	\$(1,011,022)

The components of severance benefit expenses for the years ended March 31, 2009 and 2008 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥ 6,109	¥ 4,521	\$ 62,172
Interest cost	1,744	1,735	17,749
Expected return on plan assets	—	—	—
Amortization of actuarial loss	3,796	3,754	38,632
Prior service costs	(1,250)	617	(12,722)
Subtotal	10,399	10,627	105,831
Payment into the defined contribution type pension plan	2,642	2,500	26,888
Total	¥13,041	¥13,127	\$132,719

The assumptions used in accounting for the above plans for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Discount rates	1.5%	1.5%
Expected return on plan assets	0.0%	0.0%

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 ¥36,089 million (\$367,281 thousand) and ¥32,150 million as of March 31, 2009 and 2008, respectively.

10. Changes in Net Assets

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

	Thousands of Shares	
	Issued shares Common stock	Treasury stocks Common stock
Shares issued at March 31, 2007	987,733	3,266
Increase in shares	—	195
Decrease in shares	—	279
Shares issued at March 31, 2008	987,733	3,182
Increase in shares	—	248
Decrease in shares	—	241
Shares issued at March 31, 2009	987,733	3,189

The following dividends were paid ¥20.0 (\$0.204) and ¥16.0 per share during the year ended March 31, 2009 and 2008, respectively.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash dividends	¥19,691	¥15,751	\$200,397

The following appropriation of retained earnings was approved at the meeting of the shareholders held on June 25, 2009.

	Millions of yen	Thousands of U.S. dollars	Record date	Effective date
Cash dividends (¥20 = \$0.204 per share)	¥19,691	\$200,397	March 31, 2009	June 26, 2009

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
	2009	2008	2009
Cash	¥ 115,246	¥ 140,250	\$ 1,172,868
Short-term investments	203,829	233,177	2,074,384
Investments in securities	4,125,568	4,846,949	41,986,241
Short-term investments other than cash equivalents	(24,326)	(59,990)	(247,568)
Investments in securities other than cash equivalents	(4,120,819)	(4,840,387)	(41,937,909)
Cash and cash equivalents	¥ 299,498	¥ 319,999	\$ 3,048,016

12. Leases

Finance leases other than those which transfer the ownership of the leased property to the Company and consolidated subsidiaries which commenced on or before March 31, 2008 continue to be accounted for as operating leases.

The following pro forma amounts represented the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2009 and 2008, 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
	2009	2008	2009
Furniture and equipment:			
Acquisition costs	¥4,331	¥4,292	\$44,077
Accumulated depreciation	2,272	1,437	23,122
Accumulated impairment loss	—	—	—
Net book value	¥2,059	¥2,855	\$20,955

Lease payments relating to finance leases accounted for as operating leases amounted to ¥1,059 million (\$10,778 thousand) and ¥859 million for the years ended March 31, 2009 and 2008, respectively.

Future minimum lease payments subsequent to March 31, 2009 for noncancelable operating leases and 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
2010	¥ 475	¥ 902	\$ 4,834	\$ 9,180
2011 and thereafter	1,232	1,157	12,538	11,775
Total	¥1,707	¥2,059	\$17,372	\$20,955

Future minimum lease revenues subsequent to March 31, 2009 for noncancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	Operating leases	Operating leases
2010	¥ 951	\$ 9,679
2011 and thereafter	3,796	38,632
Total	¥4,747	\$48,311

13. 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, 2009 and 2008 and the related market values were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Contract amount	Market value	Contract amount	Market value	Contract amount	Market value
Forward foreign exchange contracts:						
Short positions	¥144,453	¥154,584	¥105,640	¥101,554	\$1,470,110	\$1,573,214
Long positions	46,950	48,395	54,601	53,644	477,814	492,520
Currency options positions:						
Short positions: Call options	—	—	5,351	—	—	—
(Options premiums)	(—)	(—)	(50)	(—)	(—)	(—)
Long positions: Put options	—	—	5,250	—	—	—
(Options premiums)	(—)	(—)	(50)	(263)	(—)	(—)
Bond futures:						
Long positions:	—	—	16,532	17,164	—	—
Bond forward:						
Long positions:	—	—	3,351	3,397	—	—
Credit derivatives:						
Long positions:	5,000	—	4,500	—	50,885	—
(Premiums)	(235)	(785)	(97)	(162)	(2,392)	(7,989)
Weather derivatives:						
Short positions:	309	—	369	—	3,145	—
(Premiums)	(14)	(17)	(8)	(15)	(142)	(173)
Long positions:	30	—	170	—	305	—
(Premiums)	(—)	(—)	(—)	(—)	(—)	(—)
Earthquake derivatives:						
Short positions:	4,150	—	3,660	—	42,235	—
(Premiums)	(129)	(0)	(98)	(0)	(1,313)	(0)
Long positions:	3,726	—	3,285	—	37,920	—
(Premiums)	(389)	(239)	(289)	(213)	(3,959)	(2,432)
Other forward:						
Long positions:	743	766	—	—	7,562	7,796

*1. The market value of the forward foreign exchange contracts was based on the forward rates as of March 31, 2009 and 2008.

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

14. 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, 2009 and 2008 is summarized as follows:

	Millions of yen							
	2009				2008			
	Property and casualty insurance	Life insurance	Adjustments and eliminations	Consolidated	Property and casualty insurance	Life insurance	Adjustments and eliminations	Consolidated
Ordinary income	¥1,659,746	¥ 108,234	¥ —	¥1,767,980	¥1,710,076	¥ 184,045	¥ —	¥1,894,121
Adjustments and eliminations	3,061	15	(3,076)	—	3,528	14	(3,542)	—
Total	1,662,807	108,249	(3,076)	1,767,980	1,713,604	184,059	(3,542)	1,894,121
Ordinary expense	1,813,307	101,802	(3,076)	1,912,033	1,634,054	169,545	(3,542)	1,800,057
Ordinary profit (loss)	(150,500)	6,447	—	(144,053)	79,550	14,514	—	94,064
Assets	4,809,506	1,104,956	(1,083)	5,913,379	5,381,108	1,070,793	(1,167)	6,450,734
Depreciation	10,560	232	—	10,792	10,512	128	—	10,640
Impairment loss	—	—	—	—	—	—	—	—
Capital investment	11,715	2,600	—	14,315	9,532	319	—	9,851

	Thousands of U.S. dollars			
	2009			
	Property and casualty insurance	Life insurance	Adjustments and eliminations	Consolidated
Ordinary income	\$16,891,370	\$ 1,101,506	\$ —	\$17,992,876
Adjustments and eliminations	31,152	153	(31,305)	—
Total	16,922,522	1,101,659	(31,305)	17,992,876
Ordinary expense	18,454,173	1,036,047	(31,305)	19,458,915
Ordinary profit (loss)	(1,531,651)	65,612	—	(1,466,039)
Assets	48,946,733	11,245,227	(11,022)	60,180,938
Depreciation	107,470	2,361	—	109,831
Impairment loss	—	—	—	—
Capital investment	119,225	26,460	—	145,685

*1. Effective the year ended March 31, 2009, due to the issuance of the Accounting Standards Board of Japan Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements", necessary accounting adjustments for consolidation are applied to the foreign subsidiaries' books of account in conformity with those of their countries of domicile. The effect due to this change is immaterial to ordinary income and ordinary profit (loss) for property and casualty insurance and life insurance in 2009.

