Ready for the Wave of Innovation

Mitsui Sumitomo Insurance

Annual Report 2004

Profile

Formed through a merger in October 2001, Mitsui Sumitomo Insurance Co., Ltd. (MSI), is one of the leading companies in Japan's non-life insurance industry. It has sustained steady growth by providing top-quality products and services to both individual and corporate customers.

Regulatory relaxation measures in Japan have lowered the barriers separating different sectors of the insurance industry and other financial industries. This has created diverse new relationships among companies in these industries and spurred the emergence of new business restructuring programs, corporate alliances, and competitors. Amid these conditions, the MSI Group is responding to customer needs in five business fields—non-life insurance, life insurance, overseas business, financial services, and risk-related business—and its ability to propose and supply optimal risk solutions has underpinned its strong performance.

As is articulated in the MSI Group's Mission Statement, the Group attaches great importance to maintaining solid, trust-based relationships with its customers, shareholders, marketing agents, and other stakeholders as well as society at large. The Group is seeking to consolidate that trust through relentless efforts to realize continuous corporate growth and a sustained increase in corporate value.

Mission Statement

Through our insurance and financial services businesses, we commit ourselves to the following.

- Bringing security and safety to people and businesses around the world, and making a lasting contribution to the enrichment of society
- Providing the finest products and services, and realizing customer satisfaction
- Continuously improving our business, thereby meeting our shareholders' expectations and earning their trust

Contents

Cautionary Statement

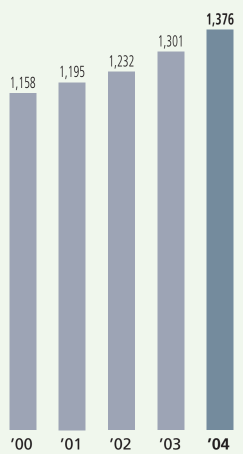
Any statements about Mitsui Sumitomo Insurance Co., Ltd.'s future plans, strategies, and performance contained in this report that are not historical facts are meant as, or should be considered as, forward-looking statements. These forward-looking statements are based on the Company's assumptions and opinions in the light of the information currently available to it. The Company wishes to caution readers that a number of uncertain factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to, (1) general economic conditions in the Company's markets, (2) competitive conditions in the insurance business, (3) fluctuations of foreign currency exchange rates, and (4) government regulations, including changes in the tax rates.

Financial Highlights

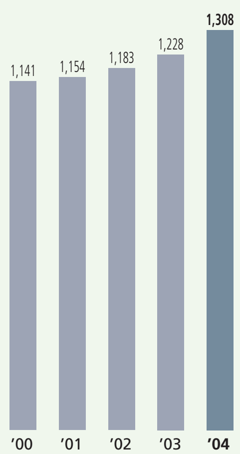
Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Net premiums written	¥1,232,000	¥1,300,681	**¥1,375,973**	**$12,980,877**
Net premiums earned	1,182,675	1,228,000	**1,308,059**	**12,340,179**
Premium income for life insurance contracts	137,324	147,761	**157,840**	**1,489,057**
Net income from underwriting	5,355	17,484	**39,496**	**372,604**
Investment income, net of investment expenses	124,029	116,603	**118,603**	**1,118,896**
Net income	25,981	38,312	**116,117**	**1,095,443**
Net income per share (in yen and U.S. dollars):				
Basic	¥17.58	¥26.29	**¥80.61**	**$0.76**
Diluted	16.53	24.93	**78.87**	**0.74**
Total assets	¥7,416,455	¥7,076,642	**¥7,806,916**	**$73,650,151**
Total shareholders' equity	1,827,169	1,543,053	**1,950,299**	**18,399,047**
Combined loss and expense ratio* (%)	97.8%	96.4%	**95.2%**	
ROE (%)	1.4	2.3	**6.6**	

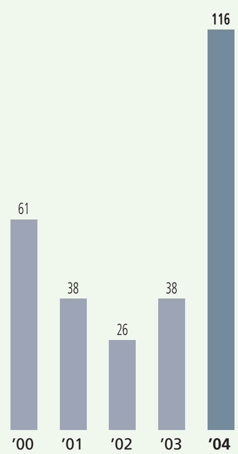
Note: U.S. dollar amounts in this annual report have been translated from yen, for convenience only, at the rate of ¥106=U.S.$1. See Note 1 (a) of the notes to consolidated financial statements, page 38.
* The combined loss and expense ratios relate to property and casualty insurance.



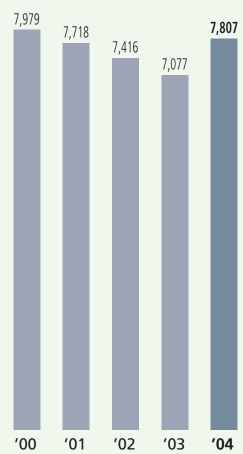
NET PREMIUMS WRITTEN
(Billions of yen)



NET PREMIUMS EARNED
(Billions of yen)



NET INCOME
(Billions of yen)



TOTAL ASSETS
(Billions of yen)

To Our Shareholders

Registering Record-High Income Even in the Face of Today's Challenging Business Environment

We are pleased to present our shareholders with the annual report of Mitsui Sumitomo Insurance Co., Ltd. (MSI), for fiscal 2003, ended March 31, 2004.

Although the Japanese economy finally showed signs of moderate recovery after a prolonged downturn, conditions remained extremely challenging for the non-life insurance industry. Automobile insurance premium volumes were weakened by two main factors. First, insurance unit prices declined due to the decrease in new automobile demand and the resulting older vehicle ages, and, second, insurance premium rates declined due to growing accident-free discounts and overall reductions in levels. In spite of this challenging environment, the MSI Group succeeded in making numerous outstanding achievements by bringing into full play the combined strengths of the entire Group, including considerable selling power both in Japan and overseas, the ability to develop leading products and services, its robust financial base, and its portfolio investment skills.

Particularly noteworthy during the year was MSI's rise from the No. 3 company in the industry to No. 2 in terms of non-life consolidated net premiums written (based on Japanese accounting standards). This was the first change in the positions of Japan's top three non-life insurance companies in 46 years and is a momentous accomplishment.

In addition to enjoying the highest rate of growth among the top three companies, we recorded a substantial rise of more than 30% in revenue from our overseas insurance subsidiaries.

Fiscal 2003 highlights include:

- Net premiums written increased 5.8%, to a record high of ¥1,376 billion.
- Net income amounted to a record high of ¥116.1 billion, primarily on the strength of increased income from underwriting due to an improved combined ratio and a gain on the sale of equity holdings through exchange-traded funds (ETFs).
- Premium income of Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. (a wholly owned subsidiary), grew 6.8%, to ¥157.8 billion.
- Premium income of Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd. (MSICiti, a 51%-owned joint venture), totaled ¥424.7 billion based on Japanese accounting standards, earning it the industry's No. 2 position just 18 months after being established as a variable annuities specialist.
- The Company bought back a record ¥26.0 billion of its own stock.

Takeo Inokuchi
Chairman and Chief Executive Officer (left)

Hiroyuki Uemura
President and Chief Executive Officer (right)

Management Strategy and Business Activities

Management Strategy: Consolidated Emphasis

The basis of the MSI Group's management strategy is the augmentation of its combined strengths.

Under the MS WAVE II two-year strategic business plan initiated in April 2003, the MSI Group is working to enhance its growth, profitability, and corporate quality as well as to ambitiously develop overseas businesses, financial services, and risk-related businesses while maintaining its life and non-life insurance businesses as the core of its operations. Our aim is to proactively grasp every earnings opportunity in each of our business fields to maximize total consolidated profit. The highlights of our strategy were described in the preceding section. Here, we would like to discuss the initiatives and activities undertaken by each business to make those results possible.

Domestic Non-Life Insurance Operations: Increased Top Line and Improved Combined Ratio Despite the Challenging Business Environment

The keys to successful top-line initiatives are product appeal and selling power.

On the product side, leveraging its industry-leading product development abilities and risk solutions skills, MSI has augmented the coverage and servicing of its *MOST* automobile insurance, *ViV* individual accident and medical insurance, and *Home Pikaichi* fire insurance. These core products were extremely well received by our customers and generated substantial sales growth. In November 2003, we also introduced *ViV Shushin* whole life medical insurance, which includes such features as our "Accident-Free Mileage" program, under which insurance premiums are lowered as the number of accident-free years mounts. In the five months following its launch, we sold more than 100,000 *ViV Shushin* policies.

In the field of risk solutions, through Group company InterRisk Research Institute & Consulting, Inc., MSI provides risk management services on brand risks and business continuity management (BCM) related risks.

At the sales channel level, over-the-counter sales at banks remained strong, increasing 12% year on year, and MSI also attained steady growth in sales of non-life insurance products through tie-ups with life insurance companies, thus helping to expand its top line. In existing agent channels, we also endeavored to enhance the competitiveness of our agent network by expanding the size of individual agents, increasing their productivity, and providing support and guidance to augment their level of new service innovation for their customers.

MSI's combined ratio improved by 1.2 percentage points. Although the loss ratio increased marginally, the Company still succeeded in improving the combined ratio through Companywide cost reduction initiatives. Regarding costs, we made further progress in reducing personnel expenses through the streamlining of our workforce and a decline in retirement benefit costs while curtailing system expenses, office lease fees, logistics expenses, and other non-personnel expenses.

Overseas Operations: A Turnaround in Earnings

In overseas operations, MSI emphasized profitability in its business activities.

Business in Asia continued to expand steadily, attaining even greater profitability than domestic operations, and MSI succeeded in once again recording substantial income in the region. In Europe, underwriting at Lloyds of London produced strong results by fully capitalizing on the benefits of escalated premium rates and made a substantial contribution to Group income. MSI also returned its operations in the United States to profitability by tightening underwriting conditions and working to raise rates.

We made several noteworthy achievements in Asia, where we are working to bring our solid strengths into full play. In Thailand, we invested in The Ayudhya Insurance Public Company Limited, and jointly invested in Bangkok Life Assurance Limited, along with Nippon Life Insurance Company, marking our first advancement into Asian life insurance operations. In China, MSI obtained a local business permit and applied for a permit to establish a wholly owned subsidiary to replace its current branch office business configuration. Once we have established the new subsidiary, we believe our business in China will expand dramatically. Driven by strong GDP growth, both the life and non-life insurance markets in Asia have been continuously generating double-digit growth, and we anticipate continued high growth and stable profitability in the region. Over the months and years ahead, we will continue to implement measures to strengthen our presence in Asia and other overseas markets.

Life Insurance Operations: High Growth in Total Amount of Insurance in Force

MSI's life insurance operations stand shoulder to shoulder with its non-life insurance operations as a core business of the MSI Group.

Wholly owned subsidiary Mitsui Sumitomo Kirameki Life succeeded in producing strong sales results during the fiscal year, primarily in its *MS Shushin* whole life insurance with a market-sensitive interest rate and income protection insurance with no-cash surrender value. By positioning these products as the pillars of Mitsui Sumitomo Kirameki Life's product lineup, it will continue to work to expand underwriting.

MSICiti, which we jointly established with Citigroup of the United States, is currently marketing variable annuities through bank and securities brokerage channels. MSICiti's remarkable achievements are described in the preceding highlights section, and we anticipate further growth in sales in light of the scheduled capping of bank deposit insurance in spring 2005 and Japan's call for its citizens to be more self-reliant in protecting themselves and their families by safeguarding their financial health.

Portfolio Investment: Large-Scale Sale of Stockholdings through ETFs

Expansion in interest and dividend income remained slow in fiscal 2003 as domestic interest rates, although rebounding slightly, remained low. Interest and dividend income is a crucial pillar of MSI's core income, and the Company is working to diversify its investment activities in this area, focusing on such measures as expansion in alternative investment and the enhancement of individual loans. To reinforce our overall management of assets and liabilities, we focused our investments primarily on Japanese bonds and also sold approximately ¥170.0 billion in stocks through ETFs as a means of alleviating the risk of price fluctuation.

Financial Services: Meeting the Diverse Needs of Our Customers

In its financial services operations, MSI continued to market its savings-type personal accident insurance for use as defined contribution pension plans and launched sales of comprehensive defined contribution pension plans for small to medium-sized businesses. To meet the diverse needs of our customers, we provided a wide range of financial services, including financial guaranty of securitized products as well as weather derivatives, which alleviate the financial risks of unseasonal conditions for business owners.

Aiming to Further Enhance Shareholder Value

The basis of the MSI Group's capital policy is to maximize consolidated income through Groupwide growth.

We thus intend to steadily enlarge our domestic non-life insurance operations, which currently account for the majority of our Group income, while proactively investing business resources to substantially expand income from overseas and life insurance operations. We are also dedicated to sharing profits gained through such business activities with our shareholders in the form of cash dividends and buybacks of Company stock.

The strength of stock market prices in Japan, which have rebounded after bottoming out in April 2003, drove up MSI's unrealized gains on marketable securities 74.0% year on year and substantially increased its net income as well as shareholders' equity. Of course, we realize that, accordingly, our responsibility to our shareholders has also grown by the same rate. From a balance-sheet management perspective, we will continue to engage in the sale of stockholdings, reduce our market risk, and stabilize surplus capital. We will allocate funds received from the sale of stock to such initiatives as investment in high-profitability businesses and the buyback of Company stock. By thus ensuring capital sufficiency and raising capital efficiency, we will create greater shareholder value.

Pursuing our Corporate Philosophy

In tandem with earnings growth, the MSI Group is implementing corporate social responsibility (CSR) activities throughout its organization.

We will further raise our corporate value by taking proactive measures to ensure compliance, risk management, disclosure, communication, respect for human dignity, and the protection of the global environment. We strive to be:

- "A big company." Specifically, a company driven by outstanding growth potential that will continue to expand its earnings.
- "A strong company." Specifically, a company characterized by superior profitability and financial stability and that continually discovers new profit opportunities.
- "A good company." Specifically, a company that develops along with society and achieves sustainable growth and raises its corporate value.

Achieving these aspirations will bring us closer to our goal of joining the world's top players.

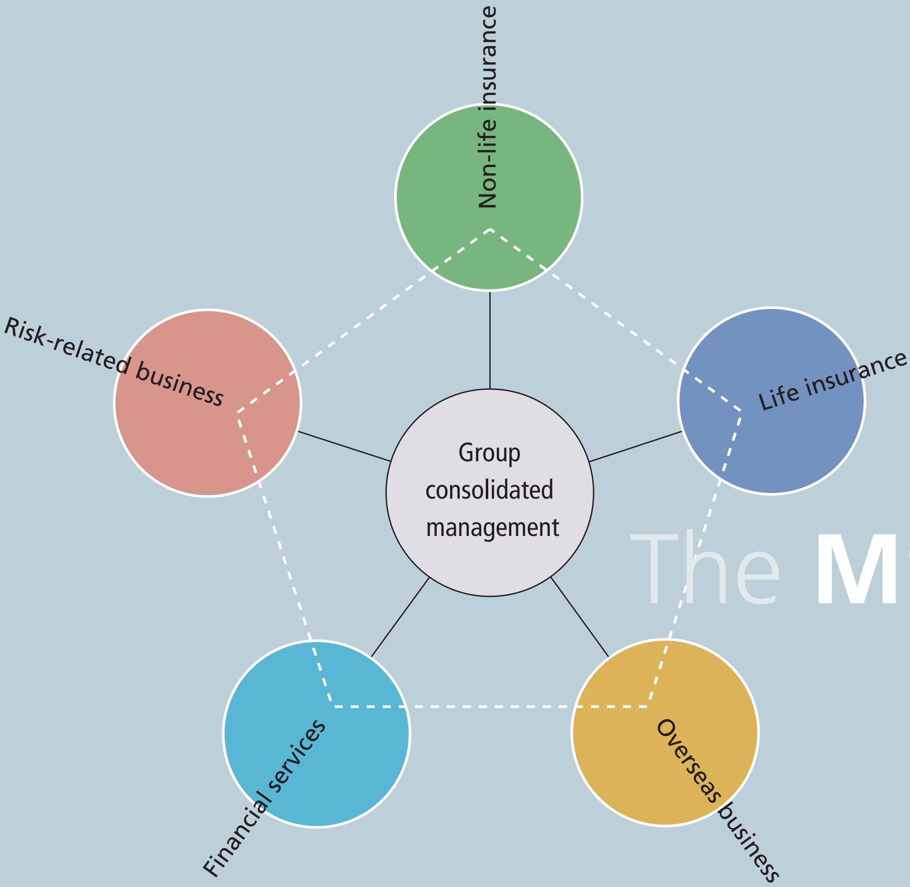
Since its merger and establishment as Mitsui Sumitomo Insurance, the Company has made the raising of shareholder value central to its corporate philosophy and has conducted its operations with the aim of achieving high capital efficiency management. October 2004 will mark our third anniversary. Focusing on our non-life and life insurance operations, we will close out our third year by implementing even more dynamic action in each of our businesses and producing grand results. Furthermore, we will make it our mission to continue to live up to the trust and expectations of our shareholders through enduring growth in earnings, and we pledge that all of our directors and employees will put forth ceaseless efforts to accomplish this mission.

We look forward to the continued support and guidance of our shareholders.

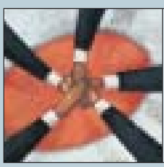
August 2004

Takeo Inokuchi
Chairman and Chief Executive Officer

Hiroyuki Uemura
President and Chief Executive Officer



The MSI Group



Overview of MS WAVE II

MSI's MS WAVE II two-year strategic business plan covering fiscal 2003 through fiscal 2004 inherits the successes and drive of the original MS WAVE plan, under which the Company achieved its merger. Our goal under MS WAVE II is to become "No. 1 in Group total corporate power." The word *Group* alludes to the status of consolidated management as the foundation of business, while the words *total corporate power* refer to the combination of growth potential, profitability, and corporate quality. We have been working toward realizing the five performance targets for growth and profitability set out in the plan while striving to make further improvements to our corporate quality.

In fiscal 2003, MSI exhibited steady progress. In fiscal 2004, the plan's final year, we are further accelerating these endeavors and aim to meet all of our targets.

1. Group Business Segmentation and Income Sources

MSI operates in an industry that is highly dependent upon the domestic non-life insurance market for income. Leveraging our Group strengths and exercising environmental awareness, both in Japan and overseas, we are working to make dramatic progress toward the prompt diversification of revenue sources, dynamically develop our five businesses, and achieve lasting growth through Group consolidated management.

Specifically, we will enhance both our growth potential and profitability by providing products and services that are finely tuned to customer needs, improving our sales and claims-handling service framework, strategically developing business in overseas markets, and further strengthening our cost-competitiveness and portfolio investment. At the same time, we will work to improve our corporate quality by providing high-quality customer services, thoroughly implementing risk management and compliance, and augmenting corporate governance. Through these various measures, MSI will live up to the expectations of its customers and shareholders as well as society in general.

2. Five Performance Targets and Corporate Quality Improvement Initiatives

The Company's five performance targets for growth potential and profitability and main strategies to meet them as well as action items for raising corporate quality are as follows.

Five Performance Targets

Performance Targets for Being No. 1 in Growth

	Strategies
No. 1 in increasing ratio of net premiums written from domestic non-life insurance	• Proactively engage in the retail market and expand net premiums written, market share, and customer base • Expand sales with the highest priority on key products for the individual insurance sector and new products for the third sector • Establish a claims-handling service brand with which to garner outstanding customer favor
No. 2 in consolidated net premiums written from non-life insurance underwriting, including those from overseas	• Overseas: Further strengthen our business foundation as the No. 1 Japanese non-life insurance company in Asia • Reinsurance: Optimize measures for Group retained and reinsured liabilities and expand the operations of overseas reinsurance subsidiaries
No. 2 in the amount of life insurance in force among subsidiaries of non-life insurers	• Expand Group income and widely cultivate Mitsui Sumitomo Kirameki Life

Performance Targets for Being No. 1 in Profitability

	Strategies
No. 1 position for combined ratio (loss ratio plus expense ratio)	• Enhance cost-competitiveness and improve the loss ratio
No. 1 in the rate of investment return	• Further hone portfolio investment skills and renew our record as No. 1 in the rate of investment return

Corporate Quality Improvement Initiatives

Pursuing Highest Quality

- Raise customer satisfaction by providing customer services of the highest quality
- Promote reform of employee consciousness and action

Strengthening Company Vitality and Foundations

- Thoroughly implement risk management and compliance
- Invest in new businesses and refine capital utilization
- Strengthen corporate governance
- Proactively engage in social contributions and environmental activities

MS WAVE II Progress in Fiscal 2003 and Tasks for the Final Year

As of the fiscal 2003 year-end, the halfway point in the MS WAVE II plan, MSI was ahead of schedule in achieving its goals of being No. 1 in increasing ratio of net premiums written from domestic non-life insurance, No. 2 in consolidated net premiums written from non-life insurance underwriting, including those from overseas, and No. 1 in the rate of investment return. In fiscal 2004, we are working to complete all five goals by becoming No. 2 in the amount of life insurance in force among subsidiaries of non-life insurers and achieving the No. 1 position for combined ratio.

Corporate Quality Improvement Initiatives

• During the year under review, MSI steadily implemented the measures laid out in its MS WAVE II plan and in August 2003 established a CSR committee, chaired by President and CEO Uemura, and solidified the framework for Companywide measures to become "No. 1 in corporate quality".

	Fiscal 2004 Year-End Objectives for Performance Targets	Fiscal 2003 Year-End Target Attainment Status (GAAP in Japan basis)
1	**No. 1** in increasing ratio of net premiums written from domestic non-life insurance	Achieved the No.1 position among the major insurers with a **1.5%** rate of earnings increase
2	**No. 2** in consolidated net premiums written from non-life insurance underwriting, including those from overseas	Advanced to No. 2 with **¥1,379 billion**
3	**No. 2** in the amount of life insurance in force among subsidiaries of non-life insurers	Reached **¥5,779 billion,** narrowing the gap between us and the No. 2 company by ¥60 billion
4	**No. 1** position for combined ratio	No. 2 among the major insurers at **91.8%**
5	**No. 1** in the rate of investment return	No. 1 with an income return of **2.33%**

• The MSI Group recognizes the deep importance of CSR to its risk solutions business and implements the following CSR strategies. We take a two-pronged approach to externally oriented CSR activities—CSR in traditional operations through business activities and non-operational CSR through environmental and social endeavors. These activities are supported by our internal efforts to strengthen our corporate structure through compliance, risk management, corporate governance, disclosure, and other means we will develop on a Companywide basis.

Future Issues for the MSI Group

• In the final year of the MS WAVE II plan, MSI is boldly addressing such issues as increasing its top line and improving the loss ratio, thereby working to bring the plan to a successful conclusion. Although the environment surrounding Japan's non-life insurance market is expected to remain challenging, we are striving to further augment Group consolidated management, diversify revenue sources, and expand income.

• In businesses other than non-life insurance operations, overseas businesses in Asia and other regions currently make significant contributions to Group income, and we are working to further expand these contributions. We are also steadily cultivating the life insurance sector, which is expected to become a major contributor to Group income in the future, by increasing the number of life insurance experts and other such measures.

• MSI is continuing to work to ensure capital sufficiency and the efficient use of capital, endeavoring to expand Group income by strategically investing in high-profitability business fields, and aiming to achieve lasting development and greater corporate value.

Corporate Governance

Recognizing the strengthening of corporate governance as one of its most important management issues, MSI has positioned it as a key item in its MS WAVE II plan and is taking proactive steps to improve performance in this area and to enforce corporate governance principles. Through the efficient use of management resources and appropriate risk management, the Company will continue to endeavor to improve its value by creating a management framework for transparency and proper check functions so as to ensure long-term stability and development.

(1) Content of the Company's Administrative Bodies

1. BASIC EXPLANATION OF THE COMPANY'S ORGANIZATION

MSI uses an auditor system and it is working to improve governance through strengthening the functions of its auditors and through proactive information disclosure.

Regarding the Board of Directors, the Company has set the term of office for board members at one year to clarify management responsibility for each fiscal year and create a management framework that is capable of flexible response to changes in the business environment.

MSI has also adopted an executive officer system, under which it has formulated a management framework with a clear distribution of duties. The Board of Directors is in charge of decision making and supervision on important items pertaining to overall management, while executive officers execute business operations in accordance with the management policies set by the Board of Directors.

2. CONTENT OF THE COMPANY'S ADMINISTRATIVE BODIES

a. Board of Directors

The Board of Directors discusses and determines key management strategy items, including Company and Group business strategies and capital policies, and supervises directors' and executive officers' execution of their duties.

The Company has also established a Nominating Committee and a Remuneration Committee as internal organizations of the Board of Directors. At the request of the Board of Directors, the Nominating Committee provides advice on the election, dismissal, and promotion of directors and executive officers while the Remuneration Committee provides the Board of Directors with advice on the evaluation of directors and executive officers as well as remuneration and other compensation.

b. Management Committee

MSI has established a Management Committee as an organization that deliberates key issues pertaining to management policies and strategies as well as Company and Group management and business execution.

c. Auditors and Board of Auditors

MSI's corporate auditors supervise directors' execution of their duties through such means as participation in meetings of the Board of Directors and the Management Committee and other key conferences. The Board of Auditors consists of four full-time auditors within the company and two part-time auditors from outside the Company who obtain, discuss, and make decisions on reports on key auditing issues.

d. Other Bodies

MSI has established task-specific committees to deliberate on key management issues as they pertain to the execution of operations and mutual exchange of opinions between related divisions. Primary committees include the Disclosure Committee, the Risk and Compliance Committee, and the CSR Committee.

(2) Directors' Compensation

Directors' and auditors' compensation for the fiscal year under review was as follows:

• Compensation paid to directors: ¥1,276 million
• Compensation paid to auditors: ¥127 million

These figures include the following:

Employee compensation and remuneration for other duties of directors who are concurrently employees: ¥43 million

Retirement bonuses: ¥701 million (directors: ¥672 million; auditors: ¥29 million)

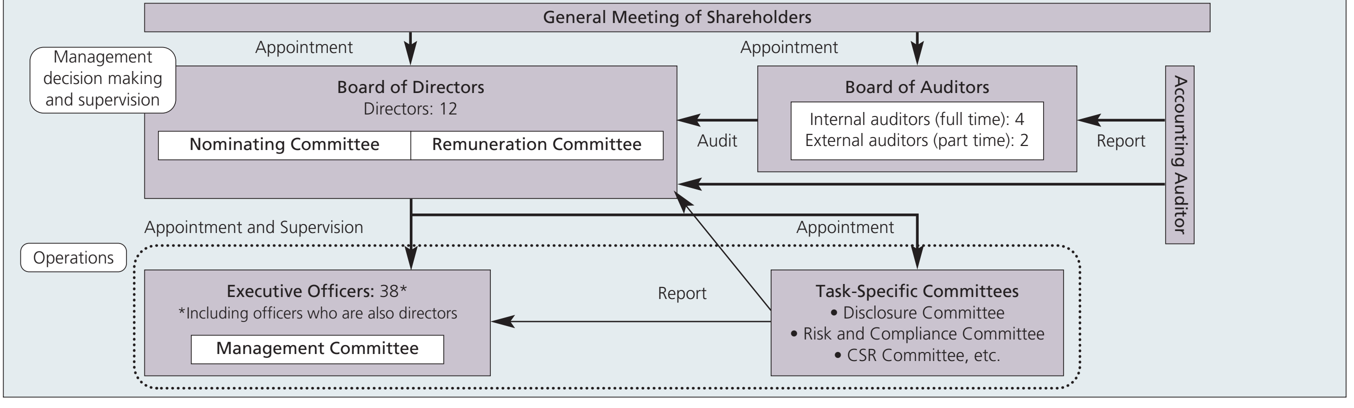
Directors' bonuses: ¥80 million (directors: ¥80 million; auditors: none)

(3) Auditors' Compensation

Compensation paid to MSI's accounting auditors (KPMG AZSA & Co.) was as follows:

• Audit certification compensation: ¥63 million
• Other compensation: ¥1 million

MSI's Corporate Governance Framework



Executive Officers and Corporate Auditors

Seated from left: Sanpei Nozaki, Takeo Inokuchi, Hiroyuki Uemura, Takeshi Kurioka
Standing from left: Shunji Abo, Hiromi Asano, Atsushi Watamura, Yoshiaki Shin, Takashi Yamashita, Susumu Uchida, Kazuo Kondo, Katsuaki Ikeda

Chairman and Chief Executive Officer

Takeo Inokuchi*

President and Chief Executive Officer

Hiroyuki Uemura*

Executive Vice Presidents

Sanpei Nozaki*
Takeshi Kurioka*

Senior Executive Officers

Yoshiaki Shin*
Kenichi Enami
Kazuo Yamada
Takashi Yamashita*
Yoshihiko Mikuni
Ken Ebina

Managing Executive Officers

Atsushi Watamura*
Susumu Uchida*
Nobuyuki Hidaka
Toshiaki Egashira
Koji Yoshida
Toshihiro Nakagawa
Minoru Shoda
Kazuo Araya
Hiromi Asano*
Kazuo Kondo*

Executive Officers

Kumio Ohisa
Norio Misaka
Koichi Kubota
Ichiro Iijima
Shunji Abo*
Hitoshi Matsuno
Hiroaki Shiraki
Isamu Endo
Yoshio Iijima
Katsuaki Ikeda*
Hisao Mitsubori
Hideharu Nishida
Michio Hatakeyama
Teruyoshi Komiyama
Hironobu Namba
Hitoshi Ichihara
Yasuyoshi Karasawa
Yukihiro Kawazu

Standing Corporate Auditors

Yasuo Ogura
Masaki Kitano
Yasuo Tsutsumi
Michio Nozaki

Corporate Auditors

Junichiro Tanaka
Eiko Kono

(As of June 29, 2004)

* Member of Board

Risk Management

MSI's Board of Directors has formulated the Company's Basic Policy on Risk Management and is monitoring and supervising the overall risk management system and posture. The Basic Policy on Risk Management sorts the MSI Group's risks into insurance underwriting, investment, liquidity, clerical, system, and other risks, and establishes that each department will manage these risks internally as well as work to implement collective risk management covering the scope of the entire company.

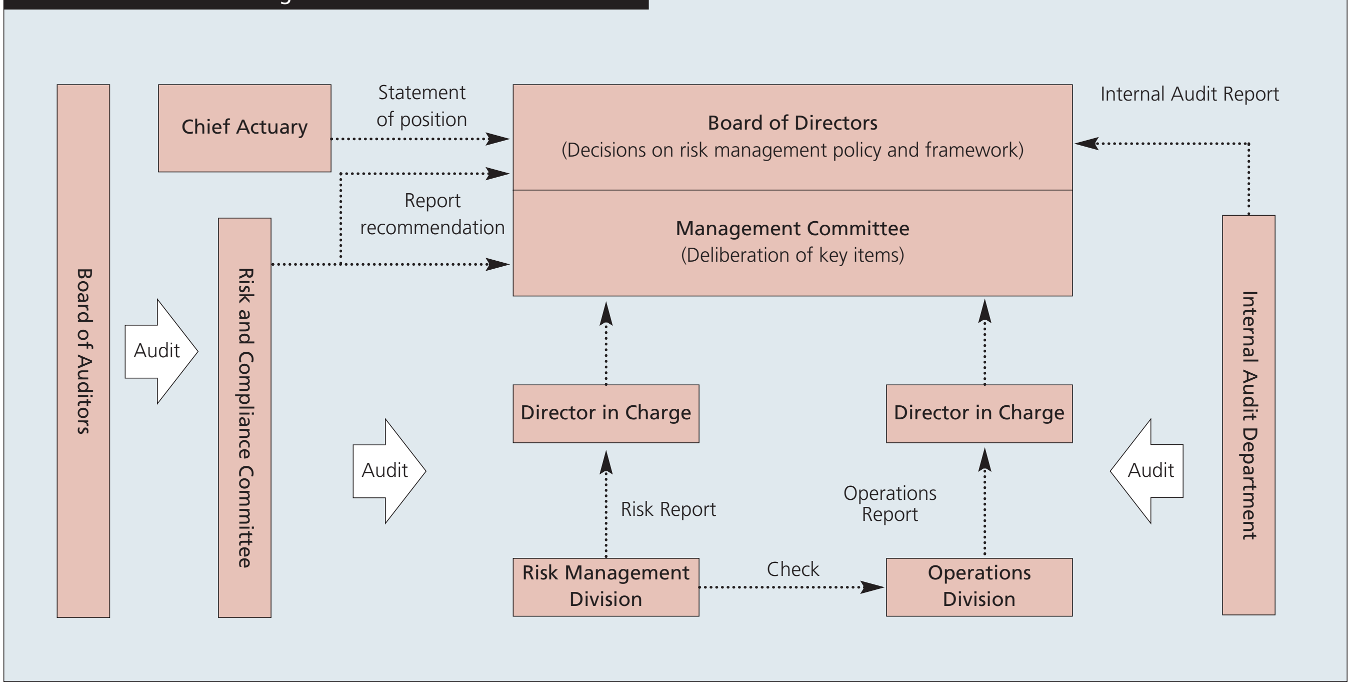
The Board of Directors has also formulated a compliance manual, which sets out MSI's basic policies on legal compliance, with each department working to ensure that compliance is observed.

In addition, MSI has established a Risk and Compliance Committee composed of the executive officers in charge of the Company's various operations. This committee takes practical and specific action ranging from the planning and proposal of risk management and compliance-related policies and projects to administrative progress reports for the Board of Directors and the Management Committee, suggestions, and the deliberation and coordination of key items.

Internal Control System

For its internal control system, MSI maintains an independent Risk Management Division to control risks associated with investments as well as an Internal Audit Department, which conducts internal audits of all Group companies with an emphasis on internal administration processes. MSI's basic policy on internal auditing is to contribute to the reinforcement of corporate governance by raising issues related to internal administration through internal audits that accurately respond to management issues. The Company also endeavors to implement thoroughgoing check and balance functions through such means as regular reports to the Board of Directors on internal audit results.

Risk Management Framework



Corporate Social Responsibility

Sweaters knitted by volunteers from both MSI and outside the Company are delivered to children in Mongolia.

When the MSI Group was established in 2001, it declared in its mission statement, "Through our insurance and financial services businesses, we commit ourselves to bringing security and safety to people and businesses around the world, and making a lasting contribution to the enrichment of society," as well as the goal, "To be an insurance and financial services group highly respected and trusted by customers, shareholders, marketing agents, and society." The insurance industry is characterized by a system of mutual assistance, which requires a strong sense of fairness and honesty in its management. Insurance services compensate companies and individuals for unforeseen losses, thereby contributing to the stability of the social and economic structure. This social and public facet of insurance companies relates back to the spirit of CSR.

Thus, the MSI Group's stance on CSR was already implied by its mission statement and operations. However, the MSI Group is proactively advancing CSR activities, viewing them as strategic investments to develop the Group and increase corporate value. Specifically, MSI has established the CSR Committee, headed by President and CEO Uemura, and the CSR network, which is composed of the heads of branches and departments as well as a young and a mid-career employee from each branch and department. MSI is carrying out its CSR Action Plan based on the following six points.

(1) Permeation and Fixation of Corporate Culture

To incorporate our thinking on CSR in all activities, we are working to compile the MSI Group Charter on Professional Conduct to provide guidelines for employee conduct and link our mission statement with discipline and the voluntary activities of employees.

(2) Contributing to Society and the Environment through Leading Products and Services

The primary business operations of the MSI Group are already helping to improve society by offering products and services related to the environment, marketing a socially responsible investment product, *Eco-Balance: Umi to Sora* (sea and sky), and conducting investigations and research as well as risk consulting related to the environment through its subsidiary InterRisk Research Institute & Consulting, Inc. and other activities. However, MSI will not be content with these achievements alone, and will continue to develop products and services that will earn high praise from both its customers and society.

(3) Corporate Philanthropic Environmental Activities

MSI, Mitsui Sumitomo Kirameki Life, InterRisk Research Institute & Consulting, and all seven other companies in the MSI Group have obtained certification confirming compliance with ISO 14001, an international standard for environmental management systems. In addition, MSI

Products of workshops staffed by the intellectually disabled are sold to MSI employees.

co-drafted and signed the "Statement of Environmental Commitment by the Insurance Industry," a UNEP declaration, and is still currently active as a member of the UNEP Finance Initiative. Among MSI's many programs that contribute to society, the Company has established the volunteer leave system and appointed a social activity promotion officer at every branch office. MSI also operates a matching gift program with donations made by Smile Heart Club, which is an MSI Group employees' volunteer organization. In addition, MSI supports the Japanese Red Cross Society in blood donation and the Japan Marrow Donor Program's bone marrow bank, donates all the complimentary goods or tickets for shareholders to NPOs and social welfare facilities across Japan, mediates sales of charity goods, and conducts charity fund drives to help the sufferers of various disasters.

(4) Creating a Comfortable Work Environment, Making Jobs Rewarding, and Instilling Employees with Pride as MSI Team Members

The MSI Group regards its employees as important stakeholders, and is striving to make employees feel that MSI is a comfortable place to work and that their efforts are worthwhile and to make them proud to be a part of MSI. In particular, MSI is addressing such issues as flexible work arrangements and improvements to the benefits system to respond to employees' work duties and domestic situations, the respect for human rights in the workplace, an "Internal Consultation Window" that will directly deal with problems and proposals, equal opportunities for self-fulfillment through skill development assistance, and other measures.

(5) Information Disclosure that Society Values

Disclosure of information to allow the Company's value to be appropriately assessed is an extremely important part of accountability. For this reason, MSI published the *Environmental and Social Activities Report* to make public our efforts on environmental issues, data on environmental impact, and the results of philanthropic activities, but the information contained therein has changed significantly, and we are currently compiling new materials to introduce the MSI Group's overall CSR activities.

(6) Quantitative Determination and Disclosure of CSR Activities

We are considering "CSR accounting," an accounting system that aims to measure and report the costs and effectiveness of CSR activities. We are developing it as our own Group model based on an environmental accounting framework, expanding the scope of accounting to incorporate overall CSR activities including corporate philanthropy, compliance, and other efforts, calculating total costs related to CSR activities, and indicating the results as written in quantitative (monetary sums, material items) or qualitative terms.

Furthermore, in June 2004, MSI decided to participate in the United Nations Global Compact. Participation in the UN Global Compact supports 10 principles related to Human Rights, Labour Standards, Environment, and Anti-Corruption, and is conducted through a declaration to move forward with activities to fulfill these 10 principles. MSI is the 16th Japanese company and the first Japanese financial institution to take part in this compact.

Smile Heart Club

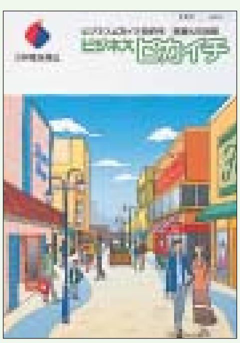
The MSI Group at a Glance—No. 1 in Total Corporate Group Power

BUSINESS FIELD	COMPANY	STRATEGIES
Non-Life Insurance	Mitsui Sumitomo Insurance Co., Ltd.	● Strong capabilities for new product development and marketing through 78,057 agents, collaboration with life insurance companies, OTC sales at banks, and a rich assortment of third-sector insurance products ● Strong claims-handling capabilities offered through a nationwide network of 264 claims-handling offices ● Extensive overseas network ● Strong reinsurance know-how and capacity ● Strong investment capabilities, being the top Japanese non-life insurance company in terms of rate of investment return
Life Insurance	Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd.	● Marketing of protection-oriented products ● Term products, whole life insurance products, and other products that make a large contribution to profitability ● Marketing primarily to existing MSI clients ● Variable annuities business ● Marketing through such partners as banks, trust banks, *shinkin* banks, and securities companies ● Marketing to high-net-worth individuals and other retail market segments
Overseas Business	Overseas network of 58 bases in 37 countries and regions MS Frontier Reinsurance Ltd. Mitsui Sumitomo Reinsurance Ltd.	● Boasting the top overseas network of any company in the Japanese insurance industry, covering the three principal regions of Asia, Europe, and North America, and with noteworthy recent augmentation in Asia ● Leveraging strengthened capabilities for reinsurance business created by increasing the capital of MS Frontier Reinsurance and Mitsui Sumitomo Reinsurance
Financial Services	Financial Services Division Sumitomo Mitsui Asset Management Co., Ltd. MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.	● Focusing on core financial service fields: financial guaranty, alternative risk transfer (ART), marketing investment trusts, and defined contribution pensions ● As one of the largest asset management companies in Japan, handling pension funds, investment trusts, and assets of insurance companies ● Emphasizing hands-on investments in start-up and mezzanine companies
Risk-Related Business	InterRisk Research Institute & Consulting, Inc. MITSUI SUMITOMO INSURANCE Care Network Co., Ltd. American Appraisal Japan Co., Ltd.	● As one of the largest risk management consulting companies in Japan, proposing risk solutions to corporate clients ● Providing support for long-term care, engaging in the home-visit care business, operating nursing homes specializing in the provision of fee-based long-term care services, etc. ● Providing global-standard asset appraisal services covering real estate and movables as well as such intangible assets as brands and patents

Insurance Business

Home Pikaichi

MSI has offered the popular *Home Pikaichi,* the highest class of fire insurance for homeowners, since 2001.



Business Pikaichi

The recently introduced *Business Pikaichi* is a fire insurance product providing full coverage to small and medium-sized companies.

Hull Insurance

MSI provides a full range of hull insurance products for the shipping and shipbuilding industries. These include coverage against physical damage to ships, collision liability, loss of profit, and damage due to war risk. For shipbuilders, we offer policies that cover damage to vessels under construction. Additional products include insurance against losses incurred during marine-based civil engineering work, oil field development, and plant construction. The Company draws on its unparalleled sales force and product development capabilities to provide services that match client needs, in turn winning the unwavering trust and praise of its clients.

In fiscal 2003, benefiting from rising global hull demand, net premiums written rose 6.1%, to ¥13.6 billion.

Cargo and Transit Insurance

MSI primarily offers customized cargo and transit insurance products that provide protection against accidental losses or damage to cargoes during both domestic and overseas shipment by sea, air, or land.

The Company has an extensive sales and claims-handling network throughout Japan and overseas and commands a leading position in the industry and the world market.

In fiscal 2003, net premiums written grew 13.3%, to ¥65.0 billion, reflecting the strength of freight operations to and from China.

Fire and Allied Lines Insurance

In fiscal 2003, MSI proactively marketed innovative and unique high-unit-value products in each market. The Company upgraded sales plans for *Home Pikaichi,* the highest class of fire insurance for homeowners, and in June 2003, it launched *Business Pikaichi,* fire insurance with full coverage for all risks for small and medium-sized companies. The business environment during the year was characterized by growth in private-sector capital investment and new housing starts on par with the previous fiscal year, and net premiums written for fire and allied lines insurance increased 9.6%, to ¥186.6 billion.

In fiscal 2004, we will introduce new riders in our core products and enhance a contracting system for agents. We will also work to enhance the salability of our core products in each market segment, including homeowners, small and medium-sized companies, and large corporations, and strive for dynamism in sales activities.

Personal Accident Insurance

In fiscal 2003, MSI implemented a well-timed expansion of its growing third-sector product lineup and conducted dynamic sales activities.

In April 2003, we introduced *V-Care* long-term care insurance that combines insurance against prolonged nursing care with family care insurance features, and in September we launched *ViV Kids,* comprehensive individual accident and medical insurance for children. In November, the Company further introduced *ViV Shushin* whole life medical insurance. This latter product has been extremely well received and features an "Accident-Free Mileage" program, under which insurance premiums are lowered commensurately with the number of accident-free years of the policyholder.

Thanks to the broad customer endorsement of *ViV Shushin* and other core products, net premiums written for all personal accident insurance products rose 1.3%, to ¥125.5 billion.

MSI will continue to accurately assess the needs of its customers and provide top-quality personal accident insurance products and services.

Voluntary Automobile Insurance

In January 2004, MSI revised its main voluntary automobile insurance product, *MOST*. For *MOST for Families,* for individuals, the Company added a new category of "35 years and over" to the existing age condition, expanded the discount rate for "gold" license (good driving record) holders, and introduced a new discount for new cars so as to deliver the "highest quality of coverage and services," which is a product concept of *MOST,* at a more reasonable insurance-premium level. We also launched the new *Baisho Wide Coverage* (a packaged endorsement of attorney fees and liability insurance for daily life), which provides support against a variety of liability accidents in daily life, regardless of accident responsibility.