*2. Effective the year ended March 31, 2009, due to the issuance of the Accounting Standards Board of Japan Statement No. 13 "Accounting Standard for Lease Transactions" and Accounting Standards Board of Japan Guidance No. 16 "Guidance on Accounting Standard for Lease Transactions", finance leases other than those which transfer the ownership of the leased property to the Company and consolidated subsidiaries which commenced on or after April 1, 2008 are treated according to the accounting method equivalent to that used for ordinary sale and purchase transactions. The effect due to this change is immaterial to ordinary income and ordinary profit (loss) for property and casualty insurance and life insurance in 2009.

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.

15. Stock Option Plan

The Company has the following stock option plans as of March 31, 2009:

	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 ^{*a}
2001 stock options	Company directors: 12 Executive officers: 16	Common stock: 450,000 stocks	Aug. 1, 2001	Jun. 29, 2003 – Jun. 28, 2011 ^{*b}
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 ^{*c}
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 ^{*c}
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 ^{*c}
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 ^{*c}
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 ^{*c, *e}
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 ^{*c, *f}
2008 stock options	Company directors: 14 Executive officers: 30	Common stock: 471,600 stocks	Aug. 11, 2008	Aug. 12, 2008 – Aug. 11, 2033 ^{*d}

^{*a} For retired directors, the exercise period expires in shorter of the original expiration period or three years after their retirement.

^{*b} For retired directors or executive officers, the exercise period expires in shorter of the original expiration period or three years after their retirement.

^{*c} For retired directors or executive officers, the exercise period expires in shorter of the original expiration period or five years after their retirement.

^{*d} Stock options may be exercised only during a period of 10 days from the date immediately succeeding the date on which an individual with stock options forfeits his/her position as either a director or an executive officer.

^{*e} 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.

^{*f} 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 ¥443 million (\$4,508 thousand) and ¥243 million expenses related to the stock option plans for the years ended March 31, 2009 and 2008, respectively.

Changes in the number of stock options during the years ended March 31, 2008 and 2009, which is presented as the number of stock, were as follows:

Number of stock options (vested)

	March 31, 2007	Vested	Exercised	Lapsed	(Unit: stocks) 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

	March 31, 2008	Vested	Exercised	Lapsed	March 31, 2009
2000 stock options	10,000	—	—	—	10,000
2001 stock options	34,000	—	—	—	34,000
2002 stock options	323,000	—	15,000	30,000	278,000
2003 stock options	370,000	—	30,000	—	340,000
2004 stock options	572,000	—	—	—	572,000
2005 stock options	728,000	—	—	—	728,000
2006 stock options	640,000	—	—	—	640,000
2007 stock options	785,000	—	—	—	785,000
2008 stock options	—	471,600	18,300	—	453,300

Unit value information

	Grant date	Exercise price	Average stock price at time of exercise during the year ended as of March 31, 2009	Average stock price at time of exercise during the year ended as of March 31, 2008	Fair unit value on grant date
2000 stock options	Dec. 15, 2000	¥ 605 (\$ 6.16)	—	—	—
2001 stock options	Aug. 1, 2001	¥ 797 (\$ 8.11)	—	¥1,513	—
2002 stock options	Aug. 1, 2002	¥ 777 (\$ 7.91)	¥ 989 (\$10.07)	¥1,549	—
	Nov. 1, 2002	¥ 712 (\$ 7.25)	—	—	—
	Jan. 1, 2003	¥ 705 (\$ 7.17)	—	—	—
	May. 1, 2003	¥ 581 (\$ 5.91)	—	—	—
	Jun. 1, 2003	¥ 574 (\$ 5.84)	—	—	—
2003 stock options	Aug. 1, 2003	¥ 735 (\$ 7.48)	¥1,122 (\$11.42)	¥1,473	—
	Feb. 2, 2004	¥ 901 (\$ 9.17)	¥ 992 (\$10.10)	¥1,518	—
2004 stock options	Aug. 2, 2004	¥1,167 (\$11.88)	—	¥1,372	—
	Feb. 1, 2005	¥1,082 (\$11.01)	—	¥1,434	—
2005 stock options	Aug. 1, 2005	¥1,148 (\$11.68)	—	¥1,440	—
	Feb. 1, 2006	¥1,665 (\$16.94)	—	—	—
2006 stock options	Aug. 7, 2006	¥1,598 (\$16.26)	—	—	¥470 (\$4.78)
	Feb. 15, 2007	¥1,623 (\$16.52)	—	—	¥515 (\$5.24)
2007 stock options	Aug. 13, 2007	¥1,547 (\$15.74)	—	—	¥379 (\$3.86)
	Feb. 12, 2008	¥ 990 (\$10.08)	—	—	¥236 (\$2.40)
2008 stock options	Aug. 11, 2008	¥ 1 (\$ 0.01)	¥ 505 (\$ 5.14)	—	¥940 (\$9.57)

The fair unit value of stock options granted was calculated by the binomial model.

Primary factors and their estimation methods were as follows:

	2007 stock options		2008 stock options
	Aug. 13, 2007	Feb. 12, 2008	Aug. 11, 2008
Valuation date	Aug. 13, 2007	Feb. 12, 2008	Aug. 11, 2008
Unit period	3 months	3 months	3 months
Volatility	30%	30%	29%
Stock price on valuation date	¥1,350	¥869	¥974 (\$9.91)
Exercise price	¥1,547	¥990	¥ 1 (\$0.01)
Estimated remaining period	7 years and 9 months	7 years and 2 months	3 years and 5 months
Dividend rate	0.97%	0.97%	1.02%
Interest rate	1.94%	1.61%	2.41%

The interval of the data point (lattice point) to observe and estimate the future exercise of the stock options during the exercisable period (for 10 days after retirement) is one day for the 2008 stock options.

Volatility is calculated based on 10-year stock price historical data and stock price performance in the period corresponding to the anticipated time to maturity for 2007 and 2008 stock options, respectively.

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.

16. Business Combinations

Transactions under common control which were exercised during the accounting period were as follows:

(1) Details of constituent companies and operations, legal form of business combination, and summary of transactions including purpose thereof

a) Details of constituent companies and operations

Sompo Japan Insurance Inc.	Non-life insurance business
Sompo Japan Asia Holdings Pte. Ltd.	Financial services

b) Legal form of business combination

Investment in kind by the Company of shares in subsidiaries and affiliated companies in Sompo Japan Asia Holdings Pte. Ltd.

c) Summary of transactions including purpose thereof

During the current consolidated business year, the Company made investment in kind in Sompo Japan Asia Holdings Pte. Ltd. of all the shares held by the Company in Sompo Japan Insurance (Singapore) Pte. Ltd. and Sompo Japan Service (Thailand) Co., Ltd. with the aim of strengthening strategic planning support and management control across the region and further expanding operations and enhancing internal control by bringing subsidiaries and affiliates in Southeast Asia under the control of Sompo Japan Asia Holdings Pte. Ltd.

(2) Summary of accounting treatment

The transactions were treated at appropriate book value as transactions under common control, in accordance with report of the Business Accounting Council "Accounting Standard for Business Combinations in Japan", the Accounting Standards Board of Japan Statement No. 7 "Accounting Standard for Business Divestitures", and the Accounting Standards Board of Japan Guidance No. 10 "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures".

17. Subsequent Events

(1) Issuance of subordinated bond (hybrid securities)

The Company issued subordinated bond (The 1st Series of Unsecured Interest Deferrable and Early Redeemable Subordinated Bonds Solely For Qualified Institutional Investors (Tekikaku Kikan Toshika Gentei), the "Bonds") on May 27, 2009 according to the resolution at the meeting of the Board of Directors on May 20, 2009.