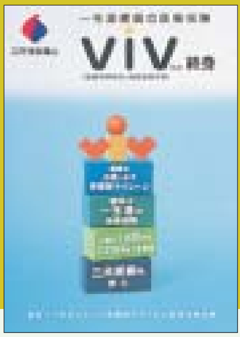
MSI made further efforts to meet the wide-ranging needs of its customers by revising some of its products in July 2004 and introducing such endorsements as *Policyholder & Spouse Driver Only Discount Endorsement.*

In fiscal 2003, MSI undertook proactive marketing programs focused primarily on *MOST*. With the added effect of a decline in *Modo-Rich* maturity refunds, net premiums written increased by 1.0%, to ¥581.5 billion.

Compulsory Automobile Liability Insurance

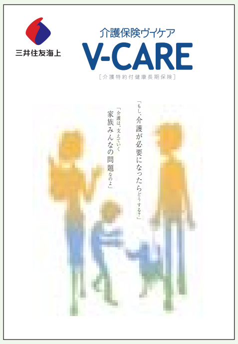
In Japan, the Automobile Liability Security Law requires all automobile owners to have compulsory automobile liability insurance that indemnifies—up to a prescribed amount—the holder against the death or injury of other persons as a result of an automobile accident.

In fiscal 2003, as a result of such factors as the abolition of the governmental reinsurance program in Japan's compulsory automobile liability insurance system, which was enforced in



VIV Shushin

MSI introduced *ViV Shushin* whole life medical insurance in November.



V-Care

V-Care long-term care insurance helps support insured individuals as well as family members providing long-term nursing care.

MOST

MOST for Families is Japan's first automobile insurance product to cover injuries from accidents that occur in the course of everyday life.

the previous fiscal year, net premiums written climbed by 17.6%, to ¥194.0 billion.

Family income policies

MSI launched family income policies with no cash surrender value in February 2004.

MSICiti

MSICiti provides variable annuity plans that combine the appeal of fund management, insurance, and annuity products.

Other Property and Casualty Insurance

MSI has been vigorously introducing new insurance products that meet market needs and cover new types of risks while responding to the deregulation of insurance for commercial businesses.

In November 2003, MSI launched and promoted its *Commercial General Liability for Senior Manpower Centers* in response to the diversification of senior manpower centers' business content and rising need to safeguard against quasi-risks related to employers' liability. Also, with the Personal Information Protection Act scheduled to go into effect in April 2005, in June 2004 we launched the *Personal Data Protector,* which we are now dynamically promoting. This new product is designed to accommodate the rising needs expected in fiscal 2004 for insurance against personal information leakage.

Thanks to the Company's proactive marketing of these and other products that meet market needs, revenue from general liability and other insurance grew, and net premiums written for other property and casualty insurance rose 7.4%, to ¥209.8 billion.

Life Insurance

In fiscal 2003, the MSI Group succeeded in steadily expanding its life insurance operations. As for MSI's wholly owned subsidiary Mitsui Sumitomo Kirameki Life, new business in individual insurance and individual annuity insurance leaped 23.6%, to a record high of ¥1,387.6 billion, and the total amount of insurance in force grew 14.7%, to ¥5,779.2 billion.

These strong results were achieved through a series of accomplishments. On the sales side, we began positioning life insurance specialists at MSI's nationwide local offices and strengthened life insurance cross-selling. On the product side, family income policies made a substantial contribution to earnings as a core product. Through consulting services for these policies, Mitsui Sumitomo Kirameki Life is able to easily set protection to meet customer needs. We also achieved steady growth in *MS Shushin,* market interest sensitive whole life insurance, which we launched in the previous fiscal year.

The Company also launched family income policies with no cash surrender value in February 2004. This new product improves upon our core income protection insurance and possesses greater customer appeal and competitiveness.

Another pillar of the MSI Group's life insurance business is MSICiti, which was

International Operations

established as a joint venture with U.S.-based Citigroup and inaugurated its business in October 2002. Combining the reputation and achievements accumulated by the MSI Group over long years with the track record and expertise of Citigroup in variable annuities in the United States, MSICiti specializes in the marketing of variable annuities through financial institutions' sales channels.

We have augmented MSICiti's sales framework by increasing the number of specialists that provide guidance and support to the financial institutions through which sales are channeled and further honing our guidance and support expertise. We have also considered the needs of our customers and our sales channels and in response developed fine-tuned products.

As a result, the number of policies in fiscal 2003 amounted to approximately 50,000 and MSICiti recorded approximately ¥430 billion in sales, displaying the highest year-on-year growth of any life insurer operating in Japan. Having attained this solid position in the field of variable annuities within a year and a half of its inauguration, MSICiti will continue to leverage its advantages as a specialist in variable individual annuity insurance and contribute to the healthy development of the market.

Drawing on many years of international insurance business experience, MSI has focused on enhancing its worldwide operations to ensure the continued provision of effective advice as well as products and services optimally suited to client needs on a global basis. As of July 31, 2004, our overseas operations comprised 58 bases in 37 countries and regions.

In fiscal 2003, we promoted our business activities by placing emphasis on profitability and favorably expanded underwriting both in Asia and the London open market through our local subsidiaries and branches.

In China, we acquired licenses for selling insurance products to local companies and persons in addition to a license for sales to foreign companies. Further, we enlarged our business foundation in Thailand by investing in a prominent local non-insurance company and entering into the life insurance business through investment in a local major life insurance company jointly with Nippon Life. Also, we invested in a non-life insurance company in Cambodia. In sum, through these activities we have built a sales network in all ASEAN countries where foreign companies are able to conduct business and have thus enhanced our operations in a region where further growth and profitability are expected.

Investment Activities

Concerning the London open market operation, Mitsui Sumitomo Insurance (London Management) Ltd. (MSILM), one of our subsidiaries in the United Kingdom, continued to operate profitably in the London insurance market. It counts more than 60 of the U.K. FTSE top 100 companies among its clients. With a gross premium capacity of £290 million, MSILM's Lloyd's Syndicate 3210 made up more than 2% of the market capacity for 2003, making it one of the 20 largest syndicates in Lloyd's. The financial solutions business continued to lead the market in product innovation, working with some of the world's best-known financial institutions to deliver excellent results. The consolidated result for MSILM was £274 million in gross premiums written, which returned a pretax profit of £40 million in the 2003 fiscal year. The business now makes an important contribution to Group profits.

MSILM

MSILM launches its marine insurance box on the Ground Floor at Lloyd's in addition to its non-marine insurance box.

MSI regards security and liquidity as important aspects of investment activities to cover claims and maturity refunds and makes diversified investments to secure stable income. While investing mainly in domestic bonds, we work to improve the profitability of our investment portfolio by diversifying investment techniques and strengthening efforts to increase loans to individuals.

On the risk management side, we quantify and periodically monitor risks associated with investments, and are striving to further increase the sophistication of our methods for accurately measuring, evaluating, and managing such risks. To maintain solid financial stability, we have taken such measures as decreasing our stockholdings to reduce market risk, implementing comprehensive credit exposure management across the various types of investment assets to avoid credit risk concentration, and enhancing comprehensive asset and liability management to effectively control interest rate risk. In August 2003, we sold ¥170.0 billion worth of our stockholdings, approximately 10% of the total, by transferring into an ETF that tracks the Tokyo Stock Price Index (TOPIX).

Financial
Services

To meet clients' increasingly diverse financial solution needs, MSI continues to provide services and solutions through asset securitization programs that employ advanced financial engineering techniques. MSI also strengthened its relations with alliance partner MBIA Insurance Corporation, thereby expanding earnings.

In alternative risk transfer (ART) operations, MSI restructured its global weather derivative facility jointly held by allied companies in the United States and Europe in order to strengthen its weather derivatives business. The Company expanded its domestic sales of weather derivative products, primarily dealing with indices of temperatures, rainfall, and snowfall.

In defined contribution pension operations, MSI developed a new program, *JIP Multi-Company DC Plan* (originally designed for small and medium-sized companies) to enable the smooth adoption and implementation of a Japanese-version 401k, a new service offered to small and medium-sized companies. Customer endorsement has been outstanding for this program, under which partner social insurance and labor consultants thoroughly versed in pension and personnel systems provide comprehensive support and service, from 401k design through implementation procedures.

In investment trust sales, MSI has been marketing the products of Sumitomo Mitsui Asset Management Co., Ltd., as well as those of numerous other fund management companies in Japan and overseas. We are the leading Japanese non-life insurance company in terms of the balance of investment trusts marketed.

Since the 2001 launch of a Japanese defined contribution pension system, MSI has offered diverse principal protection products and high-quality investment trust products.

MSI is one of the top players in the Japanese weather derivatives market and has a global business alliance with a leading company in the U.S. market.

What's

Strengthening of ASEAN Operations

The MSI Group maintains the largest sales network among Japanese insurers in Asian markets, where high economic growth is anticipated, and is strengthening its sales network to further solidify this position.

In February 2004, MSI invested approximately ¥4.5 billion in The Ayudhya Insurance Public Company in Thailand, acquiring 24.9% of that company's issued stock. In the following month, the MSI Group, together with Nippon Life, invested approximately ¥0.7 billion in Bangkok Life Assurance, a major Thai life insurer, thereby acquiring 4% of its issued stock. This is the MSI Group's first initiative in its expansion into the life insurance business in Asia. In April, the MSI Group invested approximately ¥0.1 billion in Asia Insurance Cambodia Limited, acquiring 25% of that company's issued stock. Thanks to these measures, the MSI Group's sales network now covers all eight ASEAN countries that allow foreign capitalized general insurance companies to conduct business.

The Ayudhya Insurance Public Company signing ceremony

Expanding into Local Markets in China

The MSI Group is working to expand the scope of its operations in China, where growth in the insurance market is anticipated. In February 2004, the Chinese insurance authorities approved MSI's underwriting of local articles. Approval has traditionally been granted only for the underwriting of articles for other foreign capitalized companies; thus, this is a major expansion for the Company. The opening of local markets to foreign capitalized insurance companies was one of the commitments made by China when it joined the WTO. The MSI Group will further strengthen its business in the Chinese insurance market through penetration into local Chinese markets, which possess massive populations and enormous potential.

In May 2004, we conducted the first operational collaboration talks between foreign capitalized insurance companies and the Nansha Development Zone of Guangzhou City. In the months and years ahead, Japanese companies, other non-Japanese foreign companies, and local Chinese companies are expected to advance into the Nansha Development Zone, which has one of the highest development potentials of China's various development zones, and the MSI Group will work vigorously to develop business with these potential clients.

New Alliances in Japan

Operational and Capital Tie-up with Tokai Tokyo Securities Co., Ltd.

In April 2004, MSI reached an agreement with Tokai Tokyo Securities Co., Ltd., for an operational and capital tie-up.

Given the capping of bank deposit insurance and other future changes in the financial sector, the tie-up is intended to reciprocally leverage the two companies' expertise to provide appealing products and services to meet the needs of their customers. Specifically, we will work together to promote the securities brokerage system, enhance support services for small and medium-sized businesses, and market both non-life and life insurance products, mainly non-life savings-type products through Tokai Tokyo Securities.

New?

To make this tie-up as close as possible, MSI increased its stockholdings in Tokai Tokyo Securities to a 10% stake.

Operational Tie-up with AXA Life Insurance Company Limited

In July 2004, MSI reached a basic agreement for a sales tie-up with AXA Life Insurance Company Limited for the marketing of defined contribution (DC) pension plans developed by MSI for small and medium-sized businesses.

Under the agreement, AXA Life will provide implementation support and consulting to its tax qualified pension plan customers and transaction partners in the Chamber of Commerce market and collect consulting fees from its clients as well as agency fees from MSI (assuming approval from the authorities to act as an agent).

MSI will provide support for employee training and pension plan management to AXA Life, earn fees as a seller of DC pension plan products, and obtain new contracts of savings-type personal accident insurance specifically developed for DC pension plans. After verifying the result of a pilot test, MSI plans to launch these operations nationwide.

Chairman and CEO Inokuchi Inducted into the Insurance Hall of Fame

MSI Chairman and CEO Inokuchi was selected for induction into The International Insurance Society, Inc.'s Insurance Hall of Fame, with a ceremony held in July 2004 in London. Mr. Inokuchi is the third Japanese non-life insurance executive to be inducted into the Insurance Hall of Fame. The second person was inducted 22 years ago.

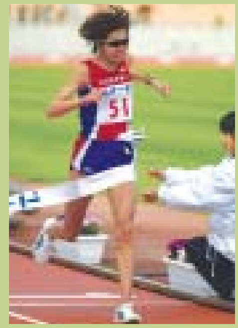
The merger of Mitsui Marine and Sumitomo Marine has helped streamline Japanese non-life insurance companies and improve their ability to compete with foreign insurers, an achievement that has been recognized as a great contribution to the Japanese insurance business and played a large part in Mr. Inokuchi's selection.

Three MSI Athletes Selected for Japan's Olympic Team

Three athletes employed by MSI were selected to represent Japan at the Athens Olympics.

Women's track and field athlete Reiko Tosa won the final selection race in March 2004 with a remarkable time of 2:23:57 and was selected to join Japan's women's marathon team.

Women's judo athletes Yuki Yokosawa (52kg class) and Masae Ueno (70kg class) were also selected to join Japan's women's judo team based on their performances at the April 2004 final selection tournament and prior records. With high expectations for these athletes as well as the entire Japan representative team, Japanese spectators flocked to Athens for the Olympics. MSI set up a special Olympic service line in Greece through which it provided 24-hour customer support in Japanese for holders of MSI overseas travel insurance.



Women's marathon: Reiko Tosa

Women's judo 52kg class: Yuki Yokosawa

Women's judo 70kg class: Masae Ueno

Photos courtesy of AFLO SPORT.

GAAP in the United States

Contents

Five-Year Summary

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2000, 2001, 2002, 2003 and 2004

					Yen in millions
	2000	2001	2002	2003	**2004**
For the year:					
Net premiums written	¥1,157,796	¥1,195,450	¥1,232,000	¥1,300,681	**¥1,375,973**
Net premiums earned	1,141,198	1,154,425	1,182,675	1,228,000	**1,308,059**
Premium income for life insurance contracts	95,610	116,369	137,324	147,761	**157,840**
Investment income, net of investment expenses	128,948	137,310	124,029	116,603	**118,603**
Total revenue	1,430,788	1,438,366	1,436,710	1,490,205	**1,673,309**
Total expenses	1,340,110	1,384,159	1,384,084	1,421,874	**1,482,733**
Net income (loss) from underwriting	(19,393)	(36,518)	5,355	17,484	**39,496**
Net income	60,993	37,983	25,981	38,312	**116,117**
At year-end:					
Total investments	6,374,012	6,091,248	5,784,255	5,355,672	**6,062,414**
Total assets	7,979,086	7,717,668	7,416,455	7,076,642	**7,806,916**
Total shareholders' equity	2,179,332	1,996,517	1,827,169	1,543,053	**1,950,299**
					Percent
Key ratios*:					
Loss ratio	54.4%	57.5%	54.9%	55.5%	**56.2%**
Combined loss and expense ratio	101.2	102.1	97.8	96.4	**95.2**
Annual percentage change:					
Net income (loss) from underwriting	(203.6)	—	—	226.4	**125.9**
Investment income, net of investment expenses	(10.5)	6.5	(9.7)	(6.0)	**1.7**

See accompanying notes to consolidated financial statements.

* The key ratios relate to property and casualty insurance.

Management's Discussion and Analysis

Operating Results

In non-life insurance, net premiums written rose 5.8%, to ¥1,376.0 billion. This result reflects both the Company's endeavors to expand sales in Voluntary Automobile and Fire Insurance and such new products as whole life medical insurance as well as the ongoing effect of the abolition of government reinsurance program on Compulsory Automobile Liability Insurance in the previous fiscal year. Net premiums earned increased 6.5%, to ¥1,308.1 billion.

In Life Insurance, premium income from life insurance rose 6.8%, to ¥157.8 billion, thanks to the Company's endeavors to expand business at subsidiary Mitsui Sumitomo Kirameki Life Insurance and increases thus gained in the total amount of Individual Life Insurance and Individual Annuity Insurance in force.

Hull

Net premiums written rose 6.1%, to ¥13.6 billion. Despite a sizable claim, the loss ratio declined 35.3 percentage points, to 76.7%.

Cargo and Transit

Net premiums written rose 13.3%, to ¥65.0 billion, reflecting strong trade with China and newly obtained contracts in other parts of Asia. The loss ratio fell 2.4 percentage points, to 38.5%.

Fire and Allied Lines

Net premiums written climbed 9.6%, to ¥186.6 billion, thanks to the Company's endeavors to expand sales, particularly of *Home Pikaichi,* the highest class of fire insurance for homeowners. The loss ratio dropped 2.9 percentage points, to 36.4%.

Personal Accident

Net premiums written rose 1.3%, to ¥125.5 billion, as a result of the Company's proactive sales activities in such new product areas as Long-Term Health Insurance with medical riders. The loss ratio rose 0.9 percentage point, to 41.3%.

Voluntary Automobile

Net premiums written rose 1.0%, to ¥581.5 billion, as a result of the Company's proactive sales activities related to such products as its core *MOST* Voluntary Automobile Insurance and a decline in maturity refunds on its *Modo-Rich* policies. The loss ratio increased 2.1 percentage points, to 58.1%, due to settlement advancement and an expansion in injury and other coverage, which resulted in an increase in insurance benefits paid.

Compulsory Automobile Liability

Net premiums written advanced 17.6%, to ¥194.0 billion, reflecting the elimination of the government reinsurance program in the previous fiscal year. The loss ratio increased 2.4 percentage points, to 72.0%.

Other Property and Casualty

Net premiums written grew 7.4%, to ¥209.8 billion, reflecting an increase in revenue due to the unification of existing policies on General Liability Insurance and an increase in indemnity limits. The loss ratio slipped 2.8 percentage points, to 67.4%.

Life

Premium income from life insurance rose 6.8%, to ¥157.8 billion, reflecting growth in the total amount of insurance in force for Individual Insurance and Individual Annuity Insurance.

Losses, Claims, and Loss Adjustment Expenses

Losses and claims incurred grew ¥54.1 billion, to ¥735.7 billion, due to a rise in losses and claims on Compulsory Automobile Liability and other property and casualty products. Loss adjustment expenses increased ¥3.7 billion, to ¥67.9 billion. As a result, losses, claims, and loss adjustment expenses, expressed as a percentage of net premiums earned, edged up 0.7 percentage point, to 61.4%.

Underwriting and Administrative Expenses Incurred

Underwriting and administrative expenses incurred rose ¥0.1 billion, to ¥464.4 billion. As a result of this and a rise in premiums written, underwriting and administrative expenses incurred as a percentage of premiums written fell 1.9 percentage points, to 33.8%. The combined loss and expense ratio decreased by 1.2 percentage points, to 95.2%.

Investments and Income

Investment income, net of investment expenses, rose 1.7%, from ¥116.6 billion in the previous fiscal year to ¥118.6 billion despite the continued low interest rates, due to increases in dividend income arising from a revival in domestic corporate earnings. Realized gains on investments amounted to ¥88.8 billion, a vast improvement over the ¥2.2 billion realized losses on investments that were recorded in the previous fiscal year. This strong result was achieved through gains on the sale of stockholdings. Partly as a result of the preceding factors, income before income taxes surged 178.9% from the ¥68.3 billion recorded in the previous fiscal year, to ¥190.6 billion. Net income skyrocketed 203.1%, to ¥116.1 billion, and net income per share assuming dilution amounted to ¥78.87, up from ¥24.93 in the previous fiscal year.

Cash Flow Analysis and Financial Position

Net cash provided by operating activities amounted to ¥280.7 billion, compared with ¥243.5 billion in the previous fiscal year, reflecting the increase in net premiums written and the decline in maturity refunds.

Net cash used in investing activities amounted to ¥151.2 billion, compared with net cash provided by investing activities of ¥2.2 billion in the previous year. The primary contributor to this change was the purchase of domestic government bonds and corporate debentures and overseas securities.

Net cash used in financing activities totaled ¥140.1 billion, down from ¥248.1 billion in the previous fiscal year.

Total assets at March 31, 2004, stood at ¥7,806.9 billion, a 10.3% gain compared with the previous fiscal year-end. Total investments (other than investments in subsidiaries) climbed 13.2%, to ¥6,062.4 billion, as a result of an increase in stockholdings.

Total shareholders' equity was ¥1,950.3 billion, a substantial increase over the figure of ¥1,543.1 billion at the end of the previous fiscal year. The principal contributor to this change was an increase in accumulated other comprehensive income owing to a rise in securities valuation gains stemming from recovery in stock prices.

The equity ratio was 25.0%, compared with 21.8% at the end of the previous fiscal year.

Solvency Margin Ratio

The solvency margin ratio is the solvency margin amount (payment capability, for example, capital and reserves) as a percentage of total risk, which is calculated as "risk exceeding ordinary forecast" based on the Japanese Ministry of Finance's Notice No. 50, issued in 1996, and Articles 86 and 87 of the Enforcement Regulations of the Insurance Business Law of Japan.

As an indicator of an insurance company's ability to pay claims in the event of risk exceeding ordinary forecasts, in the event that the solvency margin ratio falls below a fixed level, regulatory authorities may require the insurance company to submit a plan for management reform.

According to Notice No. 3 of the Ministry of Finance and the Financial Services Agency of Japan, a solvency margin ratio of 200% indicates that an insurance company has sufficient capability to pay insurance claims and other obligations.

In cases where the solvency margin is considered to be high, an exceedingly high level of owned capital and internal reserves lowers such profitability ratios as ROE. The Company has a fundamental corporate governance policy of both maintaining a high solvency margin ratio and pursuing increased ROE.

The Company's Solvency Margin Ratio

As of March 31, 2003 and 2004 (Yen in billions)

	2003	**2004**	Change (%)	
Solvency margin total amount	¥1,947.5	**¥2,466.0**	¥518.5	(26.6%)
Risk amount	418.5	**463.4**	44.9	(10.7%)
Solvency margin ratio	930.7%	**1,064.3%**	133.6 points	

Credit Rating

Standard & Poor's, Moody's Investors Service, and A.M. Best Company are the world's leading rating agencies and rate the debt performance capability (creditworthiness) of debt issuers. Their evaluations are based on periodic reviews of financial data as well as management strategies and are results of analyses done using the proprietary models of each rating agency.

The Company receives ratings on its capability to perform its debt obligations from insurance contracts as well as its capability to perform debt obligations from the issue of commercial paper and other specific debt obligations. The Company's ratings on its capability to perform debt obligations from insurance contracts are presented below. These ratings illustrate the high evaluation that leading rating agencies have of the Company's financial position.

As of July 31, 2004

Standard & Poor's	Financial Strength Rating	AA-
Moody's Investors Service	Insurance Financial Strength Rating	Aa3
Moody's Investors Service	Short-Term Insurance Financial Strength Rating	Prime-1
A.M. Best Company	Financial Strength Rating	A+

Note: These ratings are entirely the opinion of the respective agencies and are thus not to be construed as payment guarantees. Also, these ratings are subject to revision.

Summary of Premiums Written

Direct Premiums Written

The following table summarizes premiums directly written by Mitsui Sumitomo Insurance for the fiscal years ended March 31 by major lines of property and casualty insurance.

	2000		2001		2002	
Hull	¥ 18,608	1.47%	¥ 18,018	1.37%	¥ 20,368	1.52%
Cargo and Transit	57,249	4.53	59,124	4.49	59,741	4.47
Fire and Allied Lines[1]	189,292	14.99	196,203	14.91	191,921	14.37
Personal Accident[2]	134,615	10.66	133,106	10.12	127,000	9.51
Voluntary Automobile	568,105	44.97	594,744	45.22	603,151	45.15
Compulsory Automobile Liability[3]	146,120	11.57	149,700	11.38	149,911	11.22
Other[4]	149,220	11.81	164,597	12.51	183,851	13.76
Total	¥1,263,209	100.00%	¥1,315,492	100.00%	¥1,335,943	100.00%

1 Includes savings-type insurance and Earthquake Insurance
2 Includes savings-type insurance
3 Japanese law requires that all automobiles be covered by Compulsory Automobile Liability Insurance. See Note 2 (m) of the notes to consolidated financial statements.
4 Of which, major lines of insurance are Liability, Aviation, Workers' Compensation, and Movables Comprehensive All Risks, including savings-type insurance.

Amounts in the table have been restated from amounts previously reported as if the pre-merger companies had been combined for all periods presented.
See Note 1 (a) of the notes to consolidated financial statements, page 38.

Net Premiums Written*

The following table shows the breakdown of net premiums written and reinsurance by major lines of property and casualty insurance for the fiscal years ended March 31, 2003 and 2004.

	Reinsurance Premiums Assumed			Reinsurance Premiums Ceded		
	2003	**2004**	**2004**	2003	**2004**	**2004**
Hull	¥ 6,259	**¥ 6,621**	**$ 62,462**	¥ 12,709	**¥ 13,225**	**$ 124,764**
Cargo and Transit	8,574	**10,892**	**102,755**	14,579	**16,758**	**158,094**
Fire and Allied Lines[1]	31,786	**27,889**	**263,104**	62,135	**64,333**	**606,915**
Personal Accident[2]	1,636	**1,773**	**16,726**	2,770	**4,778**	**45,075**
Voluntary Automobile	4,927	**3,934**	**37,113**	5,568	**5,970**	**56,321**
Compulsory Automobile Liability[3]	125,046	**153,138**	**1,444,698**	141,571	**142,975**	**1,348,821**
Other[4]	54,477	**39,598**	**373,566**	66,380	**59,511**	**561,425**
Total	¥232,705	**¥243,845**	**$2,300,424**	¥305,712	**¥307,550**	**$2,901,415**

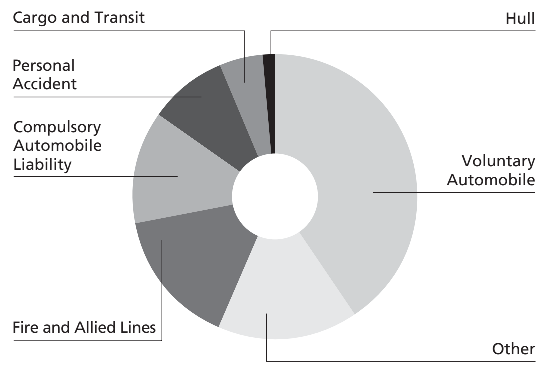
1-4 Same as above notes for Direct Premiums Written

*Net Premiums Written = (Direct Premiums Written + Reinsurance Premiums Assumed – Reinsurance Premiums Ceded)

(Yen in millions; dollars in thousands)

2003		2004		
¥ 19,232	1.40%	**¥ 20,172**	**1.40%**	**$ 190,302**
63,352	4.61	**70,816**	**4.92**	**668,075**
200,643	14.61	**223,035**	**15.49**	**2,104,104**
125,032	9.10	**128,504**	**8.93**	**1,212,302**
576,510	41.96	**583,550**	**40.53**	**5,505,189**
181,560	13.22	**183,855**	**12.77**	**1,734,481**
207,359	15.10	**229,746**	**15.96**	**2,167,415**
¥1,373,688	100.00%	**¥1,439,678**	**100.00%**	**$13,581,868**

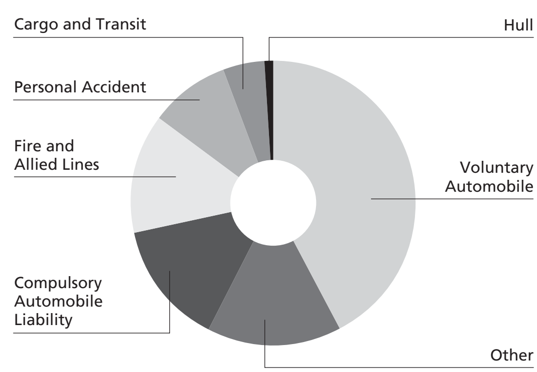
Direct Premiums Written (2004)
Total ¥1,439.7 billion



(Yen in millions; dollars in thousands)

Net Premiums Written				
2003		2004		
¥ 12,782	0.98%	**¥ 13,568**	**0.99%**	**$ 128,000**
57,347	4.41	**64,950**	**4.72**	**612,736**
170,294	13.09	**186,591**	**13.56**	**1,760,292**
123,898	9.53	**125,499**	**9.12**	**1,183,953**
575,869	44.27	**581,514**	**42.26**	**5,485,981**
165,035	12.69	**194,018**	**14.10**	**1,830,358**
195,456	15.03	**209,833**	**15.25**	**1,979,557**
¥1,300,681	100.00%	**¥1,375,973**	**100.00%**	**$12,980,877**

Net Premiums Written (2004)
Total ¥1,376.0 billion



Loss and Expense Ratios

The following table outlines the loss and expense ratios of Mitsui Sumitomo Insurance for the fiscal years ended March 31. Loss ratios represent the ratio of net losses incurred to net premiums earned.

					Yen in millions	Dollars in thousands
	2000	2001	2002	2003	**2004**	**2004**
Hull:						
Net premiums written	¥ 12,144	¥ 10,947	¥ 13,123	¥ 12,782	**¥ 13,568**	**$ 128,000**
Net premiums earned	12,799	11,157	12,144	12,895	**13,584**	**128,151**
Losses incurred	8,945	8,759	10,772	14,442	**10,423**	**98,330**
Loss ratio	69.9%	78.5%	88.7%	112.0%	**76.7%**	
Cargo and Transit:						
Net premiums written	¥ 51,455	¥ 53,116	¥ 53,155	¥ 57,347	**¥ 64,950**	**$ 612,736**
Net premiums earned	51,753	52,719	52,995	56,802	**63,459**	**598,670**
Losses incurred	24,356	25,875	25,043	23,235	**24,440**	**230,566**
Loss ratio	47.1%	49.1%	47.3%	40.9%	**38.5%**	
Fire and Allied Lines:						
Net premiums written	¥ 166,106	¥ 167,298	¥ 166,531	¥ 170,294	**¥ 186,591**	**$ 1,760,292**
Net premiums earned	152,570	153,961	150,328	149,838	**156,447**	**1,475,915**
Losses incurred	74,125	59,788	58,153	58,862	**56,923**	**537,009**
Loss ratio	48.6%	38.8%	38.7%	39.3%	**36.4%**	
Personal Accident:						
Net premiums written	¥ 133,151	¥ 131,600	¥ 125,392	¥ 123,898	**¥ 125,499**	**$ 1,183,953**
Net premiums earned	139,103	134,128	130,410	126,099	**124,977**	**1,179,028**
Losses incurred	54,152	52,861	49,596	50,951	**51,672**	**487,472**
Loss ratio	38.9%	39.4%	38.0%	40.4%	**41.3%**	
Voluntary Automobile:						
Net premiums written	¥ 566,064	¥ 592,875	¥ 602,832	¥ 575,869	**¥ 581,514**	**$ 5,485,981**
Net premiums earned	560,574	576,635	593,876	596,454	**589,329**	**5,559,708**
Losses incurred	321,476	357,986	342,008	333,971	**342,272**	**3,228,981**
Loss ratio	57.3%	62.1%	57.6%	56.0%	**58.1%**	
Compulsory Automobile Liability:						
Net premiums written	¥ 85,356	¥ 87,718	¥ 90,514	¥ 165,035	**¥ 194,018**	**$ 1,830,358**
Net premiums earned	84,975	86,037	87,676	107,606	**157,480**	**1,485,660**
Losses incurred	54,131	56,866	55,787	74,867	**113,320**	**1,069,057**
Loss ratio	63.7%	66.1%	63.6%	69.6%	**72.0%**	
Other:						
Net premiums written	¥ 143,520	¥ 151,896	¥ 180,453	¥ 195,456	**¥ 209,833**	**$ 1,979,557**
Net premiums earned	139,424	139,788	155,246	178,306	**202,783**	**1,913,047**
Losses incurred	83,551	101,720	107,925	125,211	**136,620**	**1,288,868**
Loss ratio	59.9%	72.8%	69.5%	70.2%	**67.4%**	
Total:						
Net premiums written	¥1,157,796	¥1,195,450	¥1,232,000	¥1,300,681	**¥1,375,973**	**$12,980,877**
Net premiums earned	1,141,198	1,154,425	1,182,675	1,228,000	**1,308,059**	**12,340,179**
Losses incurred	620,736	663,855	649,284	681,539	**735,670**	**6,940,283**
Loss ratio	54.4%	57.5%	54.9%	55.5%	**56.2%**	
Loss adjustment expenses incurred—unallocated	¥ 59,325	¥ 61,443	¥ 57,779	¥ 64,216	**¥ 67,937**	**$ 640,915**
Ratio of losses and loss adjustment expenses incurred to premiums earned	59.6%	62.8%	59.8%	60.7%	**61.4%**	
Underwriting and administrative expenses incurred	¥ 482,132	¥ 469,619	¥ 468,261	¥ 464,321	**¥ 464,441**	**$ 4,381,519**
Ratio of underwriting and administrative expenses incurred to premiums written	41.6%	39.3%	38.0%	35.7%	**33.8%**	
Combined loss and expense ratio	101.2	102.1	97.8	96.4	**95.2**	
Net premiums/direct premiums written ratio	91.7	90.9	92.2	94.7	**95.6**	

* Amounts in the table have been restated from amounts previously reported as if the pre-merger companies had been combined for all periods presented. See Note 1 (a) of the notes to consolidated financial statements, page 38.

Investments

The following table summarizes the investments of Mitsui Sumitomo Insurance at March 31, 2003 and 2004.

Cost or amortized cost	Yen in millions 2003	Yen in millions 2004	Percent of total investments 2003	Percent of total investments 2004	Dollars in thousands 2004
Bonds:					
Japanese bonds	¥2,098,397	**¥2,238,717**	45.92%	**46.51%**	**$21,119,972**
Foreign bonds	602,511	**726,079**	13.18	**15.08**	**6,849,802**
Total bonds	2,700,908	**2,964,796**	59.10	**61.59**	**27,969,774**
Stocks—other than affiliates:					
Japanese companies	868,077	**822,328**	18.99	**17.08**	**7,757,811**
Foreign companies	165,213	**170,819**	3.61	**3.55**	**1,611,500**
Total common stock—other than affiliates	1,033,290	**993,147**	22.60	**20.63**	**9,369,311**
Loans—other than affiliates:					
Mortgage loans on real estate	26,752	**21,573**	0.59	**0.45**	**203,519**
Mortgage loans on vessels and facilities	2,363	**1,738**	0.05	**0.03**	**16,396**
Collateral and guaranteed loans	306,756	**333,674**	6.71	**6.93**	**3,147,868**
Unsecured loans	373,863	**384,694**	8.18	**7.99**	**3,629,189**
Total loans	709,734	**741,679**	15.53	**15.40**	**6,996,972**
Other:					
Short-term investments	56,167	**56,736**	1.23	**1.18**	**535,245**
Investment real estate	69,747	**57,324**	1.53	**1.19**	**540,792**
Long-term investments	303	**257**	0.01	**0.01**	**2,424**
Total investments	¥4,570,149	**¥4,813,939**	100.00%	**100.00%**	**$45,414,518**

Value shown on balance sheets	Yen in millions 2003	Yen in millions 2004	Percent of total investments 2003	Percent of total investments 2004	Dollars in thousands 2004
Bonds:					
Japanese bonds	¥2,203,575	**¥2,285,256**	41.15%	**37.70%**	**$21,559,019**
Foreign bonds	690,519	**777,218**	12.89	**12.82**	**7,332,246**
Total bonds	2,894,094	**3,062,474**	54.04	**50.52**	**28,891,265**
Stocks—other than affiliates:					
Japanese companies	1,462,735	**1,973,081**	27.31	**32.54**	**18,613,972**
Foreign companies	162,892	**170,863**	3.04	**2.82**	**1,611,915**
Total common stock—other than affiliates	1,625,627	**2,143,944**	30.35	**35.36**	**20,225,887**
Loans—other than affiliates:					
Mortgage loans on real estate	26,752	**21,573**	0.50	**0.36**	**203,519**
Mortgage loans on vessels and facilities	2,363	**1,738**	0.04	**0.03**	**16,396**
Collateral and guaranteed loans	306,756	**333,674**	5.73	**5.50**	**3,147,868**
Unsecured loans	373,863	**384,694**	6.98	**6.34**	**3,629,189**
Total loans	709,734	**741,679**	13.25	**12.23**	**6,996,972**
Other:					
Short-term investments	56,167	**56,736**	1.05	**0.94**	**535,245**
Investment real estate	69,747	**57,324**	1.30	**0.95**	**540,792**
Long-term investments	303	**257**	0.01	**0.00**	**2,424**
Total investments	¥5,355,672	**¥6,062,414**	100.00%	**100.0%**	**$57,192,585**

Consolidated Balance Sheets

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
March 31, 2003 and 2004

Assets	Yen in millions 2003	Yen in millions 2004	Dollars in thousands 2004
Investments—other than investments in affiliates (Notes 3 and 13):			
Securities available for sale:			
Fixed maturities, at fair value	¥2,892,047	**¥3,060,514**	**$28,872,774**
Equity securities, at fair value	1,625,627	**2,143,944**	**20,225,887**
Securities held to maturity:			
Fixed maturities, at amortized cost	2,047	**1,960**	**18,491**
Mortgage loans on real estate	26,752	**21,573**	**203,519**
Investment real estate, at cost less accumulated depreciation of ¥44,654 million in 2003; ¥55,880 million ($527,170 thousand) in 2004	69,747	**57,324**	**540,792**
Policy loans	33,899	**33,104**	**312,302**
Other long-term investments	649,386	**687,259**	**6,483,575**
Short-term investments	56,167	**56,736**	**535,245**
Total investments	5,355,672	**6,062,414**	**57,192,585**
Cash and cash equivalents	371,119	**361,810**	**3,413,302**
Investments in and indebtedness from affiliates:			
Investments	25,382	**46,877**	**442,236**
Indebtedness (Note 13)	2,972	**1,575**	**14,858**
Total investments in and indebtedness from affiliates	28,354	**48,452**	**457,094**
Accrued investment income	22,576	**21,696**	**204,678**
Premiums receivable and agents' balances	118,693	**120,593**	**1,137,670**
Prepaid reinsurance premiums	195,452	**203,492**	**1,919,736**
Funds held by or deposited with ceding reinsurers	59,399	**58,458**	**551,491**
Reinsurance recoverable on paid losses	71,938	**69,798**	**658,472**
Reinsurance recoverable on unpaid losses	143,597	**151,635**	**1,430,519**
Property and equipment, net of accumulated depreciation (Note 4)	239,652	**228,441**	**2,155,104**
Deferred policy acquisition costs (Note 2(h))	346,735	**356,039**	**3,358,858**
Other assets	123,455	**124,088**	**1,170,642**
Total assets	¥7,076,642	**¥7,806,916**	**$73,650,151**

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	Yen in millions 2003	Yen in millions 2004	Dollars in thousands 2004
Liabilities:			
Losses and claims (Note 9):			
Reported and estimated losses and claims	¥ 630,581	**¥ 693,332**	**$ 6,540,868**
Adjustment expenses	29,597	**35,728**	**337,057**
Total losses and claims	660,178	**729,060**	**6,877,925**
Unearned premiums	1,209,348	**1,285,551**	**12,127,840**
Future policy benefits for life insurance contracts	444,041	**528,263**	**4,983,613**
Investment deposits by policyholders (Notes 10 and 13)	2,507,250	**2,405,099**	**22,689,613**
Indebtedness to affiliates	1,700	**6,899**	**65,085**
Accrued income taxes (Note 6):			
Payable	22,181	**20,830**	**196,509**
Deferred applicable to:			
Unrealized gains on investments	281,695	**448,356**	**4,229,774**
Other	(27,385)	**21,354**	**201,453**
Total accrued income taxes	276,491	**490,540**	**4,627,736**
Retirement and severance benefits (Note 8)	210,143	**177,085**	**1,670,613**
Ceded reinsurance balances payable	81,520	**87,138**	**822,057**
Short-term debt (Note 7)	22,647	**942**	**8,887**
Long-term debt (Notes 7 and 13)	1,100	**500**	**4,717**
Other liabilities	118,318	**143,944**	**1,357,961**
Total liabilities	5,532,736	**5,855,021**	**55,236,047**
Minority interests	853	**1,596**	**15,057**
Shareholders' equity:			
Common stock:			
Authorized—3,000,000,000 shares; issued—1,479,894,005 shares in 2003 and 1,513,184,880 shares in 2004 (Note 16)	126,376	**137,495**	**1,297,123**
Other shareholders' equity:			
Additional paid-in capital (Note 16)	75,372	**86,490**	**815,943**
Retained earnings:			
Appropriated (Note 17):			
Legal reserve	38,953	**41,167**	**388,368**
Reserve for price fluctuation	6,831	**13,438**	**126,774**
Unappropriated (Note 18)	1,077,797	**1,174,185**	**11,077,217**
Accumulated other comprehensive income (Note 19)	233,696	**539,976**	**5,094,113**
Treasury stock, 28,301,836 shares in 2003 and 58,261,697 shares in 2004, at cost	(15,972)	**(42,452)**	**(400,491)**
Total shareholders' equity	1,543,053	**1,950,299**	**18,399,047**
Commitments and contingent liabilities (Note 15)			
Total liabilities and shareholders' equity	¥7,076,642	**¥7,806,916**	**$73,650,151**

Consolidated Statements of Income

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Revenue:				
Net premiums written	¥1,232,000	¥1,300,681	**¥1,375,973**	**$12,980,877**
Less increase in unearned premiums	49,325	72,681	**67,914**	**640,698**
Net premiums earned (Note 11)	1,182,675	1,228,000	**1,308,059**	**12,340,179**
Premium income for life insurance contracts (Note 11)	137,324	147,761	**157,840**	**1,489,057**
Investment income, net of investment expenses (Note 3)	124,029	116,603	**118,603**	**1,118,896**
Realized gains (losses) on investments (Note 3)	(7,318)	(2,159)	**88,807**	**837,802**
Total revenue	1,436,710	1,490,205	**1,673,309**	**15,785,934**
Expenses:				
Losses, claims and loss adjustment expenses (Note 11):				
Losses and claims incurred and provided for	649,284	681,539	**735,670**	**6,940,283**
Related adjustment expenses	57,779	64,216	**67,937**	**640,915**
Policyholder benefits for life insurance contracts (Note 11)	120,727	129,829	**133,846**	**1,262,698**
Policy acquisition costs	330,871	364,655	**371,458**	**3,504,321**
Investment income credited to investment deposits by policyholders (Note 10)	69,440	63,597	**56,330**	**531,415**
Other expenses (Note 5)	155,983	118,038	**117,492**	**1,108,415**
Total expenses	1,384,084	1,421,874	**1,482,733**	**13,988,047**
Income before income taxes	52,626	68,331	**190,576**	**1,797,887**
Income taxes (Note 6):				
Current	17,862	34,489	**37,342**	**352,283**
Deferred	8,090	(4,600)	**37,099**	**349,991**
Total income taxes	25,952	29,889	**74,441**	**702,274**
Minority interests	153	130	**18**	**170**
Income before cumulative effect of change in accounting principle	26,521	38,312	**116,117**	**1,095,443**
Cumulative effect of change in accounting principle, net of tax (Note 2(o))	(540)	—	**—**	**—**
Net income	¥ 25,981	¥ 38,312	**¥ 116,117**	**$ 1,095,443**