The terms and conditions of issuance of the Bonds are summarized as follows:

a) Aggregate amount of the Bonds

¥128,000 million (\$1,302,666 thousand)

b) Issue price

¥100 per ¥100 of the principal amount of each Bond

c) Date of payment

May 27, 2009 (the "Payment Date")

d) Rate of interest

On and before May 27, 2014

Fixed rate of interest

On and after May 28, 2014

Floating rate of interest

(On and before March 27, 2019, the rate obtained by the Six-Month Yen LIBOR plus the spread on the determination date of the terms and conditions plus 0.20% of the step-up interest. On and after March 28, 2019, the rate obtained by the Six-Month Yen LIBOR plus the spread on the determination date of the terms and conditions plus 1.00% of the step-up interest.)

e) Date of redemption

The Company shall redeem the principal amount of the Bonds on May 27, 2069 (60 years after the Payment Date, the "Maturity Date").

On the each interest payment date on and after May 27, 2014, the Company may, at its option, with the prior approval of the Commissioner of the Japanese Financial Service Agency (the "FSA"), redeem all or some of the principal of the Bonds then outstanding.

The Company may, at its option, with the prior approval of the FSA, redeem all, but not some only, of the principal of the Bonds then outstanding if the Company suffers a significant tax disadvantage which cannot be avoided by the Company's reasonable endeavors, if the rating agents decide to treat the Bonds as having a lower equity credit than the equity credit of the Bonds on the date of the issuance, and a public announcement to that effect has been made or a written notice to that effect has been given to the Company, or if the Company determines after consultation with the FSA that there is more than an insubstantial risk that the Bonds will not be counted in stated capital, funds and reserves as a liability-type capital raising method etc. under the Solvency Margin Regulations.

f) Security/guarantee

The Bonds are not subject to any security or guarantee, and there are no assets specially reserved.

g) Use of funds

The Company is expecting further enhancement of financial position by effectively increasing capital.

h) Replacement restrictions

It is the Company's intention not to redeem (excluding the redemption on the Maturity Date) nor to repurchase the Bonds, except to the extent that the Company has raised funds by the issuance of common stocks, or securities or obligations that are approved by rating agents as having equity credit equal to or higher than the equity credit of the Bonds within the period of 6 months preceding (and including) the date of redemption or repurchase.

i) Limitations on payments of interest

i) Optional suspension of interest payment

The Company may, at its option, defer the payment of all or part of the Bond Interest (such deferral is referred to as an "Optional Suspension", any amount of Bond interest so deferred and not paid due to an Optional Suspension is referred to as an "Optional Deferred Payment Amount", interest payment date on which such interest would have become due if the relevant Optional Suspension having not occurred is referred to as an "Optional Deferred Interest Payment Date"). The deferred interest is cumulative.

ii) Making efforts to satisfy the Optional Deferred Payment Amount

The Company intends, to the extent commercially practicable, to make reasonable endeavors to pay the Optional Deferred Payment Amount in respect of the relevant Optional Deferred Interest Payment Date as well as the interest accrued thereon on the interest payment date falling five years after the relevant Optional Deferred Interest Payment Date.

iii) Mandatory payment of Optional Deferred Payment Amount

Notwithstanding the above, if the Company makes payment of dividends from surplus on the junior stock that are subordinated to the Bonds, if the Company repurchases or acquires any junior stock (excluding when a shareholder requests to have its junior stock purchased by the Company pursuant to laws and regulations), or if dividends or interests have been paid in respect of the most preferred stock or equivalent subordinated debt, the Company shall, to the extent commercially practicable, make reasonable endeavors to pay the Optional Deferred Payment Amount as well as the interest accrued in respect thereof.

iv) Limitation of Payment Resources

The Optional Deferred Payment Amount as well as interest accrued in respect thereof shall be satisfied by applying the net proceeds that the Company has received during the 6-month period up to and including the date of the payment from the issuance or sale of common stock or equivalent subordinated debt, approved by rating agents as having equity credit equal to or higher than the equity credit of the Bonds, and shall not be satisfied by any other sources.

j) **Subordination clause**

In liquidation proceedings, bankruptcy proceedings, corporate reorganization proceedings or civil rehabilitation proceedings of the Company or any proceedings that are equivalent thereto in accordance with laws other than Japanese law following the occurrence of a liquidation event, each Bondholder shall have a liquidation claim in an amount subordinated to all of the Company's senior creditors, and it will have the same attributes as most preferred stock.

k) **Method of issuance**

The Bonds are privately issued only for qualified institutional investors in Japan.

(2) Acquisition of shares of Maritima Seguros S.A.

The Company passed a resolution at the meeting of the Board of Directors on May 20, 2009 to acquire 50% of the common shares of the Brazilian insurance firm Maritima Seguros S.A. ("Maritima") through its subsidiary Yasuda Seguros S.A. ("Yasuda Seguros"), subject to agreement by Maritima and its principal shareholders.

a) **Profiles of Maritima Seguros S.A.**

Head office:	Sao Paulo, State of Sao Paulo, Brazil
Description of business:	Property and casualty insurance
Net premiums written (2008):	1,032 million reals (¥44,077 million, \$448,575 thousand)
Total assets (2008):	1,039 million reals (¥44,369 million, \$451,547 thousand)

b) **Purpose**

The Company is seeking to further expand its business in Brazil, where sustained economic growth is expected, by investing in Maritima, which has a well-established brand in Brazil and a robust sales network.

c) **Timing of share acquisition**

The acquisition of Maritima shares is expected to be completed by July 2009. Prior to the acquisition of Maritima shares by Yasuda Seguros, the Company is expecting 349 million reals (¥14,911 million, \$151,750 thousand) of new share issuance by Yasuda Seguros.

d) **Acquisition price**

The price of share acquisition is expected to be a maximum of 336 million reals (¥14,341 million, \$145,950 thousand).

* The translation of real amounts into yen amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥42.72 = 1.00 real, the approximate rate of exchange prevailing on March 31, 2009.

Management's Report on Internal Control over Financial Reporting

Basic Framework of Internal Control over Financial Reporting

Masatoshi Sato, president of Sompo Japan Insurance Inc. (the "Company"), is responsible for designing and operating adequate internal control over financial reporting for consolidated financial statements of the Company in accordance with the basic framework set forth in "Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" issued by Business Accounting Council.

Internal control achieves its objectives to a reasonable extent given that all individual components of internal control are integrated and function as a whole. Internal control over financial reporting for consolidated financial statements may not completely prevent or detect misstatements in financial reporting.

Scope of Assessment, Assessment Date and Assessment Procedure

We assessed the effectiveness of the Company's internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2009 in accordance with the assessment standards for internal control over financial reporting generally accepted in Japan. For this assessment, we first evaluated the company-level controls which would have a material impact on the reliability of overall financial reporting on a consolidated basis. We then selected the process-level controls to be assessed based on the results of the company-level control assessment. For the process-level control assessment, we evaluated the effectiveness of internal control by analyzing processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the design and operation of such key controls.

We determined the scope of assessment by selecting consolidated subsidiaries and affiliates accounted for by the equity method based on their materiality of impact on the reliability of financial reporting. We determined their materiality of impact by considering both quantitative and qualitative aspects. The scope of our process-level control assessment was determined based on the results of our assessment of company-level controls, which included its 1 consolidated subsidiary. We excluded 9 consolidated subsidiaries and 5 affiliates accounted for by the equity method from the scope of the company-level control assessment since their quantitative and qualitative impacts were deemed insignificant.

For the purpose of determining the scope of process-level controls assessment, we selected 2 business locations as "Significant Business Locations", which contributed approximately two thirds of the Company's ordinary income on a consolidated basis for the fiscal year ended March 31, 2008. For the Significant Business Locations, we primarily included business processes related to premiums written, losses paid, and investments in securities in the scope of assessment as the aforementioned accounts were closely associated with the Company's business objectives. In addition, we included certain business processes in the scope of assessment not only from "Significant Business Locations" but also from all business locations, that is, consolidated subsidiaries and affiliates accounted for by the equity method, which were related to significant accounts involving estimates and management's judgment or include high-risk operations and/or transactions, as "business processes with a material impact on financial reporting".

Assessment Result

Based on the results of our assessment with the above mentioned scope, date and procedures, we concluded that Company's internal control over financial reporting for the accompanying consolidated financial statements at the end of this fiscal year was effective.

Non-Consolidated Financial Statements

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. (the "Company") as of March 31, 2009 and 2008, and the related non-consolidated statements of income (loss) 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 the Company at March 31, 2009 and 2008, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

1. As described in Note 17, the Company issued subordinated bond (hybrid securities) on May 27, 2009 according to the resolution at the meeting of the Board of Directors on May 20, 2009.
2. As described in Note 17, the Company passed a resolution at the meeting of the Board of Directors on May 20, 2009 to acquire the common shares of the Brazilian insurance firm Maritima Seguros S.A. through its subsidiary Yasuda Seguros S.A.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2009 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 LLC

June 25, 2009

Non-Consolidated Balance Sheets

Sompo Japan Insurance Inc. March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
ASSETS			
Cash	¥ 87,024	¥ 109,245	\$ 885,650
Short-term investments (Note 3)	175,829	210,662	1,789,426
Investments in securities (Note 4)	3,225,496	3,937,922	32,826,135
Loans (Note 5)	502,025	506,054	5,109,149
Accrued investment income	8,986	10,397	91,451
Tangible fixed assets, at cost (Note 6)	451,241	447,092	4,592,317
Less accumulated depreciation	(234,377)	(229,344)	(2,385,274)
	216,864	217,748	2,207,043
Intangible fixed assets	758	758	7,714
Insurance business balances receivable:			
Premiums receivable and agents' balances	116,425	112,470	1,184,867
Reinsurance balances recoverable	102,721	110,507	1,045,400
Other	8,290	9,335	84,368
	227,436	232,312	2,314,635
Other assets	198,387	186,321	2,019,001
Deferred tax assets (Note 7)	237,294	—	2,414,960
Reserve for possible loan losses	(16,375)	(16,403)	(166,650)
Reserve for possible losses on investment securities	(7,288)	(6,448)	(74,170)
Total assets	¥4,856,436	¥5,388,568	\$49,424,344

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
LIABILITIES AND NET ASSETS			
Liabilities:			
Underwriting funds:			
Reserve for outstanding losses and claims (Note 13)	¥ 758,538	¥ 676,066	\$ 7,719,703
Underwriting reserves (Notes 13 and 14)	3,182,874	3,253,940	32,392,367
	3,941,412	3,930,006	40,112,070
Insurance business balances payable:			
Reinsurance balances payable	60,957	67,569	620,364
Other	4,712	4,709	47,955
	65,669	72,278	668,319
Accrued taxes	4,320	39,513	43,965
Accrued severance benefits (Note 8)	98,712	95,655	1,004,600
Reserve for officers' retirement allowances	—	2,485	—
Reserve for decline in value of assets	5,780	36,972	58,824
Other liabilities	124,821	124,444	1,270,313
Deferred tax liabilities (Note 7)	—	12,725	—
Total liabilities	4,240,714	4,314,078	43,158,091
Net assets (Note 10):			
Common stock:			
Authorized 2,000,000,000 shares, issued 987,733,424 shares in 2008 and 2009	70,000	70,000	712,396
Additional paid-in capital	24,230	24,241	246,590
Legal reserve (Note 9)	36,089	32,150	367,281
Retained earnings	282,242	379,826	2,872,400
Treasury stock, 3,181,995 shares in 2008 and 3,188,703 shares in 2009, at cost	(2,840)	(2,843)	(28,903)
Total shareholders' equity	409,721	503,374	4,169,764
Unrealized gains on securities available for sale	205,017	570,558	2,086,475
Stock options (Note 15)	984	558	10,014
Total net assets	615,722	1,074,490	6,266,253
Total liabilities and net assets	¥4,856,436	¥5,388,568	\$49,424,344

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, 2009 and 2008

	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
Balance at March 31, 2007	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)	—	—	—
Changes 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
Balance at March 31, 2008	987,733	¥70,000	¥24,241	¥32,150	¥379,826	¥(2,843)	¥ 570,558	¥558
Net loss	—	—	—	—	(73,944)	—	—	—
Cash dividends	—	—	—	3,939	(23,629)	—	—	—
Transfer to legal reserve	—	—	—	—	—	—	—	—
Changes in treasury stock – net	—	—	(11)	—	(11)	3	—	—
Changes in other than shareholders' equity, net	—	—	—	—	—	—	(365,541)	426
Total changes	—	—	(11)	3,939	(97,584)	3	(365,541)	426
Balance at March 31, 2009	987,733	¥70,000	¥24,230	¥36,089	¥282,242	¥(2,840)	¥ 205,017	¥984

	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
Balance at March 31, 2008	\$712,396	\$246,702	\$327,193	\$3,865,520	\$(28,933)	\$ 5,806,615	\$ 5,679
Net loss	—	—	—	(752,534)	—	—	—
Cash dividends	—	—	40,088	(240,474)	—	—	—
Transfer to legal reserve	—	—	—	—	—	—	—
Changes in treasury stock – net	—	(112)	—	(112)	30	—	—
Changes in other than shareholders' equity, net	—	—	—	—	—	(3,720,140)	4,335
Total changes	—	(112)	40,088	(993,120)	30	(3,720,140)	4,335
Balance at March 31, 2009	\$712,396	\$246,590	\$367,281	\$2,872,400	\$(28,903)	\$ 2,086,475	\$10,014

See accompanying notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Sompo Japan Insurance Inc. March 31, 2009

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) Reserve for officers' retirement allowances

The Company formerly recorded reserve for officers' retirement allowances, based on internal regulations. Following the approval of payment of accrued allowances associated with the abolition of the retirement allowance plan for officers at the Annual Shareholders' Meeting on June 25, 2008, and the final decision on the amount and timing of payments by the Board of Directors on October 24, 2008, the reserve for officers' retirement allowances was reversed in its entirety and the outstanding balance was transferred to "Other liabilities".

(5) 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.

(6) Leases

The Company formerly treated finance leases other than those which transfer the ownership of the leased property to the Company are accounted for as operating leases.

Effective the year ended March 31, 2009, due to the issuance of the Accounting Standards Board of Japan Statement No. 13 "Accounting Standard for Lease Transactions" and Accounting Standards Board of Japan Guidance No. 16 "Guidance on Accounting Standard for Lease Transactions", finance leases other than those which transfer the ownership of the leased property to the Company which commenced on or after April 1, 2008 are treated according to the accounting method equivalent to that used for ordinary sale and purchase transactions.

The effect due to this change is immaterial to "Ordinary loss" and "Loss before income taxes and minority interests" for the year ended March 31, 2009.

Finance leases other than those which transfer the ownership of the leased property to the Company which commenced on or before March 31, 2008 continue to be accounted for as operating leases.

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 ¥98.26 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2009. 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, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Time deposits	¥ 8,566	¥ 9,519	\$ 87,177
CP under resale agreements	81,979	47,947	834,307
Money trusts	9,685	39,399	98,565
Call loans	73,600	108,800	749,033
Commercial paper	1,999	4,997	20,344
	¥175,829	¥210,662	\$1,789,426

The cost and related aggregate market values of money trusts as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cost	¥11,677	¥42,879	\$118,838
Market value	9,685	39,399	98,565
Net unrealized loss	¥ (1,992)	¥ (3,480)	\$ (20,273)

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, 2009 and 2008 were ¥203 million (\$2,066 thousand) and ¥1,849 million, respectively.