			Yen	Dollars
Earnings per share (Notes 2(p) and 18):				
Income before cumulative effect of change in accounting principle:				
Basic	¥17.94	¥26.29	**¥80.61**	**$0.76**
Diluted	16.87	24.93	**78.87**	**0.74**
Net income:				
Basic	17.58	26.29	**80.61**	**0.76**
Diluted	16.53	24.93	**78.87**	**0.74**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Net income	¥ 25,981	¥ 38,312	**¥116,117**	**$1,095,443**
Other comprehensive income (loss), net of tax (Note 19):				
Foreign currency translation adjustments	5,042	(4,650)	**(7,103)**	**(67,009)**
Unrealized gains (losses) on securities	(188,030)	(257,372)	**295,335**	**2,786,179**
Net gains (losses) on derivative instruments	852	(398)	**(235)**	**(2,217)**
Minimum pension liability adjustment	8,678	(44,689)	**18,283**	**172,481**
Other comprehensive income (loss)	(173,458)	(307,109)	**306,280**	**2,889,434**
Comprehensive income (loss)	¥(147,477)	¥(268,797)	**¥422,397**	**$3,984,877**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Common stock:				
Balance at beginning of year	¥ 126,374	¥ 126,376	**¥ 126,376**	**$ 1,192,227**
Conversion of convertible debentures	2	—	**11,119**	**104,896**
Balance at end of year	126,376	126,376	**137,495**	**1,297,123**
Additional paid-in capital:				
Balance at beginning of year	75,369	75,372	**75,372**	**711,056**
Conversion of convertible debentures	3	—	**11,116**	**104,868**
Gain on sales of treasury stock	—	—	**2**	**19**
Balance at end of year	75,372	75,372	**86,490**	**815,943**
Legal reserve:				
Balance at beginning of year	34,257	36,585	**38,953**	**367,481**
Transfer from unappropriated retained earnings (Note 17)	2,328	2,368	**2,214**	**20,887**
Balance at end of year	36,585	38,953	**41,167**	**388,368**
Reserve for price fluctuation:				
Balance at beginning of year	19,713	20,663	**6,831**	**64,444**
Transfer from (to) unappropriated retained earnings (Note 17)	950	(13,832)	**6,607**	**62,330**
Balance at end of year	20,663	6,831	**13,438**	**126,774**
Unappropriated retained earnings:				
Balance at beginning of year	1,026,541	1,038,971	**1,077,797**	**10,167,896**
Net income for the year	25,981	38,312	**116,117**	**1,095,443**
Dividends paid (Note 18)	(10,273)	(10,950)	**(10,886)**	**(102,698)**
Transfers from (to) (Note 17):				
Legal reserve	(2,328)	(2,368)	**(2,214)**	**(20,887)**
Reserve for price fluctuation	(950)	13,832	**(6,607)**	**(62,330)**
Other	—	—	**(22)**	**(207)**
Balance at end of year (Note 18)	1,038,971	1,077,797	**1,174,185**	**11,077,217**
Accumulated other comprehensive income (Note 19):				
Balance at beginning of year	714,263	540,805	**233,696**	**2,204,679**
Other comprehensive income (loss), net of tax	(173,458)	(307,109)	**306,280**	**2,889,434**
Balance at end of year	540,805	233,696	**539,976**	**5,094,113**
Treasury stock:				
Balance at beginning of year	—	(11,603)	**(15,972)**	**(150,679)**
Purchase of common share	(11,603)	(4,369)	**(26,499)**	**(249,991)**
Reissuance of common share	—	—	**19**	**179**
Balance at end of year	(11,603)	(15,972)	**(42,452)**	**(400,491)**
Total shareholders' equity	¥1,827,169	¥1,543,053	**¥1,950,299**	**$18,399,047**

	Yen			Dollars
Cash dividends per share (Note 18)	¥6.94	¥7.50	**¥7.50**	**$0.07**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2002, 2003 and 2004

			Yen in millions	Dollars in thousands
	2002	2003	**2004**	**2004**
Net cash provided by operating activities (Note 20)	¥187,442	¥243,453	**¥ 280,735**	**$2,648,443**
Cash flows from investing activities:				
Proceeds from:				
Securities available for sale:				
Fixed maturities	295,243	325,388	**553,264**	**5,219,472**
Equity securities	84,592	106,234	**666,968**	**6,292,151**
Fixed maturities available for sale matured	222,581	229,194	**177,498**	**1,674,509**
Fixed maturities held to maturity matured	4,100	3,568	**629**	**5,934**
Investment real estate	—	3,210	**172**	**1,623**
Collection of:				
Mortgage loans on real estate	29,884	11,047	**10,013**	**94,462**
Policy loans	36,947	26,841	**31,063**	**293,047**
Other long-term investments	265,020	206,131	**155,358**	**1,465,642**
Purchases of:				
Securities available for sale:				
Fixed maturities	(692,980)	(622,497)	**(1,009,872)**	**(9,527,094)**
Equity securities	(43,035)	(100,020)	**(530,084)**	**(5,000,792)**
Securities held to maturity:				
Fixed maturities	—	(1,634)	**(485)**	**(4,575)**
Investments in:				
Mortgage loans on real estate	(3,874)	(7,537)	**(4,469)**	**(42,160)**
Investment real estate	—	(1,030)	**—**	**—**
Policy loans	(36,854)	(27,893)	**(30,255)**	**(285,425)**
Other long-term investments	(185,131)	(175,782)	**(208,589)**	**(1,967,821)**
Increase in cash received under securities lending transactions	—	—	**43,989**	**414,991**
Decrease in short-term investments, net	18,002	36,585	**1,834**	**17,302**
Decrease (increase) in investments in and indebtedness from affiliates	3,039	(5,236)	**(18,239)**	**(172,066)**
Decrease (increase) in property and equipment, net	(16,259)	(8,155)	**2,119**	**19,991**
Business acquired, net of cash acquired	—	—	**2,988**	**28,189**
Business disposed of, net of cash held by the disposed business	—	(1,781)	**(190)**	**(1,793)**
Other, net	2,966	5,518	**5,108**	**48,187**
Net cash provided by (used in) investing activities	(15,759)	2,151	**(151,180)**	**(1,426,226)**
Cash flows from financing activities:				
Decrease in investment deposits by policyholders	(159,054)	(169,560)	**(102,445)**	**(966,462)**
Decrease in short-term debt, net	(19,854)	(64,148)	**(70)**	**(660)**
Proceeds from long-term debt	—	1,369	**—**	**—**
Repayment of long-term debt	(450)	—	**—**	**—**
Acquisition of treasury stock	(11,598)	(4,369)	**(26,499)**	**(249,991)**
Dividends paid to shareholders	(10,328)	(11,247)	**(10,928)**	**(103,094)**
Other, net	(3)	(194)	**(174)**	**(1,642)**
Net cash used in financing activities	(201,287)	(248,149)	**(140,116)**	**(1,321,849)**
Effect of exchange rate changes on cash and cash equivalents	1,103	883	**1,252**	**11,811**
Net change in cash and cash equivalents	(28,501)	(1,662)	**(9,309)**	**(87,821)**
Cash and cash equivalents at beginning of year	401,282	372,781	**371,119**	**3,501,123**
Cash and cash equivalents at end of year	¥372,781	¥371,119	**¥ 361,810**	**$3,413,302**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries

(1) Basis of Presentation

(a) Basis of Financial Statements

The accompanying consolidated financial statements of Mitsui Sumitomo Insurance Company, Limited (“the Company”) are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

On October 1, 2001, the Company was formed through the merger of Mitsui Marine and Fire Insurance Company, Limited (“Mitsui”) and The Sumitomo Marine & Fire Insurance Company, Limited (“Sumitomo”), and the merger was accounted for under the pooling-of-interest method.

The accompanying consolidated financial statements are expressed in yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2004 have been translated into United States dollars at the rate of ¥106=U.S.$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2004. This translation should not be construed as a presentation that all the amounts shown could be converted into U.S. dollars.

(b) Nature of Operations

The Company and subsidiaries operate mainly in the Japanese domestic insurance industry and sell a wide range of property and casualty insurance products. Also, the Company sells life insurance products through a wholly owned subsidiary and a joint venture company. Overseas operations are conducted mostly in Southeast Asia, Europe and the United States of America through overseas branches and subsidiaries.

(c) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, intangibles and goodwill; valuation allowances for receivables and deferred income tax assets; valuation of derivative instruments; insurance-related liabilities; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The significant subsidiaries include:

Mitsui Sumitomo Insurance Group Holding (USA), Inc.
Mitsui Sumitomo Insurance USA Inc.
Mitsui Sumitomo Insurance Company of America
Mitsui Sumitomo Insurance Company (Europe), Limited
The Sumitomo Marine & Fire Insurance Company (Europe) Limited
Mitsui Sumitomo Insurance (London Management) Ltd.
Mitsui Sumitomo Insurance (Singapore) Pte Ltd.
Mitsui Sumitomo Insurance Company (Hong Kong) Limited
P.T. Asuransi Mitsui Sumitomo Indonesia
Mitsui Sumitomo Seguros S.A.
Mitsui Sumitomo Reinsurance Limited
MS Frontier Reinsurance Limited
Mitsui Sumitomo Kirameki Life Insurance Company, Limited
MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.

The business of P.T. Asuransi Sumitomo Marine and Pool was taken over by P.T. Asuransi Mitsui Sumitomo Indonesia (formerly P.T. Asuransi Mitsui Marine Indonesia) and was de-consolidated as at March 31, 2004.

All material intercompany balances and transactions have been eliminated in consolidation.

The following affiliates of the Company are accounted for under the equity method.

Mitsui Sumitomo Insurance (Malaysia) Bhd
Sumitomo Mitsui Asset Management Company, Limited
Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd.

Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd. is a 51%-owned affiliate and is accounted for under the equity method because the controlling financial interest does not rest with the Company pursuant to the joint venture agreement.

(b) Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

(c) Investments in Equity and Fixed Maturity Securities

Trading securities are recorded at fair value with unrealized gains and losses included in income. Securities available for sale are recorded at fair value with net unrealized gains and losses reported, net of tax, in accumulated other comprehensive income. Securities held to maturity are recorded at amortized cost. Securities which do not have readily determinable fair values are recorded at cost.

For investments that have experienced a decline in value below their respective cost that is considered to be other than temporary, the declines are recorded as realized losses on investments in the consolidated statements of income. Gains and losses on the sale of investments are included in realized gains and losses in the consolidated statements of income based on the trade date. The cost of investments sold is determined on a moving-average basis.

On October 1, 2001, Mitsui Mirai Life Insurance Co., Ltd. ("Mitsui Mirai"), a wholly owned life insurance subsidiary of Mitsui merged with and into The Sumitomo Marine Yu-Yu Life Insurance Co., Ltd. ("Sumitomo Yu-Yu"), a wholly owned life insurance subsidiary of Sumitomo. Upon the merger, Sumitomo Yu-Yu changed its name to Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. ("Kirameki"). In connection with the merger, fixed maturity debt securities of ¥29,574 million held by Mitsui Mirai at the time of merger were reclassified from "held to maturity" to "available for sale" to conform to the investment management policy of Kirameki. The impact of this reclassification on the consolidated financial statements was immaterial.

(d) Investments in Loans

The Company grants mortgage, commercial and consumer loans primarily to customers throughout Japan. As a result of this geographic concentration of outstanding loans, the ability of the Company's debtors to honor their contracts is much more dependent upon the general economic conditions in Japan than those competitors with a greater geographic dispersion of borrowing.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and an allowance for credit losses.

Loans are placed on a cash (non-accrual) basis when it is deemed that the payment of interest or principal is doubtful of collection, or when interest or principal is past due for 90 days or more.

All interest accrued but not collected for loans placed on non-accrual status or charged off is reversed against interest income. The interest on these loans is accounted for on a cash basis until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses

The allowance for credit losses is established as losses are estimated to have occurred through a provision for credit losses charged to earnings. Credit losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific allowance is established for loans that are classified as impaired when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of the loan. The general allowance covers other-than-impaired loans and is established based on historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfalls in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for mortgage and commercial loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent. Large groups of smaller-balance homogeneous loans are collectively evaluated for impairment.

(e) Accounts with Foreign Branches and Agents

The amounts included in the consolidated balance sheets at March 31, 2003 and 2004 with respect to foreign branches and agents of the Company represent data within three months before March 31, 2003 and 2004, respectively. The consolidated statements of income likewise include amounts for the corresponding periods ended on those dates.

(f) Property and Equipment

Property and equipment, including property classified as investment real estate, are stated principally at cost less accumulated depreciation on buildings and furniture and equipment. Depreciation is computed by the declining-balance method based on the estimated useful lives of the assets.

The cost and accumulated depreciation with respect to assets retired or otherwise disposed of are eliminated from the respective assets and related accumulated depreciation accounts. Any resulting profit or loss is credited or charged to income.

(g) Impairment or Disposal of Long-Lived Assets

The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" on April 1, 2002. The impact of the adoption of SFAS No. 144 on the Company's consolidated financial statements was not significant.

In accordance with SFAS No. 144, long-lived assets, such as property, plant and equipment and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are stated at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The fair values of the assets are determined based on either quoted market prices or independent third party appraisals.

(h) Policy Acquisition Costs

Policy acquisition costs are deferred and amortized over the periods in which the related premiums are earned. Acquisition costs include agent commissions and certain other costs which vary with and are directly related to the acquisition of business. Such deferred costs are limited to the excess of the unearned premiums over the sum of expected claim costs, claim adjustment expenses and policy maintenance expenses.

Details of policy acquisition costs for the years ended March 31, 2002, 2003 and 2004 are as follows:

(Property and casualty insurance)

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Deferred at beginning of year	¥278,259	¥302,003	**¥304,791**	**$2,875,387**
Capitalized during year:				
Commissions and brokerage	206,674	210,390	**214,880**	**2,027,170**
Salaries and other compensation	94,308	102,366	**101,055**	**953,349**
Other underwriting costs	48,723	49,441	**49,353**	**465,594**
	349,705	362,197	**365,288**	**3,446,113**
Amortized during year	(325,961)	(359,409)	**(364,063)**	**(3,434,557)**
Deferred at end of year	¥302,003	¥304,791	**¥306,016**	**$2,886,943**

(Life insurance)

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Deferred at beginning of year	¥26,059	¥34,747	**¥41,944**	**$395,698**
Capitalized during year	13,598	12,443	**15,474**	**145,981**
Amortized during year	(4,910)	(5,246)	**(7,395)**	**(69,764)**
Deferred at end of year	¥34,747	¥41,944	**¥50,023**	**$471,915**

Other underwriting costs include certain policy issuance costs supporting underwriting functions. These costs are related to the acquisition of new business and renewals and include technology costs to process policies, policy forms and travel.

(i) Losses, Claims, Loss Adjustment Expenses and Policyholder Benefits

Liabilities for reported and estimated losses and claims and for related adjustment expenses for property and casualty insurance contracts are based upon the accumulation of case estimates for losses and related adjustment expenses reported prior to the close of the accounting period on direct and assumed business. Provision has also been made based upon past experience for unreported losses and for adjustment expenses not identified with specific claims. The Company believes that the liabilities for unpaid losses and adjustment expenses at March 31, 2003 and 2004 are adequate to cover the ultimate cost of losses and claims incurred to those dates, but the provisions are necessarily based on estimates and no representation is made that the ultimate liability may not exceed or fall short of such estimates.

For life insurance contracts, reserves for future policy benefits are determined by the net level premium method. Assumed interest rates range from 1.00% to 3.10%. Anticipated rates of mortality are based on the 1996 Mortality Table modified by the recent experience of Japanese life insurance companies.

(j) Insurance Revenue Recognition

Property and casualty insurance premiums are earned ratably over the terms of the related insurance contracts. Unearned premiums are recognized to cover the unexpired portion of premiums written. Life insurance premiums of long-duration contracts are recognized as revenue when due from policyholders.

(k) Reinsurance

Reinsurance contracts are accounted for in accordance with SFAS No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts." Under this statement, assets and liabilities relating to reinsurance contracts are reported on a gross basis. SFAS No. 113 also established guidelines for determining whether risk is transferred under a reinsurance contract. If risk is transferred, the conditions for reinsurance accounting are met. If risk is not transferred, the contract is accounted for as a deposit. All of the Company's reinsurance contracts meet the risk transfer criteria and are accounted for as reinsurance.

(l) Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(m) Compulsory Automobile Liability Insurance

Japanese law requires that all automobiles be covered by liability insurance for personal injury and that insurance companies may not refuse to issue such policies. The law provides that the regulatory authorities should not approve any application for upward premium rate adjustments if, in the opinion of the regulatory authorities, such adjustments would generate underwriting profits, for the program as a whole, or if it is deemed that the rate adjustments would compensate the insurers for excessive underwriting costs attributable to a lack of effective cost control on the part of the insurers. The law further stipulates that whenever premium rates are such that, in the opinion of the regulatory authorities, such premium revenues generate income which exceeds costs that are effectively controlled by insurers, for the program as a whole, the regulatory authorities may order a downward revision of premium rates.

The Company is not permitted to reflect any profit or loss from underwriting Compulsory Automobile Liability Insurance in the statutory financial statements prepared for distribution to shareholders, unless permission has been obtained from the Financial Services Agency of Japan. Rather, all such accumulated profits are recorded as a liability in the statutory financial statements.

In the accompanying consolidated financial statements, which are presented in accordance with U.S. GAAP, earned premiums of ¥87,676 million in the year ended March 31, 2002, ¥107,606 million in the year ended March 31, 2003, and ¥157,481 million ($1,485,670 thousand) in the year ended March 31, 2004 from underwriting Compulsory Automobile Liability Insurance were recognized as revenue.

(n) Foreign Currency Translation and Transactions

Foreign currency financial statements of the Company's subsidiaries have been translated in accordance with SFAS No. 52, "Foreign Currency Translation." Under this statement, assets and liabilities of the Company's subsidiaries and affiliates located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from the translation of foreign currency financial statements are excluded from the consolidated statements of income and are accumulated in "Foreign currency translation adjustments," which is included in accumulated other comprehensive income.

Gains or losses resulting from foreign currency transactions have been included in other expenses in the accompanying consolidated statements of income as gains of ¥1,598 million, losses of ¥3,666 million and losses of ¥3,327 million ($31,387 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively.

(o) Derivatives

On April 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities," and SFAS No. 138, "Accounting for Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS No. 133." Upon adoption, all derivatives were recognized on the balance sheet at their fair value. The adoption of SFAS No. 133 and SFAS No. 138 resulted in the Company recording a net transition loss of ¥540 million (net of related income tax of ¥303 million) in net income and a net transition loss of ¥243 million (net of related income tax of ¥136 million) in accumulated other comprehensive income at April 1, 2001. Furthermore, the adoption of SFAS No. 133 resulted in the Company recognizing ¥2,720 million of derivative instrument liabilities and increasing the carrying amounts of hedged assets by ¥1,675 million.

On the date a derivative contract is entered into for hedging purposes, the Company designates the derivative as (1) a hedge of subsequent changes in the fair value of a recognized asset or liability ("fair value hedge") or (2) a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"). Fair value and cash flow hedges may involve foreign-currency risk ("foreign-currency hedge"). Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, along with the loss or gain on the hedged item that is attributable to the hedged risk, are recorded in earnings. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item.

The Company documents all relationships between hedging instruments and hedged items, as well as its risk management objectives for undertaking various hedge transactions. The Company assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of hedged items. A hedging relationship is considered highly effective when the changes in the fair value or cash flow of the hedged item are within a ratio of 80%–125%. If the result of the assessment is considered as not highly effective, the Company discontinues hedge accounting.

(p) Net Income per Share

SFAS No. 128, "Earnings per Share," requires dual presentation of basic and diluted earnings per share ("EPS") with an appropriate reconciliation of both computations (see Note 16). Basic EPS is computed based on the average number of shares of common stock outstanding during each period. Diluted EPS assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

(q) Reclassification

Certain amounts as of and for the years ended March 31, 2002 and 2003 have been reclassified in the accompanying consolidated financial statements to conform with the March 31, 2004 presentation.

(r) New Accounting Standards

In November 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an Interpretation of FASB Statements No. 5, 57 and 107 and a Rescission of FASB Interpretation No. 34." FIN No. 45 elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under guarantees issued. FIN No. 45 also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of FIN No. 45 were applicable to guarantees issued or modified after December 31, 2002, and the disclosure requirements became effective for the Company's consolidated financial statements for the year ended March 31, 2003.

In December 2003, the FASB issued FIN No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN No. 46 (revised) replaces FIN No. 46, "Consolidation of Variable Interest Entities," which was issued in January 2003. The Company is required to apply FIN No. 46 (revised) to variable interests in variable interest entities ("VIEs") created after January 31, 2003. For variable interests in VIEs created before February 1, 2003, the interpretation will be applied beginning on April 1, 2004. For any VIEs that must be consolidated under FIN No. 46 (revised) that were created before February 1, 2003, the assets, liabilities and non-controlling interests of the VIE initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN No. 46 (revised) first applies may be used to measure the assets, liabilities and non-controlling interest of the VIE. See Note 14 for additional information required by FIN No. 46 (revised).

In April 2002, SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" was issued. SFAS No. 145 amends existing guidance on reporting gains and losses on the extinguishment of debt to prohibit the classification of the gain or loss as extraordinary, as the use of such extinguishments have become part of the risk management strategy of many companies. SFAS No. 145 also amends SFAS No. 13, "Accounting for Leases," to require sale-leaseback accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. The provisions of SFAS No. 145 related to the rescission of SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," were applied in fiscal years beginning after May 15, 2002. The provisions of SFAS No. 145 related to SFAS No. 13 were effective for transactions occurring after May 15, 2002. The adoption of SFAS No. 145 had no effect on the Company's consolidated financial statements.

In June 2002, SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." The provisions of SFAS No. 146 were effective for exit or disposal activities initiated after December 31, 2002, with early application encouraged. The adoption of SFAS No. 146 had no effect on the Company's consolidated financial statements.

In December 2003, SFAS No. 132 (revised), "Employers' Disclosures about Pensions and Other Postretirement Benefits," was issued. SFAS No. 132 (revised) prescribes employers' disclosures about pension plans and other postretirement benefit plans; it does not change the measurement or recognition of those plans. The statement retains and revises the disclosure requirements contained in the original SFAS No. 132. It also requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. SFAS No. 132 (revised) generally is effective for fiscal years ending after December 15, 2003. The Company's disclosures in Note 8 incorporate the requirements of SFAS No. 132 (revised).

In November 2003, EITF reached a consensus on EITF Issue No. 03-1, "The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments." EITF Issue No. 03-1 establishes additional disclosure requirements for each category of SFAS No. 115 investments in a loss position. In March 2004, EITF also reached a consensus on the additional accounting guidance for other-than-temporary impairments and its application to debt and equity investments. In accordance with the new disclosure requirements under EITF Issue No. 03-1, Note 3 has been expanded to include certain additional information regarding the Company's securities investments.

(3) Investments

The amortized cost of fixed maturity securities or cost of equity securities and money trusts and related fair values at March 31, 2003 and 2004 were as follows:

(Securities held to maturity)

	Yen in millions			
March 31, 2003:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
Governments and government agencies and authorities other than U.S.	¥1,171	¥ —	¥—	¥1,171
Other corporate bonds	876	11	—	887
Total securities held to maturity	¥2,047	¥11	¥—	¥2,058

	Yen in millions			
March 31, 2004:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
Governments and government agencies and authorities other than U.S.	**¥1,637**	**¥ —**	**¥—**	**¥1,637**
Other corporate bonds	**323**	**6**	**—**	**329**
Total securities held to maturity	**¥1,960**	**¥ 6**	**¥—**	**¥1,966**

	Dollars in thousands			
March 31, 2004:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
Governments and government agencies and authorities other than U.S.	**$15,443**	**$ —**	**$—**	**$15,443**
Other corporate bonds	**3,048**	**56**	**—**	**3,104**
Total securities held to maturity	**$18,491**	**$56**	**$—**	**$18,547**

(Securities available for sale)

	Yen in millions			
March 31, 2003:	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount/ Fair Value
Fixed maturity securities:				
U.S. government and government agencies and authorities	¥ 63,241	¥ 10,216	¥ (30)	¥ 73,427
U.S. municipalities and political subdivisions	4	0	—	4
Other governments and government agencies and authorities	400,515	35,971	(229)	436,257
Other municipalities and political subdivisions	960,022	70,033	(21)	1,030,034
Convertibles and bonds with warrants attached	65,746	1,852	(12)	67,586
Other corporate bonds	1,209,333	76,052	(646)	1,284,739
Total fixed maturity securities	2,698,861	194,124	(938)	2,892,047
Equity securities	1,033,290	644,449	(52,112)	1,625,627
Total securities available for sale	¥3,732,151	¥838,573	¥(53,050)	¥4,517,674

March 31, 2004:	Yen in millions Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount/ Fair Value
Fixed maturity securities:				
U.S. government and government agencies and authorities	¥ 61,635	¥ 3,823	¥ (886)	¥ 64,572
U.S. municipalities and political subdivisions	1	0	—	1
Other governments and government agencies and authorities	566,406	19,425	(3,756)	582,075
Other municipalities and political subdivisions	971,676	36,105	(2,527)	1,005,254
Convertibles and bonds with warrants attached	45,016	1,652	(16)	46,652
Other corporate bonds	1,318,102	48,631	(4,773)	1,361,960
Total fixed maturity securities	2,962,836	109,636	(11,958)	3,060,514
Equity securities	993,147	1,160,939	(10,142)	2,143,944
Total securities available for sale	¥3,955,983	¥1,270,575	¥(22,100)	¥5,204,458

March 31, 2004:	Dollars in thousands Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount/ Fair Value
Fixed maturity securities:				
U.S. government and government agencies and authorities	$ 581,462	$ 36,066	$ (8,358)	$ 609,170
U.S. municipalities and political subdivisions	10	0	—	10
Other governments and government agencies and authorities	5,343,453	183,255	(35,434)	5,491,274
Other municipalities and political subdivisions	9,166,755	340,613	(23,840)	9,483,528
Convertibles and bonds with warrants attached	424,679	15,585	(151)	440,113
Other corporate bonds	12,434,924	458,783	(45,028)	12,848,679
Total fixed maturity securities	27,951,283	1,034,302	(112,811)	28,872,774
Equity securities	9,369,311	10,952,255	(95,679)	20,225,887
Total securities available for sale	$37,320,594	$11,986,557	$(208,490)	$49,098,661

(Trading securities)

March 31, 2003:	Yen in millions Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money trusts included in short-term investments	¥25,172	¥487	¥(1,412)	¥24,247

March 31, 2004:	Yen in millions Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money trusts included in short-term investments	¥22,875	¥2,996	¥(1,208)	¥24,663

March 31, 2004:	Dollars in thousands Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money trusts included in short-term investments	$215,802	$28,264	$(11,396)	$232,670

The changes in net unrealized gains and losses on trading securities have been included in the accompanying consolidated statements of income as losses of ¥1,303 million, gains of ¥3,624 million and gains of ¥2,713 million ($25,594 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively.

The amortized cost and fair values of investments in fixed maturity securities held to maturity and available for sale at March 31, 2004 by contractual maturity were as follows:

(Securities held to maturity)

March 31, 2004:	Yen in millions Amortized Cost	Yen in millions Fair Value	Dollars in thousands Amortized Cost	Dollars in thousands Fair Value
Due after one year through five years	¥1,960	¥1,966	$18,491	$18,547
	¥1,960	¥1,966	$18,491	$18,547

(Securities available for sale)

March 31, 2004:	Yen in millions Amortized Cost	Yen in millions Fair Value	Dollars in thousands Amortized Cost	Dollars in thousands Fair Value
Due within one year	¥ 307,155	¥ 313,368	$ 2,897,689	$ 2,956,302
Due after one year through five years	1,302,918	1,359,250	12,291,679	12,823,113
Due after five years through ten years	1,222,635	1,248,794	11,534,292	11,781,076
Due after ten years	130,128	139,102	1,227,623	1,312,283
	¥2,962,836	¥3,060,514	$27,951,283	$28,872,774

Actual maturities may differ from contractual maturities because some issuers have the right to call or prepay obligations with or without call or prepayment penalties.

The methods of determining the fair value of the Company's fixed maturity and equity securities are described in Note 13.

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2004, were as follows:

(Securities available for sale)

						Yen in millions
	Less than 12 months		12 months or more		Total	
March 31, 2004:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities	¥563,325	¥(11,596)	¥15,780	¥ (362)	¥579,105	¥(11,958)
Equity securities	69,569	(3,668)	60,028	(6,474)	129,597	(10,142)
Total securities	¥632,894	¥(15,264)	¥75,808	¥(6,836)	¥708,702	¥(22,100)

						Dollars in thousands
	Less than 12 months		12 months or more		Total	
March 31, 2004:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities	$5,314,387	$(109,396)	$148,868	$ (3,415)	$5,463,255	$(112,811)
Equity securities	656,311	(34,603)	566,302	(61,076)	1,222,613	(95,679)
Total securities	$5,970,698	$(143,999)	$715,170	$(64,491)	$6,685,868	$(208,490)

In evaluating the factors for securities available for sale, the Company presumes a decline in value to be other than temporary if the fair value of the securities is 20 percent or more below its original cost for an expected period of time.

At March 31, 2004, the Company determined that the decline in value for securities with unrealized losses is not other than temporary in nature.

Gross realized and unrealized gains and losses from investments for the years ended March 31, 2002, 2003 and 2004 were as follows:

				Yen in millions
2002:	Fixed Maturities	Equity Securities	Other Investments	Total Losses
Realized gains (losses)	¥ (3,536)	¥ (8,961)	¥ 5,179	¥ (7,318)
Unrealized gains (losses)	(9,916)	(293,631)	5,872	(297,675)
Combined realized and unrealized gains (losses)	¥(13,452)	¥(302,592)	¥11,051	¥(304,993)

				Yen in millions
2003:	Fixed Maturities	Equity Securities	Other Investments	Total Losses
Realized gains (losses)	¥14,065	¥ (11,485)	¥(4,739)	¥ (2,159)
Unrealized gains (losses)	56,160	(453,150)	(5,065)	(402,055)
Combined realized and unrealized gains (losses)	¥70,225	¥(464,635)	¥(9,804)	¥(404,214)

				Yen in millions
2004:	Fixed Maturities	Equity Securities	Other Investments	Total Gains
Realized gains (losses)	**¥ (4,437)**	**¥ 89,406**	**¥3,838**	**¥ 88,807**
Unrealized gains (losses)	**(95,507)**	**558,459**	**(932)**	**462,020**
Combined realized and unrealized gains (losses)	**¥(99,944)**	**¥647,865**	**¥2,906**	**¥550,827**

				Dollars in thousands
2004:	Fixed Maturities	Equity Securities	Other Investments	Total Gains
Realized gains (losses)	**$ (41,858)**	**$ 843,453**	**$36,207**	**$ 837,802**
Unrealized gains (losses)	**(901,009)**	**5,268,481**	**(8,793)**	**4,358,679**
Combined realized and unrealized gains (losses)	**$(942,867)**	**$6,111,934**	**$27,414**	**$5,196,481**

The net effect on shareholders' equity of unrealized gains and losses on available-for-sale securities at March 31, 2003 and 2004 was as follows:

				Yen in millions
March 31, 2003:	Fixed Maturities	Equity Securities	Other Investments	Total Gains
Unrealized gains, net	¥193,186	¥592,337	¥899	¥786,422
Deferred income taxes				(486,736)
				¥299,686

				Yen in millions
March 31, 2004:	Fixed Maturities	Equity Securities	Other Investments	Total Gains
Unrealized gains (losses), net	**¥97,678**	**¥1,150,796**	**¥(33)**	**¥1,248,441**
Deferred income taxes				**(653,420)**
				¥ 595,021

				Dollars in thousands
March 31, 2004:	Fixed Maturities	Equity Securities	Other Investments	Total Gains
Unrealized gains (losses), net	**$921,490**	**$10,856,566**	**$(311)**	**$11,777,745**
Deferred income taxes				**(6,164,339)**
				$ 5,613,406

Proceeds and gross realized gains and losses from sales of securities available for sale for the years ended March 31, 2002, 2003 and 2004 were as follows:

(Fixed maturity securities)

		Yen in millions		Dollars in thousands
	2002	2003	**2004**	**2004**
Gross realized gains	¥ 11,297	¥ 19,165	**¥ 13,115**	**$ 123,726**
Gross realized losses	(10,374)	(4,117)	**(17,367)**	**(163,839)**
Net realized gains (losses)	¥ 923	¥ 15,048	**¥ (4,252)**	**$ (40,113)**
Proceeds from fixed maturity securities	¥295,243	¥325,388	**¥553,264**	**$5,219,472**

(Equity securities)

		Yen in millions		Dollars in thousands
	2002	2003	**2004**	**2004**
Gross realized gains	¥40,787	¥ 43,163	**¥115,318**	**$1,087,906**
Gross realized losses	(6,107)	(14,834)	**(20,045)**	**(189,104)**
Net realized gains	¥34,680	¥ 28,329	**¥ 95,273**	**$ 898,802**
Proceeds from equity securities	¥84,592	¥106,234	**¥666,968**	**$6,292,151**

Bonds carried at ¥29,571 million at March 31, 2003 and ¥49,081 million ($463,028 thousand) at March 31, 2004, short-term investments carried at ¥61 million at March 31, 2003 and ¥58 million ($547 thousand) at March 31, 2004 and cash equivalents carried at ¥4,137 million at March 31, 2003 and ¥4,565 million ($43,066 thousand) at March 31, 2004 were deposited with certain foreign government authorities and certain other parties as required by law and/or for other purposes.

The Company engages in securities lending transactions whereby certain securities from its portfolio are loaned to other institutions for short periods and cash collateral is obtained for some transactions. The loaned securities remain as recorded assets of the Company and the amount of the cash collateral are recorded as cash and cash equivalents. The carrying amount of loaned securities recorded as securities available for sale at March 31, 2003 and 2004 were ¥63,323 million and ¥103,856 million ($979,774 thousand), respectively.

The Company engages in reverse repurchase agreements whereby certain securities are purchased under resale agreements. The amount of the purchased securities are recorded as assets of the Company and accounted for under the accrual method. The amount booked as cash and cash equivalents at March 31, 2003 and 2004 were ¥2,000 million and ¥4,000 million ($37,736 thousand), respectively.

Mortgage loans on real estate are primarily mortgage loans on land and commercial buildings.

Policy loans are made to policyholders of long-term comprehensive insurance, long-term family traffic accident insurance and other long-term policies with refund at maturity. The maximum amount of loans is limited to 90% of return premiums on the policies.

Other long-term investments at March 31, 2003, and 2004 included the following:

	Yen in millions		Dollars in thousands
	2003	**2004**	**2004**
Mortgage loans on vessels and facilities	¥ 2,363	**¥ 1,738**	**$ 16,396**
Collateral and guaranteed loans	272,857	**300,570**	**2,835,566**
Unsecured loans	373,863	**384,694**	**3,629,189**
Other investments	303	**257**	**2,424**
	¥649,386	**¥687,259**	**$6,483,575**

Mortgage loans on vessels and facilities are generally joint loans in which other financial institutions participate. The Company participates in the hull insurance on these vessels.

Collateral loans are made generally to commercial enterprises and are secured principally by listed stocks and/or bonds of Japanese corporations. A portion of the loans is made jointly with other insurance companies.

Guaranteed loans are made generally to commercial enterprises, and payment is guaranteed principally by banks.

Unsecured loans are made to political subdivisions and independent government agencies and, on a selective basis, to corporate borrowers.

Short-term investments at March 31, 2003 and 2004 included the following:

	Yen in millions		Dollars in thousands
	2003	**2004**	**2004**
Money trusts	¥24,247	**¥24,663**	**$232,670**
Invested cash	26,338	**21,157**	**199,594**
Other	5,582	**10,916**	**102,981**
	¥56,167	**¥56,736**	**$535,245**

Call loans are short-term (overnight to three weeks) loans made to money market dealers and banks or securities houses through money market dealers. Call loans to money market dealers are secured by Japanese government bonds. Call loans to banks or securities houses are unsecured. The balance of call loans included in cash and cash equivalents as of March 31, 2003 and 2004 was ¥5,000 million and ¥64,000 million ($603,774 thousand), respectively.

The total recorded investment in impaired loans and the amount of the total valuation allowance at March 31, 2003 and 2004 were as follows:

	Yen in millions		Dollars in thousands
	2003	**2004**	**2004**
Recorded investment in impaired loans:			
Mortgage loans on real estate	¥ 3,352	**¥ 2,397**	**$ 22,613**
Mortgage loans on vessels and facilities	524	**843**	**7,953**
Collateral and guaranteed loans	1,338	**1,183**	**11,161**
Unsecured loans	26,028	**23,224**	**219,094**
	¥31,242	**¥27,647**	**$206,821**
Valuation allowance:			
Mortgage loans on real estate	¥ 855	**¥ 490**	**$ 4,622**
Mortgage loans on vessels and facilities	134	**147**	**1,387**
Collateral and guaranteed loans	458	**41**	**387**
Unsecured loans	15,558	**15,252**	**143,887**
	¥17,005	**¥15,930**	**$150,283**

The recorded investment in loans of nonaccrual status was approximately ¥9,640 million and ¥19,100 million ($180,189 thousand) as of March 31, 2003 and 2004, respectively. The recorded investment in loans past due 90 days or more and still accruing interest was approximately ¥743 million and ¥670 million ($6,321 thousand) as of March 31, 2003 and 2004, respectively.

An analysis of activity in the total allowance for credit losses related to loans during the years ended March 31, 2002, 2003 and 2004 is as follows:

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Balance at beginning of year	¥37,356	¥18,703	**¥20,235**	**$190,896**
Charge (credit) to income	(17,220)	3,675	**754**	**7,113**
Principal charge-offs	(1,433)	(2,143)	**(1,675)**	**(15,802)**
Balance at end of year	¥18,703	¥20,235	**¥19,314**	**$182,207**

The total allowance for credit losses related to loans at March 31, 2003 and 2004 includes an allowance for doubtful accounts in the amount of ¥3,230 million and ¥3,384 million ($31,925 thousand), respectively, relating to loans which were not categorized in the above impaired loans. This allowance for doubtful accounts has been calculated by multiplying actual bad debt ratios computed based on the actual bad debt amounts during the past periods against outstanding balances.

The average recorded investment in impaired loans was approximately ¥42,001 million, ¥32,851 million and ¥29,445 million ($277,783 thousand) in the years ended March 31, 2002, 2003 and 2004, respectively. The Company recognized interest income from impaired loans of ¥716 million, ¥516 million and ¥454 million ($4,283 thousand) in the years ended March 31, 2002, 2003 and 2004, respectively, on a cash basis.

Other long-term investments include loans of ¥37 million as of March 31, 2003 and ¥39 million ($368 thousand) as of March 31, 2004 which had been non-income producing for the 12 months preceding each balance sheet date.

The components of net investment income for the years ended March 31, 2002, 2003 and 2004 were as follows:

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Interest on fixed maturities	¥ 75,796	¥ 73,460	**¥ 71,758**	**$ 676,962**
Dividends from equity securities	28,523	26,722	**31,887**	**300,821**
Interest on mortgage loans on real estate	1,157	799	**704**	**6,641**
Rent from investment real estate	7,946	7,940	**6,846**	**64,585**
Interest on policy loans	1,232	1,205	**1,195**	**11,273**
Interest on other long-term investments	17,978	14,859	**13,280**	**125,283**
Interest on short-term investments	1,936	1,636	**1,225**	**11,557**
Interest on call loans	16	2	**20**	**189**
Other	3,238	3,594	**3,752**	**35,396**
Gross investment income	137,822	130,217	**130,667**	**1,232,707**
Less investment expenses	13,793	13,614	**12,064**	**113,811**
Net investment income	¥124,029	¥116,603	**¥118,603**	**$1,118,896**

In accordance with the Company's internal policy, the Company's portfolio is broadly diversified to ensure that there is no significant concentration of credit risk with any individual counterparties or group of counterparties. The concentrations of credit risk exceeding 10 percent of total shareholders' equity as of March 31, 2003 and 2004 were as follows:

	Yen in millions		Dollars in thousands
	2003	**2004**	**2004**
Japanese government	¥598,401	**¥746,272**	**$7,040,302**
Toyota Motor Corporation and its affiliates	306,419	**414,889**	**3,914,047**

(4) Property and Equipment

A summary of property and equipment as of March 31, 2003 and 2004 is as follows:

	Yen in millions		Dollars in thousands
	2003	**2004**	**2004**
Land	¥ 83,663	**¥ 86,644**	**$ 817,396**
Buildings	292,533	**277,075**	**2,613,915**
Furniture and equipment	110,361	**100,137**	**944,689**
Construction in progress	779	**867**	**8,179**
	487,336	**464,723**	**4,384,179**
Less accumulated depreciation	(247,684)	**(236,282)**	**(2,229,075)**
	¥239,652	**¥228,441**	**$2,155,104**

Property and equipment acquired in settling insurance claims included in other assets were ¥33,339 million and ¥21,394 million ($201,830 thousand) as of March 31, 2003 and 2004, respectively. A part of these property and equipment amounting to ¥14,168 million and ¥8,772 million ($82,755 thousand) were pledged as collateral as of March 31, 2003 and 2004, respectively.

(5) Impairment Losses of Long-Lived Assets

The carrying amount of long-lived assets held for sale as of March 31, 2003 and 2004 were ¥641 million and ¥1,295 million ($12,217 thousand), respectively. The impairment losses on long-lived assets held for sale, included in other expenses, were ¥631 million and ¥466 million ($4,396 thousand) for the years ended March 31, 2003 and 2004, respectively. Those impairment losses on long-lived assets were recognized in the property and casualty insurance segment under SFAS No. 131.

The impairment loss on long-lived assets to be held and used, which arose from investment real estate, was included in realized gains (losses) on investments, in the amount of ¥1,066 million and ¥6,401 million ($60,387 thousand) for the years ended March 31, 2003 and 2004, respectively. Those impairment losses on long-lived assets were recognized in the property and casualty insurance segment under SFAS No. 131.

Prior to the adoption of SFAS No. 144, impairment losses were recognized in accordance with SFAS No. 121 on the Company's property and equipment in the property and casualty insurance business segment (including investment real estate which was comprised mostly of landholdings). The Company recognized impairment losses principally due to a substantial decline in the market values of such assets. Other expenses included impairment losses of assets in property and equipment of ¥4,183 million in the year ended March 31, 2002.

(6) Income Taxes

Total income taxes for the years ended March 31, 2002, 2003 and 2004 were allocated as follows:

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Taxes on income	¥ 25,952	¥ 29,889	**¥ 74,441**	**$ 702,274**
Taxes on other comprehensive income (loss):				
Net unrealized gains (losses) on investments	(109,645)	(144,683)	**166,684**	**1,572,491**
Net gains (losses) on derivative investments	479	(224)	**(132)**	**(1,245)**
Minimum pension liability adjustment	4,881	(25,138)	**10,284**	**97,019**
	¥ (78,333)	¥(140,156)	**¥251,277**	**$2,370,539**

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 36%.

The effective tax rates of the Company for the years ended March 31, 2002, 2003 and 2004 differed from the Japanese statutory income tax rates for the following reasons:

	2002	2003	**2004**
Japanese statutory income tax rate	36.0%	36.0%	**36.0%**
Tax credit for dividends received	(7.0)	(4.8)	**(1.9)**
Expenses not deductible for tax purposes	3.0	2.4	**0.7**
Change in valuation allowance	13.9	7.7	**0.9**
Other	3.4	2.4	**3.4**
Effective tax rate	49.3%	43.7%	**39.1%**

The tax effects of temporary differences that gave rise to significant portions of deferred tax assets and deferred tax liabilities at March 31, 2003 and 2004 were as follows:

	Yen in millions		Dollars in thousands
	2003	**2004**	**2004**
Deferred taxes applicable to items other than unrealized gains on investments and derivatives:			
Deferred tax assets:			
Reported and estimated losses and claims	¥ 13,163	**¥ 25,257**	**$ 238,274**
Adjustment expenses	7,098	**8,704**	**82,113**
Retirement and severance benefits	71,699	**53,733**	**506,915**
Computer software development costs	15,779	**15,912**	**150,113**
Impairment losses	56,361	**52,710**	**497,264**
Gains on sales of investments not recognized for financial statement purposes	47,410	**40,388**	**381,019**
Tax credit carryforwards	343	**—**	**—**
Other	16,601	**16,557**	**156,198**
Total gross deferred tax assets	228,454	**213,261**	**2,011,896**
Less valuation allowance	(14,158)	**(15,921)**	**(150,198)**
Total net deferred tax assets	214,296	**197,340**	**1,861,698**
Deferred tax liabilities:			
Unearned premiums	40,478	**71,200**	**671,698**
Deferred policy acquisition costs	123,683	**126,914**	**1,197,302**
Property and equipment	5,929	**6,683**	**63,047**
Impairment of investments not recognized for financial statement purposes	16,779	**13,724**	**129,472**
Other	42	**173**	**1,632**
Total gross deferred tax liabilities	186,911	**218,694**	**2,063,151**
	(27,385)	**21,354**	**201,453**
Deferred tax liability applicable to unrealized gains on investments and derivatives	281,695	**448,356**	**4,229,774**
	¥254,310	**¥469,710**	**$4,431,227**

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax-planning strategies relating to the future reversal of temporary differences.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, and the uncertainty of the future reversal of temporary differences, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the recorded valuation allowances, at March 31, 2004.