4. Investments in Securities

The components of investments in securities as of March 31, 2009 and 2008, and their fair value and other related information by holding intentions are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Domestic securities:			
Bonds	¥1,396,367	¥1,405,322	\$14,210,940
Stocks	1,019,303	1,522,969	10,373,529
Foreign securities	756,706	914,987	7,701,059
Other securities	53,120	94,644	540,607
	¥3,225,496	¥3,937,922	\$32,826,135

- a) The Company did not have any marketable securities classified as trading securities as of March 31, 2009 and 2008.
- b) The Company did not have any marketable securities classified as held-to-maturity bonds as of March 31, 2009 and 2008.
- c) Information regarding marketable securities available for sale as of March 31, 2009 and 2008 were as follows:

	Millions of yen					
	2009			2008		
	Cost	Market value	Unrealized gain (loss)	Cost	Market value	Unrealized gain (loss)
Securities whose market value exceeds their cost:						
Domestic securities:						
Bonds	¥1,139,826	¥1,169,801	¥ 29,975	¥1,109,437	¥1,136,446	¥ 27,009
Stocks	350,785	703,842	353,057	491,010	1,282,739	791,729
Foreign securities	155,939	174,444	18,505	389,506	491,280	101,774
Other securities	38,906	40,433	1,527	76,880	88,294	11,414
Subtotal	1,685,456	2,088,520	403,064	2,066,833	2,998,759	931,926
Securities whose cost exceeds their market value:						
Domestic securities:						
Bonds	229,591	226,566	(3,025)	269,227	267,872	(1,355)
Stocks	181,027	166,225	(14,802)	110,908	96,874	(14,034)
Foreign securities	474,450	411,238	(63,212)	302,359	276,181	(26,178)
Other securities	39,329	38,085	(1,244)	32,729	30,559	(2,170)
Subtotal	924,397	842,114	(82,283)	715,223	671,486	(43,737)
Total	¥2,609,853	¥2,930,634	¥320,781	¥2,782,056	¥3,670,245	¥888,189

	Thousands of U.S. dollars		
	2009		
	Cost	Market value	Unrealized gain (loss)
Securities whose market value exceeds their cost:			
Domestic securities:			
Bonds	\$11,600,102	\$11,905,160	\$ 305,058
Stocks	3,569,967	7,163,057	3,593,090
Foreign securities	1,587,004	1,775,331	188,327
Other securities	395,950	411,490	15,540
Subtotal	17,153,023	21,255,038	4,102,015
Securities whose cost exceeds their market value:			
Domestic securities:			
Bonds	2,336,566	2,305,780	(30,786)
Stocks	1,842,326	1,691,685	(150,641)
Foreign securities	4,828,517	4,185,203	(643,314)
Other securities	400,254	387,594	(12,660)
Subtotal	9,407,663	8,570,262	(837,401)
Total	\$26,560,686	\$29,825,300	\$3,264,614

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, 2009 and 2008 were ¥70,193 million (\$714,360 thousand) and ¥7,170 million, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Proceeds from sales	¥169,809	¥236,820	\$1,728,160
Gain on sales	18,241	40,247	185,640
Loss on sales	1,786	673	18,176

e) The redemption schedules as of March 31, 2009 and 2008 for securities available for sale and held-to-maturity bonds with maturity date were as follows:

	Millions of yen							
	2009				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	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	¥ 98,809	¥339,451	¥201,943	¥243,661	¥ 81,121	¥382,999	¥182,909	¥223,131
Municipal bonds	15,095	26,409	7,622	—	23,131	44,010	10,532	—
Corporate bonds	57,258	211,305	76,103	118,713	57,739	214,284	70,775	114,691
Foreign bonds	20,235	112,249	101,943	94,076	25,429	134,549	106,409	95,934
Other securities	2,324	6,830	9,341	26,749	6,083	9,865	9,251	29,427
Total	¥193,721	¥696,244	¥396,952	¥483,199	¥193,503	¥785,707	¥379,876	¥463,183

	Thousands of U.S. dollars			
	2009			
	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	\$1,005,587	\$3,454,620	\$2,055,190	\$2,479,758
Municipal bonds	153,623	268,767	77,570	—
Corporate bonds	582,719	2,150,468	774,507	1,208,152
Foreign bonds	205,933	1,142,367	1,037,482	957,419
Other securities	23,652	69,510	95,064	272,227
Total	\$1,971,514	\$7,085,732	\$4,039,813	\$4,917,556

f) Total interest and dividend income for the years ended March 31, 2009 and 2008 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Interest on bank deposits	¥ 163	¥ 378	\$ 1,659
Interest on CP under resale agreements	494	558	5,027
Interest on call loans	359	649	3,654
Interest and dividends on securities	85,725	118,166	872,430
Interest on loans	8,919	8,724	90,770
Income from real estate	5,454	5,327	55,506
Total income from investment assets	101,114	133,802	1,029,046
Interest on other assets	1,397	1,804	14,217
Total interest and dividend income	¥102,511	¥135,606	\$1,043,263
Presentation in the non-consolidated statements of income:			
Interest and dividend income on deposits of premiums, etc.	¥ 43,025	¥ 46,608	\$ 437,869
Interest and dividend income	59,486	88,998	605,394
Total interest and dividend income	¥102,511	¥135,606	\$1,043,263

5. Loans

As of March 31, 2009 and 2008, the balances of loans included the following risk-monitored loans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans to borrowers in bankruptcy	¥ 492	¥ 153	\$ 5,007
Overdue loans	2,463	2,218	25,066
Loans overdue for three months or more	—	—	—
Restructured loans	451	838	4,590
	¥3,406	¥3,209	\$34,663

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, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Land	¥ 104,109	¥ 104,340	\$ 1,059,526
Buildings	286,109	281,870	2,911,755
Furniture and equipment	57,829	59,095	588,530
Leased assets	1,974	—	20,090
Construction in progress	1,220	1,787	12,416
	451,241	447,092	4,592,317
Less accumulated depreciation	(234,377)	(229,344)	(2,385,274)
	¥ 216,864	¥ 217,748	\$ 2,207,043

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 2009 and 2008, 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 year ended March 31, 2008 to the statutory tax rate was as follows:

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

No reconciliation between the statutory income tax rate and the effective income tax rate has been disclosed for the year ended March 31, 2009, because of net loss before income taxes in the non-consolidated statement of income for the year ended March 31, 2009.

Deferred tax assets and liabilities as of March 31, 2009 and 2008 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets (liabilities):			
Underwriting reserves	¥ 184,205	¥ 182,629	\$ 1,874,669
Reserve for outstanding losses and claims	68,712	39,633	699,288
Accrued severance benefits	35,625	34,522	362,559
Devaluation loss on securities and real estate	33,590	33,728	341,848
Tax loss carryforward	26,149	—	266,120
Intangible fixed assets in tax matters	17,439	15,239	177,478
Unrealized gains on securities available for sale	(111,921)	(313,425)	(1,139,029)
Other, net	17,292	28,658	175,982
Valuation allowance	(33,797)	(33,709)	(343,955)
Net deferred tax assets (liabilities)	¥ 237,294	¥ (12,725)	\$ 2,414,960

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, 2009 and 2008 for the Company's severance benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Retirement benefit obligation	¥(120,670)	¥(119,655)	\$(1,228,069)
Plan assets at fair value	2,991	4,089	30,440
Unfunded retirement benefit obligation	(117,679)	(115,566)	(1,197,629)
Unrecognized actuarial loss	20,218	22,413	205,760
Unrecognized prior service costs	(1,251)	(2,502)	(12,731)
Net retirement benefit obligation	(98,712)	(95,655)	(1,004,600)
Accrued severance benefits	¥ (98,712)	¥ (95,655)	\$(1,004,600)

The components of severance benefit expenses for the years ended March 31, 2009 and 2008 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥ 5,873	¥ 4,312	\$ 59,770
Interest cost	1,742	1,735	17,729
Expected return on plan assets	—	—	—
Amortization of actuarial loss	3,788	3,743	38,551
Prior service costs	(1,251)	616	(12,732)
Subtotal	10,152	10,406	103,318
Payment into the defined contribution type pension plan	2,449	2,338	24,923
Total	¥12,601	¥12,744	\$128,241

The assumptions used in accounting for the above plans for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
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. Leases

Finance leases other than those which transfer the ownership of the leased property to the Company which commenced on or before March 31, 2008 continue to be accounted for as operating leases.