A significant portion of the valuation allowance was provided for impairment losses on real estate and equity securities amounting to ¥13,853 million and ¥15,771 million ($148,783 thousand) as of March 31, 2003 and 2004, respectively. The net change in total valuation allowance for the years ended March 31, 2002, 2003 and 2004 was an increase of ¥7,922 million, ¥5,274 million and ¥1,763 million ($16,632 thousand), respectively.

(7) Short-Term Debt and Long-Term Debt

Short-term debt and long-term debt as of March 31, 2003 and 2004 consist of the following:

	Yen in millions		Dollars in thousands
	2003	**2004**	**2004**
1.2% Japanese yen convertible debentures, due 2004	¥22,250	**¥ —**	**$ —**
Bank loans with weighted average interest of 2.09%, due 2005 and 2006	1,497	**1,442**	**13,604**
	23,747	**1,442**	**13,604**
Less current portion classified as short-term debt	(22,647)	**(942)**	**(8,887)**
Total long-term debt	¥ 1,100	**¥ 500**	**$ 4,717**

The 1.2% Japanese yen convertible debentures were converted into shares of common stock and redeemed at maturity during the year ended March 31, 2004.

(8) Retirement and Severance Benefits

The Company has an unfunded lump-sum payment benefit plan and funded non-contributory pension plan covering substantially all employees. Under the plans, employees are entitled to lump-sum or annuity payments based on the current rate of pay and length of service at retirement or termination of employment for reasons other than dismissal for cause. Directors and statutory auditors are not covered by the above plans and their benefits are accrued as earned.

In addition to the plans described above, the Company has an Employees' Pension Fund ("EPF") plan, which is a defined benefit pension plan established under the Japanese Welfare Pension Insurance Law ("JWPIL"). The plan is composed of (a) a substitutional portion based on the pay-related part of the old-age pension benefits prescribed by JWPIL and (b) a corporate portion based on a non-contributory defined benefit pension arrangement. In June 2001, the JWPIL was amended to permit each employer/EPF to separate the substitutional portion from its EPF and transfer the obligation and related assets to the government. On April 1, 2003, the Company obtained an approval of exemption from the obligation for benefits related to future employee service under the substitutional portion. The approval is one of the core processes required to transfer the obligation and related assets to the government. However, it will be accounted for as a settlement when the obligation and related assets are finally transferred to the government pursuant to EITF Issue No. 03-2 "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities." No gain or loss on settlement has been recognized in the accompanying consolidated financial statements.

The components of net periodic benefit cost for the years ended March 31, 2002, 2003 and 2004 were as follows:

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Components of net periodic benefit cost:				
Service cost	¥13,076	¥13,171	**¥12,915**	**$121,840**
Interest cost	9,440	8,025	**6,114**	**57,679**
Expected return on plan assets	(5,831)	(4,177)	**(4,409)**	**(41,594)**
Amortization of net obligation at transition	2,392	—	**—**	**—**
Amortization of prior service cost	(500)	(2,450)	**(2,450)**	**(23,113)**
Recognized actuarial loss	1,183	5,146	**13,018**	**122,811**
Net periodic benefit cost	¥19,760	¥19,715	**¥25,188**	**$237,623**

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets for the years ended March 31, 2002, 2003 and 2004 were as follows:

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Change in benefit obligations:				
Benefit obligations at beginning of year	¥ 326,907	¥ 321,835	**¥ 407,704**	**$ 3,846,264**
Service cost	13,076	13,171	**12,915**	**121,840**
Interest cost	9,440	8,025	**6,114**	**57,679**
Plan participants' contributions	1,316	1,380	**168**	**1,585**
Plan amendments	(30,104)	—	**—**	**—**
Actuarial loss (gain)	13,635	75,007	**(604)**	**(5,698)**
Benefits paid	(12,435)	(11,714)	**(11,947)**	**(112,708)**
Benefit obligations at end of year	¥ 321,835	¥ 407,704	**¥ 414,350**	**$ 3,908,962**
Change in plan assets:				
Fair value of plan assets at beginning of year	¥ 143,267	¥ 139,233	**¥ 146,966**	**$ 1,386,472**
Actual return on plan assets	(12,599)	(6,527)	**22,378**	**211,113**
Employer contributions	12,146	18,104	**23,311**	**219,915**
Plan participants' contributions	1,316	1,380	**168**	**1,585**
Benefits paid	(4,897)	(5,224)	**(5,579)**	**(52,632)**
Fair value of plan assets at end of year	¥ 139,233	¥ 146,966	**¥ 187,244**	**$ 1,766,453**
Funded status	¥(182,602)	¥(260,738)	**¥(227,106)**	**$(2,142,509)**
Unrecognized actuarial loss	77,838	158,403	**126,812**	**1,196,340**
Unrecognized prior service cost	(21,047)	(18,597)	**(16,148)**	**(152,340)**
Net amount recognized	¥(125,811)	¥(120,932)	**¥(116,442)**	**$(1,098,509)**
Amounts recognized in the balance sheets consist of:				
Retirement and severance benefits	¥(145,195)	¥(210,143)	**¥(177,085)**	**$(1,670,613)**
Accumulated other comprehensive income, gross of tax	19,384	89,211	**60,643**	**572,104**
Net amount recognized	¥(125,811)	¥(120,932)	**¥(116,442)**	**$(1,098,509)**
Pension plans with an accumulated benefit obligation in excess of plan assets:				
Projected benefit obligation	¥ 321,835	¥ 407,704	**¥ 414,350**	**$ 3,908,962**
Accumulated benefit obligation	280,823	357,039	**364,271**	**3,436,519**
Fair value of plan assets	139,233	146,966	**187,244**	**1,766,453**

Special termination benefits provided to employees for the special early retirement plan are included in other expenses in the amount of ¥4,491 million and ¥4,530 million ($42,736 thousand) for the years ended March 31, 2003 and 2004, respectively.

The Company uses a measurement date of March 31 for all of its pension and severance plans.

The accumulated benefit obligation for the pension plan was ¥357,039 million and ¥364,271 million ($3,436,519 thousand) at March 31, 2003 and 2004, respectively.

Weighted-average assumptions used to determine benefit obligations at March 31, 2002, 2003 and 2004 were as follows:

	2002	2003	**2004**
Discount rate	2.50%	1.50%	**1.50%**
Rate of increase in future compensation	3.90 to 4.60	3.90 to 4.60	**3.90 to 4.60**

Weighted-average assumptions used to determine net cost for the years ended March 31, 2002, 2003 and 2004 were as follows:

	2002	2003	**2004**
Discount rate	3.00%	2.50%	**1.50%**
Expected long-term return on plan assets	4.07	3.00	**3.00**
Rate of increase in future compensation	3.90 to 4.60	3.90 to 4.60	**3.90 to 4.60**

The Company determines its expected long-term rate of return based on the expected long-term return of various asset categories in which it invests in consideration of the current expectations for future returns and the historical returns of each plan asset category.

The weighted-average asset allocation of the Company's pension benefits at March 31, 2003 and 2004 were as follows:

	2003	**2004**
Fixed maturities	37.3%	**39.1%**
Equity securities	48.5	**36.7**
Life insurance company general account	10.6	**2.2**
Cash and cash equivalents	3.6	**22.0**

The Company's investment policies are designed to provide long-range stability of investment returns to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. The Company endeavors to evaluate its investment in plan assets on a total return basis. Plan assets are invested in individual equities and fixed maturities using the guidelines of the model portfolio with a consideration of its performance, expected returns and risks. The Company evaluates its categories of plan asset allocation and can change its portfolios when needed.

The Company forecasts to contribute ¥20,844 million to the defined benefit pension plans for the year ending March 31, 2005.

(9) Liabilities for Losses and Claims

Activities in the liabilities for losses and claims and claim adjustment expenses for the years ended March 31, 2002, 2003 and 2004 are summarized as follows:

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Balance at beginning of year	¥551,688	¥602,083	**¥660,178**	**$6,228,094**
Less: reinsurance recoverable	87,566	126,149	**143,597**	**1,354,688**
Net balance at beginning of year	464,122	475,934	**516,581**	**4,873,406**
Incurred related to:				
Current year's insured events	744,323	781,055	**844,417**	**7,966,198**
Prior year's insured events	(4,012)	9,020	**13,855**	**130,708**
Total incurred	740,311	790,075	**858,272**	**8,096,906**
Paid related to:				
Current year's insured events	469,822	493,468	**517,844**	**4,885,321**
Prior year's insured events	258,677	255,960	**279,584**	**2,637,585**
Total paid	728,499	749,428	**797,428**	**7,522,906**
Net balance at end of year	475,934	516,581	**577,425**	**5,447,406**
Plus reinsurance recoverable	126,149	143,597	**151,635**	**1,430,519**
Balance at end of year	¥602,083	¥660,178	**¥729,060**	**$6,877,925**

(10) Investment Deposits by Policyholders

Certain property and casualty insurance policies offered by the Company include a savings feature in addition to the insurance coverage provided under the policy. In addition, certain types of personal injury and fire insurance policies are available with a deposit premium rider. The premium received from the policyholder is split between the insurance coverage and the savings portion of the policy based upon rates approved by the Financial Services Agency of Japan. Policy terms are mainly from 3 to 10 years.

The key terms of this type of policy are fixed at the inception of the policy and remain in effect during the policy period. The policyholder can terminate the savings-type insurance contract before the maturity date with a payment of a commission to the Company that equals the interest earned for approximately six months. The policyholder is informed at policy inception of the maturity value related to the savings portion of the policy. The maturity value of the policy represents the savings portion of the premium paid by the policyholder plus credited interest. The maturity value is paid on the policy maturity date unless a total loss as defined by the policy occurs during the policy term. No amount is paid under the savings portion of the policy if a total loss occurs during the policy term.

It is regarded as a total loss when an aggregate amount of claims paid in connection with accidents covered by the policy occurs within any one insurance year during the policy terms of insurance, regardless of whether claims are caused by one or more accidents, and reaches the insured amount covered by the policy. If a total loss occurs, the policy is immediately terminated. The annual frequency of total loss of major savings-type insurance contracts ranges from 0.04% to 0.12%.

The contractual rate of interest credited to the policy varies by product and is established at the beginning of the policy. The committed interest rate cannot be changed by the Company at any time during the policy term. Committed interest rates ranged from 0.1% to 1.5% for the years ended March 31, 2002, 2003 and 2004.

Premiums paid for the indemnity portion are allocated to income ratably over the terms of the related insurance contract. Premiums paid for the savings portion are credited to investment deposits by policyholders. Interest credited to investment deposits by policyholders is charged to income and presented as investment income credited to investment deposits by policyholders in the accompanying consolidated statements of income. When a total loss occurs, the remaining balance in investment deposits by policyholders corresponding to the total loss contract is reversed and recorded as premium revenue.

(11) Reinsurance

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. The Company cedes to reinsurers a portion of the risks it underwrites and pays reinsurance premiums to the reinsurers based upon the risks subject to reinsurance. The Company utilizes a variety of reinsurance arrangements, which are classified into two basic types: proportional reinsurance and excess-of-loss reinsurance. Proportional reinsurance is the type of reinsurance where the share of claims carried is proportionate to the share of premiums received. This type of reinsurance is used as a means to limit a loss amount on an individual-risk basis. The excess-of-loss type of reinsurance indemnifies the ceding company against a specified level of losses on underlying insurance policies in excess of a specified agreed amount. Excess-of-loss reinsurance is usually arranged in layers to secure greater capacity by offering various levels of risk exposure with different terms for reinsurers with different preferences. Although a reinsurer is liable to the Company to the extent of the risks assumed, the Company remains liable as the direct insurer to policyholders on all such risks. Failure of reinsurers to honor their obligations could result in losses to the Company. Because of the large amount of funds held by the Company under reinsurance treaties and the Company's favorable experience with its reinsurers, no material amount is believed to be uncollectible and no provision has been made for this contingency.

At March 31, 2004, there were no significant concentrations with a single reinsurer for reinsurance receivables and prepaid reinsurance premiums.

The effects of reinsurance on the results of operations of property and casualty insurance and life insurance and casualty insurance for the years ended March 31, 2002, 2003 and 2004 were as follows:

(Property and casualty insurance)

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Premiums written:				
Direct	¥1,335,943	¥1,373,688	**¥1,439,678**	**$13,581,868**
Assumed	139,908	232,705	**243,845**	**2,300,424**
Ceded	(243,851)	(305,712)	**(307,550)**	**(2,901,415)**
Net premiums written	¥1,232,000	¥1,300,681	**¥1,375,973**	**$12,980,877**

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Premiums earned:				
Direct	¥1,291,185	¥1,338,214	**¥1,391,069**	**$13,123,292**
Assumed	128,625	165,767	**213,730**	**2,016,321**
Ceded	(237,135)	(275,981)	**(296,740)**	**(2,799,434)**
Net premiums earned	¥1,182,675	¥1,228,000	**¥1,308,059**	**$12,340,179**

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Losses and claims incurred:				
Direct	¥752,202	¥770,189	**¥773,043**	**$7,292,859**
Assumed	101,821	118,802	**163,231**	**1,539,915**
Ceded	(204,739)	(207,452)	**(200,604)**	**(1,892,491)**
Net losses and claims incurred	¥649,284	¥681,539	**¥735,670**	**$6,940,283**

(Life insurance)

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Premiums earned:				
Direct	¥137,565	¥147,922	**¥158,098**	**$1,491,491**
Ceded	(241)	(161)	**(258)**	**(2,434)**
Net premiums earned	¥137,324	¥147,761	**¥157,840**	**$1,489,057**

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Policyholder benefits:				
Direct	¥120,849	¥129,958	**¥133,979**	**$1,263,953**
Ceded	(122)	(129)	**(133)**	**(1,255)**
Net policyholder benefits	¥120,727	¥129,829	**¥133,846**	**$1,262,698**

(12) Derivative Financial Instruments

The Company utilizes derivative financial instruments (a) to manage interest rate risk and foreign exchange risk arising from its fixed maturities portfolio and (b) to generate trading revenues and fee income. All derivatives are recognized on the consolidated balance sheets at fair value as other assets or other liabilities.

All derivative transactions are controlled in accordance with the Company's risk management rules. Under these rules, the purpose of derivative financial instruments is predetermined in writing, the balance of trading derivatives is limited to the extent permitted by the internal guidelines and derivative instruments entered into for hedging purposes require the advance approval of management. The Company's portfolio is broadly diversified to ensure that there is no significant concentration of credit risk with any individual counterparty or group of counterparties. The Company's policies prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis. Back-office functions, such as settlements or monitoring, are designed independently from the function responsible for dealings.

Derivatives used for interest rate risk and foreign exchange risk management

The Company uses interest rate swaps, currency swaps and foreign exchange forward contracts to hedge the exposure to variability in expected future cash flows arising from fixed maturity securities available for sale. Such swaps are accounted for as cash flow hedges, in which changes in the fair value of the hedging derivatives are reported in accumulated other comprehensive income. Such deferred amounts are subsequently reclassified into net investment income when the hedged interest cash flows affect earnings. The Company estimates that the net amount of existing gains at March 31, 2004 that will be reclassified into earnings within the next 12 months is ¥199 million ($1,877 thousand). The amounts of the hedges' ineffectiveness or components of derivative instruments' gain or loss excluded from the assessment of hedge effectiveness for the years ended March 31, 2003 and 2004 were insignificant.

Derivatives trading revenues

The Company uses a variety of derivative instruments, such as interest rate futures, forwards and options, interest rate and currency swaps, bond futures and options, foreign exchange forwards and options and credit derivatives, and non-derivative instruments, such as weather derivatives, to generate trading revenues and fee income. Changes in fair value of these derivatives are reported in realized gains (losses) on investments.

(13) Fair Value of Financial Instruments

The estimated fair values of the financial instruments at March 31, 2003 and 2004 were as follows:

	Yen in millions			
	2003		**2004**	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Fixed maturities	¥2,894,094	¥2,894,105	**¥3,062,474**	**¥3,062,480**
Equity securities	1,625,627	1,625,627	**2,143,944**	**2,143,944**
Mortgage loans on real estate	26,752	26,144	**21,573**	**21,247**
Policy loans	33,899	33,899	**33,104**	**33,104**
Other long-term investments	649,386	643,351	**687,259**	**676,876**
Short-term investments	56,167	56,167	**56,736**	**56,736**
Cash and cash equivalents	371,119	371,119	**361,810**	**361,810**
Indebtedness from affiliates	2,972	3,278	**1,575**	**1,593**
Accrued investment income	22,576	22,576	**21,696**	**21,696**
Premiums receivable and agents' balances	118,693	118,693	**120,593**	**120,593**
Weather derivatives	72	72	**172**	**172**
Derivative assets:				
Foreign exchange contracts	64	64	**4,573**	**4,573**
Interest rate contracts	2,575	2,575	**1,644**	**1,644**
Bond and equity index contracts	—	—	**0**	**0**
Credit derivatives	991	991	**1,213**	**1,213**
Financial liabilities:				
Investment deposits by policyholders	(2,507,250)	(2,783,720)	**(2,405,099)**	**(2,734,231)**
Short-term debt	(22,647)	(22,647)	**(942)**	**(942)**
Long-term debt	(1,100)	(1,101)	**(500)**	**(500)**
Weather derivatives	(34)	(34)	**(371)**	**(371)**
Derivative liabilities:				
Foreign exchange contracts	(2,050)	(2,050)	**(2,205)**	**(2,205)**
Interest rate contracts	(1,768)	(1,768)	**(1,196)**	**(1,196)**
Credit derivatives	(8,322)	(8,322)	**(1,269)**	**(1,269)**

	Dollars in thousands	
	2004	
	Carrying Amount	Estimated Fair Value
Financial assets:		
Fixed maturities	**$28,891,265**	**$28,891,321**
Equity securities	**20,225,887**	**20,225,887**
Mortgage loans on real estate	**203,519**	**200,443**
Policy loans	**312,302**	**312,302**
Other long-term investments	**6,483,575**	**6,385,623**
Short-term investments	**535,245**	**535,245**
Cash and cash equivalents	**3,413,302**	**3,413,302**
Indebtedness from affiliates	**14,858**	**15,028**
Accrued investment income	**204,678**	**204,678**
Premiums receivable and agents' balances	**1,137,670**	**1,137,670**
Weather derivatives	**1,623**	**1,623**
Derivative assets:		
Foreign exchange contracts	**43,142**	**43,142**
Interest rate contracts	**15,509**	**15,509**
Bond and equity index contracts	**0**	**0**
Credit derivatives	**11,443**	**11,443**
Financial liabilities:		
Investment deposits by policyholders	**(22,689,613)**	**(25,794,632)**
Short-term debt	**(8,887)**	**(8,887)**
Long-term debt	**(4,717)**	**(4,717)**
Weather derivatives	**(3,500)**	**(3,500)**
Derivative liabilities:		
Foreign exchange contracts	**(20,802)**	**(20,802)**
Interest rate contracts	**(11,283)**	**(11,283)**
Credit derivatives	**(11,972)**	**(11,972)**

The methodologies and assumptions used to estimate the fair values of financial instruments are as follows:

The carrying amounts of cash and cash equivalents, policy loans, accrued investment income, premiums receivable and agents' balances and short-term debt approximate their fair values due to the short-term maturities of these instruments.

(a) Investments in Fixed Maturities and Equity Securities

The fair values of fixed maturity securities are estimated based on quoted market prices for these or similar securities.

The fair values of equity securities are estimated based on quoted market prices.

(b) Investments in Mortgage Loans and Other Long-term Investments

The fair values of loans and other long-term investments with fixed interest rates are estimated by discounting future cash flows using estimates of market rates for securities with similar characteristics.

The carrying amounts of investments with floating interest rates approximate their fair values. The fair value of consumer loans, which are included in other long-term investments, in the amount of ¥251,234 million and ¥276,789 million ($2,611,217 thousand) at March 31, 2003 and 2004, respectively, approximates the carrying amount. The floating and fixed rates on consumer loans in the years ended March 31, 2002, 2003 and 2004 range from approximately 1.0% to 9.0%, and the remaining loan periods are from approximately three months to 35 years.

(c) Short-term Investments

The fair values of short-term investments where quoted market prices are available are estimated using quoted market prices. The carrying amounts for other instruments approximate their fair values because of the short maturities of such instruments.

(d) Indebtedness from Affiliates

The fair values of loans to affiliates with fixed interest rates are estimated by discounting future cash flows using the long-term prime rate at the end of the year. The carrying amounts for other indebtedness approximate their fair values.

(e) Investment Deposits by Policyholders

The fair values of investment deposits by policyholders are estimated by discounting future cash flows using the interest rates currently being offered for similar contracts.

(f) Long-term Debt

The fair values of long-term debt are estimated using quoted market prices for instruments with similar characteristics.

(g) Derivative Financial Instruments

Fair values of forward and futures contracts are estimated based on the closing market prices at the major markets.

Fair values of swap contracts are estimated based on the discounted values of future cash flows.

Fair values of option contracts and credit derivative contracts are estimated based on internally established models with consideration given to external models or based on quotes from brokers.

(14) Variable Interest Entities

The Company provides guarantees or similar contracts to various entities that may be considered VIEs under FIN No. 46 (revised). The Company may consolidate the VIEs when the consolidation provision of FIN No. 46 (revised) becomes effective.

The Company engages in certain structured transactions, mainly securitization of independent third parties' assets and project financing, through VIEs. In most cases, the Company provides guarantees on obligations of VIEs or recoveries of VIEs' assets as credit enhancement. The maximum potential loss associated with those transactions is estimated to be ¥28,771 million ($271,425 thousand) as of March 31, 2004.

The Company uses VIEs in the normal course of its credit business. The Company provides guarantee insurance on credit derivative contracts engaged between the VIEs and independent third parties. The maximum potential loss associated with those transactions is estimated to be ¥104,132 million ($982,377 thousand) as of March 31, 2004.

The above figures represent maximum potential losses associated with VIEs and are not projections of actual losses.