The following pro forma amounts represented the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2009 and 2008, 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
	2009	2008	2009
Furniture and equipment:			
Acquisition costs	¥4,166	¥3,954	\$42,398
Accumulated depreciation	2,163	1,252	22,013
Accumulated impairment loss	—	—	—
Net book value	¥2,003	¥2,702	\$20,385

Lease payments relating to finance leases accounted for as operating leases amounted to ¥1,012 million (\$10,299 thousand) and ¥788 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, 2009 and 2008, respectively.

Future minimum lease payments subsequent to March 31, 2009 for noncancelable operating leases and 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
2010	¥151	¥ 871	\$1,537	\$ 8,864
2011 and thereafter	604	1,132	6,147	11,521
Total	¥755	¥2,003	\$7,684	\$20,385

Future minimum lease revenues subsequent to March 31, 2009 for noncancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	Operating leases	Operating leases
2010	¥ 951	\$ 9,679
2011 and thereafter	3,796	38,632
Total	¥4,747	\$48,311

12. 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, 2009 and 2008 and the related market values were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Contract amount	Market value	Contract amount	Market value	Contract amount	Market value
Forward foreign exchange contracts:						
Short positions	¥144,453	¥154,584	¥105,640	¥101,554	\$1,470,110	\$1,573,214
Long positions	46,950	48,395	54,601	53,644	477,814	492,520
Currency options positions:						
Short positions: Call options	—	—	5,351	—	—	—
(Options premiums)	(—)	(—)	(50)	(—)	(—)	(—)
Long positions: Put options	—	—	5,250	—	—	—
(Options premiums)	(—)	(—)	(50)	(263)	(—)	(—)
Bond futures:						
Long positions:	—	—	16,532	17,164	—	—
Bond forward:						
Long positions:	—	—	3,351	3,397	—	—
Credit derivatives:						
Long positions:	500	—	500	—	5,089	—
(Premiums)	(37)	(99)	(37)	(43)	(377)	(1,008)
Weather derivatives:						
Short positions:	309	—	369	—	3,145	—
(Premiums)	(14)	(17)	(8)	(15)	(142)	(173)
Long positions:	30	—	170	—	305	—
(Premiums)	(—)	(—)	(—)	(—)	(—)	(—)
Earthquake derivatives:						
Short positions:	4,150	—	3,660	—	42,235	—
(Premiums)	(129)	(0)	(98)	(0)	(1,313)	(0)
Long positions:	3,726	—	3,285	—	37,920	—
(Premiums)	(389)	(239)	(289)	(213)	(3,959)	(2,432)
Other forward:						
Long positions:	743	766	—	—	7,562	7,796

*1. The market value of the forward foreign exchange contracts was based on the forward rates as of March 31, 2009 and 2008.

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

13. Reinsurance

Reinsurance amounts included in the financial statements for the years ended March 31, 2009 and 2008 were as follows:

a) Reserve for outstanding losses and claims

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Reserve for outstanding losses and claims (before deducting ceded reserve for outstanding losses and claims, excluding insurances stated in (ii))	¥739,805	¥656,614	\$7,529,056
Ceded reserve for outstanding losses and claims relating to the above	38,586	39,199	392,693
Difference (i)	701,219	617,415	7,136,363
Reserve for outstanding losses and claims involved in earthquake insurance and compulsory automobile liability insurance (ii)	57,319	58,651	583,340
Total (i+ii)	¥758,538	¥676,066	\$7,719,703

b) Underwriting reserves

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Ordinary underwriting reserves (before deducting ceded underwriting reserves)	¥ 920,300	¥ 929,889	\$ 9,365,968
Ceded underwriting reserves relating to the above	28,598	29,893	291,044
Difference (i)	891,702	899,996	9,074,924
Other underwriting reserves (ii)	2,291,172	2,353,944	23,317,443
Total (i+ii)	¥3,182,874	¥3,253,940	\$32,392,367

c) Net premiums written

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Premiums written	¥1,519,798	¥1,616,015	\$15,467,108
-)Reinsurance premiums ceded	229,333	270,990	2,333,941
Net premiums written	¥1,290,465	¥1,345,025	\$13,133,167

d) Net losses paid

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Losses paid	¥1,037,834	¥1,022,366	\$10,562,121
-)Reinsurance recoverable	205,066	218,235	2,086,973
Net losses paid	¥ 832,768	¥ 804,131	\$ 8,475,148

e) Net commissions and brokerage fees

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Commissions and brokerage fees	¥232,833	¥236,647	\$2,369,560
-)Ceded reinsurance commissions received	17,140	17,781	174,435
Net commissions and brokerage fees	¥215,693	¥218,866	\$2,195,125

f) Provision for underwriting reserves

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Provision for ordinary underwriting reserves (before deducting ceded underwriting reserves)	¥ (9,588)	¥ (2,615)	\$ (97,577)
Provision for ceded underwriting reserves relating to the above	(1,295)	(1,351)	(13,179)
Difference (i)	(8,293)	(1,264)	(84,398)
Provision for other underwriting reserves (ii)	(62,773)	(45,609)	(638,846)
Total (i+ii)	¥(71,066)	¥(46,873)	\$(723,244)

g) Provision for reserve for outstanding losses and claims

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Provision for reserve for outstanding losses and claims (before deducting provision for ceded reserve for outstanding losses and claims, excluding insurances stated in (ii))	¥83,191	¥47,422	\$846,642
Provision for ceded reserve for outstanding losses and claims relating to the above	(613)	(1,748)	(6,238)
Difference (i)	83,804	49,170	852,880
Provision for reserve for outstanding losses and claims involved in earthquake insurance and compulsory automobile liability insurance (ii)	(1,332)	(345)	(13,556)
Total (i+ii)	¥82,472	¥48,825	\$839,324

14. 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, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
(a) Premium reserve	¥1,766,188	¥1,812,510	\$17,974,639
(b) Policyholders' deposit funds	1,416,686	1,441,430	14,417,728
	¥3,182,874	¥3,253,940	\$32,392,367

* The catastrophe reserves which were included in premium reserve were ¥377,789 million (\$3,844,789 thousand) and ¥387,918 million as of March 31, 2009 and 2008, respectively.

15. Stock Option Plan

See Note 15 to the consolidated financial statements.

16. Business Combinations

See Note 16 to the consolidated financial statements.

17. Subsequent Events

See Note 17 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	
	2008	2007
ASSETS		
Cash and deposits	\$ 71,467	\$ 9,434
Investments in securities	656,817	696,971
Tangible fixed assets	267	344
Other assets	60,650	58,709
Reserve for possible loan losses	(7,521)	(6,091)
Total assets	\$781,680	\$759,367
LIABILITIES AND NET ASSETS		
Liabilities:		
Reserve for outstanding losses and claims	\$249,748	\$260,350
Underwriting reserves	26,682	24,115
Other liabilities	38,085	34,767
Total liabilities	314,515	319,232
Net assets:		
Common stock	12,058	12,058
Additional paid-in capital	458,851	458,851
Retained earnings	766	(30,714)
Unrealized gain on available-for-sale securities	(4,510)	(60)
Total net assets	467,165	440,135
Total liabilities and net assets	\$781,680	\$759,367

*Necessary accounting adjustments are made to comply with accounts in consolidated financial statements.

Statements of Income

Sompo Japan Insurance Company of America

Years ended December 31,	Thousands of U.S. dollars	
	2008	2007
Ordinary income		
Underwriting income:		
Net premiums written	\$61,453	\$63,341
Reversal of reserve for outstanding losses and claims	10,602	—
Reversal of underwriting reserves	—	703
	72,055	64,044
Investment income:		
Interest and dividend income	30,243	28,106
Realized gain on sales of securities	3,410	11
	33,653	28,117
Other ordinary income	769	2,695
Total ordinary income	106,477	94,856
Ordinary expenses		
Underwriting expenses:		
Net losses paid	32,716	34,962
Loss adjustment expenses	7,198	5,725
Net commissions and brokerage fees	(8,070)	(10,111)
Provision for reserve for outstanding losses and claims	—	2,458
Provision for underwriting reserves	2,567	—
	34,411	33,034
Investment expenses:		
Realized loss on sales of securities	3,527	1,879
	3,527	1,879
Operating, general and administrative expenses	30,556	30,426
Other ordinary expenses	19	25
Total ordinary expenses	68,513	65,364
Ordinary profit	37,964	29,492
Income before income taxes	37,964	29,492
Income taxes	4,545	(6,911)
Net Income	\$33,419	\$36,403

*Necessary accounting adjustments are made to comply with accounts in consolidated financial statements.

Balance Sheets

Sompo Japan Insurance Company of Europe Limited

December 31,	Thousands of Great Britain pounds		Thousands of U.S. dollars
	2008	2007	2008
ASSETS			
Cash and deposits	£ 38,439	£ 27,107	\$ 55,705
Investments in securities	140,539	135,889	203,667
Tangible fixed assets	232	99	336
Other assets	19,858	23,585	28,778
Total assets	£199,068	£186,680	\$288,486
LIABILITIES AND NET ASSETS			
Liabilities:			
Reserve for outstanding losses and claims	£ 98,592	£ 78,957	\$142,878
Underwriting reserves	8,882	7,717	12,872
Other liabilities	10,905	15,591	15,803
Total liabilities	118,379	102,265	171,553
Net assets:			
Common stock	128,700	128,700	186,510
Retained earnings	(48,011)	(44,285)	(69,577)
Total net assets	80,689	84,415	116,933
Total liabilities and net assets	£199,068	£186,680	\$288,486

*Necessary accounting adjustments are made to comply with accounts in consolidated financial statements.

Statements of Income

Sompo Japan Insurance Company of Europe Limited

Years ended December 31,	Thousands of Great Britain pounds		Thousands of U.S. dollars
	2008	2007	2008
Ordinary income			
Underwriting income:			
Net premiums written	£14,649	£14,056	\$21,229
Reversal of reserve for outstanding losses and claims	2,066	1,983	2,994
Reversal of underwriting reserves	381	—	552
	17,096	16,039	24,775
Investment income:			
Interest and dividend income	661	5,790	958
Realized gain on sales of securities	—	209	—
Other investment income	—	6,552	—
	661	12,551	958
Total ordinary income	17,757	28,590	25,733
Ordinary expenses			
Underwriting expenses:			
Net losses paid	12,568	10,680	18,213
Loss adjustment expenses	331	333	480
Net commissions and brokerage fees	(3,390)	(2,705)	(4,913)
Provision for underwriting reserves	—	454	—
	9,509	8,762	13,780
Investment expenses:			
Realized loss on sales of securities	—	296	—
Devaluation loss on securities	50	904	72
Other investment expenses	2,943	222	4,265
	2,993	1,422	4,337
Operating, general and administrative expenses	7,884	7,119	11,425
Other ordinary expenses	660	473	957
Total ordinary expenses	21,046	17,776	30,499
Ordinary profit (loss)	(3,289)	10,814	(4,766)
Special gains and losses	—	2,284	—
Income (loss) before income taxes	(3,289)	13,098	(4,766)
Income taxes	438	1,728	635
Net Income (loss)	£ (3,727)	£11,370	\$ (5,401)

*Necessary accounting adjustments are made to comply with accounts in consolidated financial statements.

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Fax. 55-71-3326-0025

MEXICO

Mexico City

- Sampo Japan Insurance De Mexico, S.A. de C.V.
Av. Insurgentes Sur No. 1196 Piso 12 Desp. 1201, Col. Tlacoquemecatl del Valle, C.P. 03200, Mexico, D.F. Mexico
Tel. 52-55-5559-3717
Fax. 52-55-5559-3807/
52-55-5575-3768

ASIA

CHINA

Dalian

- Sampo Japan Insurance (China) Co., Ltd. (Head Quarters)
10th Floor, Dalian Senmao Building, 147 Zhong Shan Road, Xi Gang District, Dalian, Liaoning Province, The People's Republic of China
Tel. 86-411-83603093
Fax. 86-411-83603092

Shanghai

- Sampo Japan Insurance (China) Co., Ltd. (Shanghai Branch)
5th Floor, The Center, 989 Chang Le Road, Shanghai, The People's Republic of China
Tel. 86-21-5407-5828
Fax. 86-21-5407-6055

Guangzhou

- Sampo Japan Insurance (China) Co., Ltd. (Guangdong Branch)
Room 4016, Tower B, China Shine Plaza, 9 Lin He West Road, Tian He District, Guangzhou, Guangdong Province, The People's Republic of China
Tel. 86-20-3810-8140
Fax. 86-20-3810-8141

Beijing

- ▲ Beijing Representative Office
Room 1009, Beijing Fortune Building, 5 Dong San Huan North Road, Chao Yang District, Beijing, The People's Republic of China
Tel. 86-10-6590-8970/86-10-6590-8971/86-10-6590-8972
Fax. 86-10-6590-9880

Suzhou

- ▲ Suzhou Representative Office
Room 1606, Century Financial Tower, 1 Su Hua Road, Suzhou Industrial Park, Suzhou, Jiangsu Province, The People's Republic of China
Tel. 86-512-6762-2119
Fax. 86-512-6762-3119

Shenzhen

- ▲ Shenzhen Representative Office
Room 507, China Resources Building, 5001 Shen Nan East Road, Luo Hu District, Shenzhen, Guangdong Province, The People's Republic of China
Tel. 86-755-8266-8721
Fax. 86-755-8266-8934

Chongqing

- ▲ Chongqing Representative Office
Room 1708 A, Metropolitan Tower, 68 Zou Rong Road, Chongqing, The People's Republic of China
Tel. 86-23-63740709
Fax. 86-23-63740694

Hong Kong

- △ Sampo Japan Insurance (Hong Kong) Company Limited
Tel. 852-2831-9980
Fax. 852-2573-2072

Hong Kong Branch

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

△ Sampo 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
Tel. 852-2827-1268
Fax. 852-2827-1632

TAIWAN

Taipei

- Sampo Japan Insurance (Taiwan) Brokers Co., Ltd.
Tel. 886-2-2541-3768
Fax. 886-2-2562-2134

▲ Taipei Representative Office

- Tel. 886-2-2562-2236
Fax. 886-2-2536-7107
Room C, 10th Floor, Shen Hsiang Tang Sung Chiang Building, No.146, Sung Chiang Road, Taipei, Taiwan

KOREA

Seoul

- Sampo Japan Consulting (Korea) Inc.
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

Singapore

- **Sompo Japan Asia Holdings Pte. Ltd.**
Tel. 65-6223-7092
Fax. 65-6322-4689
- **Sompo Japan Insurance (Singapore) Pte. Ltd.**
Tel. 65-6223-5293
Fax. 65-6226-6318

50 Raffles Place, #03-03 Singapore Land Tower, Singapore 048623, Republic of Singapore

MALAYSIA

Kuala Lumpur

- **Berjaya Sompo Insurance Berhad**
Berjaya Sompo Insurance Berhad, Global Business Department, 18th Floor, Menara BGI, Plaza Berjaya, 12 Jalan Imbi, 55100 Kuala Lumpur, Malaysia
Tel. 60-3-2117-2118
Fax. 60-3-2144-7297

Labuan

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

INDONESIA

Jakarta

- **P.T. Sompo Japan Insurance Indonesia**
18th Floor, Midplaza 1 Jl. Jend. Sudirman Kav. 10-11 Jakarta 10220, Republic of Indonesia
Tel. 62-21-570-6230
Fax. 62-21-5737040/62-21-5703992

PHILIPPINES

Manila

- **PGA Sompo Japan Insurance Inc.**
5th Floor, Corinthian Plaza, 121 Paseo de Roxas Legaspi Village, Makati, Metro Manila, Philippines
Tel. 63-2-811-3417
Fax. 63-2-811-3278

THAILAND

Bangkok

- **Sompo Japan Insurance (Thailand) Co., Ltd.**
Tel. 66-2636-2333
Fax. 66-2636-2340
- **Sompo Japan Service (Thailand) Co., Ltd.**
Tel. 66-2636-2330
Fax. 66-2636-2329

12th Floor, Abdulrahim Place, 990 Rama 4 Road, Silom, Bangrak, Bangkok, 10500, Thailand

VIETNAM

Hanoi

- **United Insurance Company of Vietnam**
Tel. 84-4-38262686
Fax. 84-4-39341752
- ▲ **Hanoi Representative Office**
Tel. 84-4-3934-0980
Fax. 84-4-3934-0981

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

Ho Chi Minh City

- **United Insurance Company of Vietnam**
Tel. 84-8-38219036
Fax. 84-8-38219248
- ▲ **Ho Chi Minh Representative Office**
Tel. 84-8-3821-9034
Fax. 84-8-3821-9037

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

MYANMAR

Yangon

- ▲ **Yangon Representative Office**
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

INDIA

Mumbai

- **Universal Sompo General Insurance Co., Ltd. (Head Quarters)**
310-311, Trade Centre, Opp. MTNL Building, Bandra Kurla Complex, Bandra (E), Mumbai 400 098, India
Tel. 91-22-4028-7777
Fax. 91-22-4028-7781
- ▲ **Mumbai Representative Office**
210, Trade Centre, Opp. MTNL Building, Bandra Kurla Complex, Bandra (E), Mumbai 400 098, India
Tel. 91-22-2650-5044
Fax. 91-22-6675-8774

Chennai

- **Universal Sompo General Insurance Co., Ltd. (Chennai Office)**
Capitale Towers, 5th Floor, 554 & 555, Anna Salai, Teynampet, Chennai - 600018, India
Tel. 91-44-4297-5000
Fax. 91-44-4297-5050

Kolkata

- **Universal Sompo General Insurance Co., Ltd. (Kolkata Office)**
7th Floor, Express Towers, 42A, Shakespeare Sarani, Kolkata-700017, India
Tel. 91-33-3020-2785
Fax. 91-33-3020-2791

Delhi

- **Universal Sompo General Insurance Co., Ltd. (Delhi Office)**
Ground Floor, Enkay Tower, B&B1, Vanija Nikunj, Udyog Vihar Phase V, Gurgaon, Haryana 122016, India
Tel. 91-124-472-8800
Fax. 91-124-472-8899

OCEANIA

AUSTRALIA

Sydney

- ◆ **Australia Branch**
Tel. 61-2-9390-6280
Fax. 61-2-9390-6445
- △ **Allianz Australia Insurance Limited**
Allianz Centre, Forecourt Building Level 12, 2 Market Street, Sydney, NSW 2000, Australia

Board of Directors, Officers and Auditors

(as of July 1, 2009)

President and Chief Executive Officer

Masatoshi Sato

Director, Senior Managing Executive Officer

Hisashi Nakano

Mitsuhiko Fuse

Kenichi Tomita

Koki Kazuma

Director, Managing Executive Officer

Eiichi Yoshimitsu

Masami Ishii

Takeshi Oiwa

Kengo Sakurada

Hiroyuki Yamaguchi

Hiroataka Arai

Independent Director

Yoshiki Yagi

Toshiaki Hasegawa

Senior Managing Executive Officer

Takakazu Sugishita

Managing Executive Officer

Ken Endo

Toru Nakajima

Hidenori Fukuzawa

Hideto Ishizawa

Yukihiko Tajima

Hideo Haraguchi

Yuji Hara

Minoru Nambu

Shinji Tsuji

Kazuo Okazaki

Yujiro Oku

Yoshio Furukawa

Executive Officer

Koichi Motoyama

Masayoshi Hori

Kaoru Takahashi

Keiji Nishizawa

Tadashi Baba

Kazutaka Muto

Osamu Kawase

Akira Yoneda

Masami Takahashi

Hidehiro Sumi

Masahiro Sano

Syuichi Kita

Toshiyuki Hanazawa

Hisashi Takebayashi

Toshiaki Suehiro

Ryuta Nakajima

Corporate Auditor

Jiro Handa

Yukio Nakamura

Auditor

Kunihiro Matsuo

Yukako Uchinaga

Akira Matsuda

Corporate Data

(as of March 31, 2009, except where noted)

Head Office	26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8338, Japan Tel: 03-3349-3111 URL: http://www.sompo-japan.co.jp
Founded	October 1, 1888
Paid-in Capital	¥70,000 million
Total Assets	¥4,856,436 million
Net Premiums Written	¥1,290,465 million
Offices	Domestic 332 Overseas 33
Agencies	49,430
Employees	17,042
Independent Certified Public Accountants	Ernst & Young ShinNihon LLC (Effective July 1, 2008, Ernst & Young ShinNihon changed its name to Ernst & Young ShinNihon LLC)
Number of Shares of Common Stock Issued	987,733,424
Major Shareholders	<ul style="list-style-type: none"> • Japan Trustee Services Bank, Ltd. (Trust) • Japan Trustee Services Bank, Ltd. (Trust 4G) • The Master Trust Bank of Japan, Ltd. (Trust) • State Street Bank and Trust Company • The Dai-ichi Mutual Life Insurance Company • Mizuho Corporate Bank, Ltd. • Meiji Yasuda Life Insurance Company • Sompo Japan Employee Stock Ownership Group • Trust & Custody Services Bank, Ltd. (Securities Investment Trust) • Japan Trustee Services Bank, Ltd. (Trust 4)
Stock Exchange Listings	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Shareholder Register Agent	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan
General Shareholders Meeting	Held within four months of April 1
Investor Relations	Investor Relations Office, Corporate Planning Department Sompo Japan Insurance Inc. 26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8338, Japan
Ratings (as of July 1, 2009)	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, 2009)

- 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
- Sawayaka Insurance Planning Inc.
- Area Support Japan Watarase Holding 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

SOMPO JAPAN INSURANCE INC.

26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8338, Japan