(15) Commitments and Contingent Liabilities

The Company is contingently liable for various financial guarantees totaling ¥25,519 million as of March 31, 2003 and ¥10,470 million ($98,774 thousand) as of March 31, 2004. Fees related to these guarantees totaling ¥285 million, ¥335 million and ¥143 million ($1,349 thousand) were recorded as revenue on an accrual basis by the Company for the years ended March 31, 2002, 2003 and 2004, respectively. These guarantees are provided in the ordinary course of business and include guarantees with respect to asset-backed securities, bonds, loans and other financial obligations. The contractual amounts of the financial guarantees reflect the Company's maximum exposure to credit loss in the event of nonperformance. The guarantees of ¥2,000 million ($18,868 thousand) outstanding as of March 31, 2004 will mature within a year. The Company's policy related to providing these financial guarantees limits transactions to those with credit ratings of an investment grade or equivalent creditworthiness and limits the amount of a guarantee on any individual transaction.

Other than the financial guarantee contracts described above, the Company provides guarantees for reinsurance transactions written by Mitsui Sumitomo Insurance USA Inc., a wholly owned subsidiary of the Company. The maximum potential future payment associated with these transactions is estimated to be ¥13,794 million ($130,132 thousand) as of March 31, 2004. A liability of ¥21 million ($198 thousand) was recorded in connection with the guarantees as of March 31, 2004.

At March 31, 2004, the Company had a ¥3,722 million ($35,113 thousand) investment in a limited partnership with overseas partners. A condition of the support agreement is that additional investment shall be made by the limited partners, based on the pro rata share in the partnership, should there be a shortage of funds in the partnership. Considering the latest financial information of the partnership available to the Company as of February 27, 2004, their most recent balance sheet date, management believes the likelihood of an additional capital requirement is remote. In addition to the above commitment, the Company provided a financial guarantee to the limited partnership with a maximum potential payment of ¥130,071 million ($1,227,085 thousand) as of March 31, 2004. The obligation of the Company under the guarantee was fully collateralized with securities, and no net exposure existed as of March 31, 2004.

In the normal course of business, the Company enters into credit derivative transactions mainly as a protection seller. The maximum potential loss associated with those transactions is ¥429,638 million ($4,053,189 thousand) as of March 31, 2004. A liability of ¥1,269 million ($11,972 thousand) was recorded in connection with such transactions as of March 31, 2004.

The Company had loan commitment agreements amounting to ¥490 million ($4,623 thousand) as of March 31, 2004. The Company's policy to provide loan commitment agreements is basically the same as that of guarantee contracts.

The Company occupies certain offices and other facilities under lease arrangements. The following is a schedule by years of future minimum rental payments required under non-cancelable operating leases that have initial or remaining lease terms in excess of one year as of March 31, 2004:

Years ending March 31	Yen in millions	Dollars in thousands
2005	¥ 718	$ 6,774
2006	335	3,160
2007	255	2,406
2008	184	1,736
2009	144	1,358
Later years	293	2,764
Total future minimum rental payments	¥1,929	$18,198

Rental expenses for the years ended March 31, 2002, 2003 and 2004 were ¥15,144 million, ¥13,987 million and ¥13,346 million ($125,906 thousand), respectively.

(16) Common Stock

During the year ended March 31, 2002, the Company issued 7,486 shares of common stock in connection with conversions of convertible debentures. Conversions into common stock of convertible debentures were accounted for by crediting one-half of the conversion price to the common stock account and the remainder of the price to additional paid-in capital.

During the year ended March 31, 2004, the Company issued 33,290,875 shares of common stock in connection with conversions of convertible debentures. Conversions into common stock of convertible debentures were accounted for by crediting one-half of the conversion price to the common stock account and the remainder of the price to additional paid-in capital.

The amounts of statutory capital and surplus of the Company, on a non-consolidated basis, as of March 31, 2003 and 2004 are presented as follows:

	Yen in millions		Dollars in thousands
	2003	**2004**	**2004**
Common stock	¥ 128,476	**¥ 139,596**	**$ 1,316,944**
Additional paid-in capital	81,992	**93,110**	**878,396**
Legal reserve	38,341	**40,541**	**382,462**
Retained earnings	366,966	**426,754**	**4,025,981**
Unrealized gain on securities, net of tax	426,705	**742,525**	**7,004,953**
Treasury stock	(15,972)	**(42,452)**	**(400,491)**
Total statutory equity	¥1,026,508	**¥1,400,074**	**$13,208,245**

The Company's statutory basis net income for the years ended March 31, 2003 and 2004 was ¥32,363 million and ¥72,956 million ($688,264 thousand), respectively.

The minimum capital requirement of the Insurance Business Law of Japan for a Japanese insurance company is ¥1,000 million ($9,434 thousand) on a statutory basis.

The Company and its domestic life insurance subsidiary are required to maintain solvency margin ratios of 200% or higher in accordance with the solvency margin regulations stipulated by the Japanese regulatory authorities. The solvency margin regulations are based on factors mainly for underwriting risks, investment risks and large catastrophe risks. The solvency margin must be supported by equity and other resources, including unrealized gains and losses on certain investments and catastrophe reserves based on the financial accounting standards of Japan. The solvency margins of the Company and its domestic life insurance subsidiary at March 31, 2004 were 1,064.3% and 1,100.8%, respectively.

The amounts of statutory net income (loss) for the years ended March 31, 2002, 2003 and 2004 and shareholders' equity at March 31, 2003 and 2004 of the consolidated insurance subsidiaries were as follows:

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Statutory net income (loss):				
Property and casualty	¥(1,194)	¥ 3,833	**¥ 6,432**	**$ 60,679**
Life	526	93	**17**	**160**
Statutory shareholders' equity:				
Property and casualty		¥63,755	**¥71,378**	**$673,377**
Life		40,449	**28,173**	**265,783**

The aggregate market value of the investments in affiliates for which a quoted market price is available amounted to ¥2,825 million at March 31, 2004.

(17) Appropriated Retained Earnings

(a) Legal Reserve

Article 14 of the Insurance Business Law of Japan requires insurance companies to set aside an amount equal to at least 20% of all appropriations paid in cash, such as cash dividends and bonuses to directors, as legal reserve until the aggregate amount of such reserve and additional paid-in capital reaches stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital. The Company's appropriations charged to unappropriated retained earnings for the year ended March 31, 2004 were subject to the legal reserve requirement.

(b) Reserve for Price Fluctuation

The reserve for price fluctuation is required under Article 115 of the Insurance Business Law of Japan. This reserve provides for possible losses arising from price fluctuations of securities and adverse changes in foreign exchange rates. The Company may reduce this reserve by (1) the amount of net loss resulting from sales of securities or (2) the amount for which permission is granted by the Financial Services Agency of Japan, for any other purpose.

(18) Unappropriated Retained Earnings, Dividends and Net Income per Share

The amount of retained earnings available for dividends under the Japanese Commercial Code is based on the amount recorded in the Company's non-consolidated books of account as unappropriated retained earnings in accordance with the financial accounting standards of Japan and was ¥104,219 million ($983,198 thousand) as of March 31, 2004. The adjustments included in the accompanying consolidated financial statements to have them conform with U.S. GAAP, but not recorded in the books of account, have no effect on the determination of retained earnings available for dividends under the Japanese Commercial Code.

Cash dividends and appropriations to the legal reserve charged to unappropriated retained earnings for the years ended March 31, 2002, 2003 and 2004 represent dividends paid out during those years and the related appropriations to the legal reserve. Provision has neither been made in the accompanying consolidated financial statements for the annual dividends of ¥8.50 ($0.08) per share totaling ¥12,367 million ($116,670 thousand), subsequently proposed by the Board of Directors and, on June 29, 2004, approved by the shareholders nor for the related appropriation to the legal reserve.

A reconciliation of the components of the basic and diluted net income per share computations is as follows:

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Net income available to common shareholders	¥25,981	¥38,312	**¥116,117**	**$1,095,443**
Effect of dilutive securities:				
2.1% convertible debentures	37	—	—	—
1.1% convertible debentures	123	—	—	—
1.6% convertible debentures	136	173	—	—
0.7% convertible debentures	234	334	—	—
1.2% convertible debentures	174	177	**5**	**47**
Diluted net income	¥26,685	¥38,996	**¥116,122**	**$1,095,490**

	Number of shares in thousands		
	2002	2003	**2004**
Average common shares outstanding	1,477,939	1,457,297	**1,440,548**
Dilutive effect of:			
2.1% convertible debentures	3,151	—	—
1.1% convertible debentures	25,705	—	—
1.6% convertible debentures	13,473	13,473	—
0.7% convertible debentures	60,464	60,464	—
1.2% convertible debentures	33,313	33,313	**31,816**
Diluted common shares outstanding	1,614,045	1,564,547	**1,472,364**

	Yen			Dollars
	2002	2003	**2004**	**2004**
Earnings per share:				
Income before cumulative effect of change in accounting principle:				
Basic	¥17.94	¥26.29	**¥80.61**	**$0.76**
Diluted	16.87	24.93	**78.87**	**0.74**
Net income:				
Basic	17.58	26.29	**80.61**	**0.76**
Diluted	16.53	24.93	**78.87**	**0.74**

(19) Other Comprehensive Income

Changes in accumulated other comprehensive income for the years ended March 31, 2002, 2003 and 2004 were as follows:

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Foreign currency translation adjustments, net of tax:				
Balance at beginning of period	¥ (9,741)	¥ (4,699)	**¥ (9,349)**	**$ (88,198)**
Current-period change	5,042	(4,650)	**(7,103)**	**(67,009)**
Balance at end of period	¥ (4,699)	¥ (9,349)	**¥ (16,452)**	**$ (155,207)**
Unrealized gains on securities, net of tax:				
Balance at beginning of period	¥745,088	¥557,058	**¥299,686**	**$2,827,226**
Current-period change	(188,030)	(257,372)	**295,335**	**2,786,179**
Balance at end of period	¥557,058	¥299,686	**¥595,021**	**$5,613,405**
Net gains on derivative instruments, net of tax:				
Balance at beginning of period	¥ —	¥ 852	**¥ 454**	**$ 4,283**
Current-period change	852	(398)	**(235)**	**(2,217)**
Balance at end of period	¥ 852	¥ 454	**¥ 219**	**$ 2,066**
Minimum pension liability adjustment, net of tax:				
Balance at beginning of period	¥ (21,084)	¥ (12,406)	**¥ (57,095)**	**$ (538,632)**
Current-period change	8,678	(44,689)	**18,283**	**172,481**
Balance at end of period	¥ (12,406)	¥ (57,095)	**¥ (38,812)**	**$ (366,151)**
Total accumulated other comprehensive income, net of tax:				
Balance at beginning of period	¥714,263	¥540,805	**¥233,696**	**$2,204,679**
Current-period change	(173,458)	(307,109)	**306,280**	**2,889,434**
Balance at end of period	¥540,805	¥233,696	**¥539,976**	**$5,094,113**

The tax effect allocated to each component of other comprehensive income (loss) and the reclassification adjustment for the years ended March 31, 2002, 2003 and 2004 were as follows:

			Yen in millions
2002:	Before Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments	¥ 5,042	¥ —	¥ 5,042
Unrealized losses on securities:			
Unrealized holding losses arising during period	(260,953)	96,404	(164,549)
Less: reclassification adjustment for losses realized in net income	(36,722)	13,241	(23,481)
Net unrealized losses	(297,675)	109,645	(188,030)
Net gains on derivative instruments	1,331	(479)	852
Minimum pension liability adjustment	13,559	(4,881)	8,678
Other comprehensive loss	¥(277,743)	¥104,285	¥(173,458)

			Yen in millions
2003:	Before Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments	¥ (4,650)	¥ —	¥ (4,650)
Unrealized losses on securities:			
Unrealized holding losses arising during period	(338,898)	122,313	(216,585)
Less: reclassification adjustment for losses realized in net income	(63,157)	22,370	(40,787)
Net unrealized losses	(402,055)	144,683	(257,372)
Net losses on derivative instruments	(622)	224	(398)
Minimum pension liability adjustment	(69,827)	25,138	(44,689)
Other comprehensive loss	¥(477,154)	¥170,045	¥(307,109)

			Yen in millions
2004:	Before Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments	**¥ (7,103)**	**¥ —**	**¥ (7,103)**
Unrealized gains on securities:			
Unrealized holding gains arising during period	**552,921**	**(199,300)**	**353,621**
Less: reclassification adjustment for losses realized in net income	**(90,902)**	**32,616**	**(58,286)**
Net unrealized gains	**462,019**	**(166,684)**	**295,335**
Net losses on derivative instruments	**(367)**	**132**	**(235)**
Minimum pension liability adjustment	**28,567**	**(10,284)**	**18,283**
Other comprehensive income	**¥483,116**	**¥(176,836)**	**¥306,280**

2004:	Dollars in thousands Before Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments	$ (67,009)	$ —	$ (67,009)
Unrealized gains on securities:			
Unrealized holding gains arising during period	5,216,236	(1,880,189)	3,336,047
Less: reclassification adjustment for losses realized in net income	(857,566)	307,698	(549,868)
Net unrealized gains	4,358,670	(1,572,491)	2,786,179
Net losses on derivative instruments	(3,462)	1,245	(2,217)
Minimum pension liability adjustment	269,500	(97,019)	172,481
Other comprehensive income	$4,557,699	$(1,668,265)	$2,889,434

(20) Reconciliation of Net Income to Net Cash Provided by Operating Activities

Years ended March 31,	Yen in millions 2002	2003	2004	Dollars in thousands 2004
Net income	¥ 25,981	¥ 38,312	¥116,117	$1,095,443
Adjustments to reconcile net income to net cash provided by operating activities:				
Valuation allowance for credit losses	(15,598)	3,424	(681)	(6,425)
Impairment losses of long-lived assets	4,183	1,660	6,686	63,075
Realized losses (gains) from sales of investments	5,710	(4,900)	(87,604)	(826,453)
Amortization of fixed maturity securities	6,019	7,805	8,615	81,274
Depreciation	24,857	23,188	19,815	186,934
Provision for retirement and severance benefits	(486)	(4,624)	(4,494)	(42,396)
Deferred income taxes	8,090	(4,600)	37,099	349,991
Acquisition of property and equipment as subrogation of paid claim	—	(24,196)	—	—
Decrease (increase) in assets:				
Premiums receivable and agents' balances, net of ceded reinsurance	(3,761)	22,276	6,235	58,821
Deferred policy acquisition costs	(31,528)	(8,240)	(9,421)	(88,877)
Accrued investment income	1,710	1,101	(1,095)	(10,330)
Other assets	17,921	(28,140)	(8,223)	(77,575)
Increase (decrease) in liabilities:				
Losses and claims	11,893	46,792	61,980	584,717
Unearned premiums	46,547	72,916	63,883	602,670
Future policy benefits	90,178	86,862	87,765	827,972
Income taxes	(2,958)	19,662	(4,546)	(42,887)
Other liabilities	(15,916)	(4,024)	(14,169)	(133,671)
Other, net	14,600	(1,821)	2,773	26,160
Net cash provided by operating activities	¥187,442	¥243,453	¥280,735	$2,648,443

(21) Supplementary Cash Flow Information

Years ended March 31,	Yen in millions 2002	2003	2004	Dollars in thousands 2004
Cash paid during the year for:				
Interest	¥1,261	¥ 890	¥ 96	$ 906
Income taxes	7,334	13,531	39,143	369,274
Noncash transaction:				
Conversion of convertible debentures	5	—	22,235	209,764

(22) Segment Information

The Company operates principally in two business segments: property and casualty insurance and life insurance. The property and casualty insurance segment offers automobile, fire, personal accident, liability and other forms of property and casualty insurance products. The Company's financial services business, financial guarantee business and derivatives business are classified within the property and casualty insurance segment. Life insurance operations are conducted by its wholly owned subsidiary, Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., which offers a wide range of traditional life insurance products, such as term-life, whole-life and annuity insurance and a joint venture company, Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on income before income taxes. Intersegment revenues, primarily for services provided, are recorded based upon the agreed-upon fees for such services.

Summarized financial information with respect to the business segments as of and for the years ended March 31, 2002, 2003 and 2004 is as follows:

	Property and Casualty Insurance	Life Insurance	Elimination	Yen in millions Consolidated
2002:				
Revenues from external customers:				
Net premiums earned	¥1,182,675	¥ —	¥ —	¥1,182,675
Premium income for life insurance contracts	—	137,324	—	137,324
Intersegment revenues	321	—	(321)	—
Net investment revenues	118,043	6,307	(321)	124,029
Depreciation expense	24,711	146	—	24,857
Income before income taxes	48,218	4,352	56	52,626
Capital expenditures	18,039	317	—	18,356
Segment assets	7,043,980	404,280	(31,805)	7,416,455

	Property and Casualty Insurance	Life Insurance	Elimination	Consolidated
	Yen in millions			
2003:				
Revenues from external customers:				
Net premiums earned	¥1,228,000	¥ —	¥ —	¥1,228,000
Premium income for life insurance contracts	—	147,761	—	147,761
Intersegment revenues	333	—	(333)	—
Net investment revenues	109,898	7,038	(333)	116,603
Depreciation expense	23,054	134	—	23,188
Income before income taxes	62,324	6,007	—	68,331
Capital expenditures	10,579	48	—	10,627
Segment assets	6,589,834	518,690	(31,882)	7,076,642

	Property and Casualty Insurance	Life Insurance	Elimination	Consolidated
	Yen in millions			
2004:				
Revenues from external customers:				
Net premiums earned	**¥1,308,059**	**¥ —**	**¥ —**	**¥1,308,059**
Premium income for life insurance contracts	**—**	**157,840**	**—**	**157,840**
Intersegment revenues	**299**	**—**	**(299)**	**—**
Net investment revenues	**110,869**	**8,033**	**(299)**	**118,603**
Depreciation expense	**19,729**	**134**	**—**	**19,863**
Income before income taxes	**183,333**	**7,243**	**—**	**190,576**
Capital expenditures	**10,293**	**209**	**—**	**10,502**
Segment assets	**7,241,425**	**596,002**	**(30,511)**	**7,806,916**

	Property and Casualty Insurance	Life Insurance	Elimination	Consolidated
	Dollars in thousands			
2004:				
Revenues from external customers:				
Net premiums earned	**$12,340,179**	**$ —**	**$ —**	**$12,340,179**
Premium income for life insurance contracts	**—**	**1,489,057**	**—**	**1,489,057**
Intersegment revenues	**2,821**	**—**	**(2,821)**	**—**
Net investment revenues	**1,045,934**	**75,783**	**(2,821)**	**1,118,896**
Depreciation expense	**186,123**	**1,264**	**—**	**187,387**
Income before income taxes	**1,729,557**	**68,330**	**—**	**1,797,887**
Capital expenditures	**97,104**	**1,971**	**—**	**99,075**
Segment assets	**68,315,330**	**5,622,660**	**(287,839)**	**73,650,151**

Selected geographic information as of and for the years ended March 31, 2002, 2003 and 2004 is as follows:

	Japan	Overseas	Consolidated
	Yen in millions		
2002:			
Premiums earned	¥1,265,080	¥ 54,919	¥1,319,999
Long-lived assets	327,489	3,136	330,625
2003:			
Premiums earned	¥1,286,178	¥ 89,583	¥1,375,761
Long-lived assets	314,529	37,245	351,774
2004:			
Premiums earned	**¥1,345,461**	**¥120,438**	**¥1,465,899**
Long-lived assets	**283,445**	**26,204**	**309,649**

	Japan	Overseas	Consolidated
	Dollars in thousands		
2004:			
Premiums earned	**$12,693,028**	**$1,136,208**	**$13,829,236**
Long-lived assets	**2,674,009**	**247,208**	**2,921,217**

Independent Auditors' Report

The Board of Directors
Mitsui Sumitomo Insurance Company, Limited:

We have audited the accompanying consolidated balance sheets of Mitsui Sumitomo Insurance Company, Limited and subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsui Sumitomo Insurance Company, Limited and subsidiaries as of March 31, 2003 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements as of and for the year ended March 31, 2004 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into dollars on the basis set forth in Note 1 (a) of the notes to consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
July 31, 2004

Financial Summaries—GAAP in Japan and GAAP in the United States

The consolidated figures in the section that follows are calculated based on generally accepted accounting principles in Japan. There are several differences between GAAP in Japan and GAAP in the United States, the major ones being:
1) GAAP in the United States do not require the inclusion of a catastrophic loss reserve, a reserve for price fluctuation or other such reserves that are required under GAAP in Japan, and
2) under GAAP in the United States, policy acquisition costs are deferred and amortized over the periods in which the related premiums are earned, whereas, under GAAP in Japan, such costs are charged to income as incurred.

Financial Summary—GAAP in Japan

	Yen in billions, except per share amounts and ratios				
	2000	2001	2002	2003	**2004**
Net income	¥ 23.4	¥ 29.9	¥ 19.0	¥ 32.8	**¥ 77.8**
Net income per share —basic (¥)	15.38	19.99	12.84	22.46	**53.94**
Total assets	6,145	7,572	7,324	6,478	**7,127**
Shareholders' equity	637	1,510	1,270	1,042	**1,402**
ROA (%)	0.39	0.44	0.25	0.48	**1.14**
ROE (%)	3.9	2.8	1.4	2.8	**6.4**
Equity ratio (%)	10.4	19.9	17.3	16.1	**19.7**

Financial Summary—GAAP in the United States

	Yen in billions, except per share amounts and ratios				
	2000	2001	2002	2003	**2004**
Net income	¥ 61.0	¥ 38.0	¥ 26.0	¥ 38.3	**¥116.1**
Net income per share —basic (¥)	40.17	25.41	17.58	26.29	**80.61**
Total assets	7,979	7,718	7,416	7,077	**7,807**
Shareholders' equity	2,179	1,997	1,827	1,543	**1,950**
ROA (%)	0.78	0.48	0.34	0.53	**1.56**
ROE (%)	3.0	1.8	1.4	2.3	**6.6**
Equity ratio (%)	27.3	25.9	24.6	21.8	**25.0**

Reconciliation of Net Consolidated Income between GAAP in Japan and GAAP in the United States

	Yen in billions		
	2002	2003	**2004**
Net consolidated income in accordance with Japan GAAP	¥19.0	¥32.8	**¥ 77.8**
Adjustments:			
Catastrophic loss reserve	12.7	17.4	**18.1**
Other underwriting reserves	11.7	(6.6)	**0.4**
Reserve for price fluctuation	0.9	(13.9)	**6.6**
Policy acquisition cost	30.9	8.8	**8.3**
Revaluation of investments in securities and related investment income	(23.1)	21.1	**11.0**
Impairment of long-lived assets	(4.1)	(0.5)	**(6.7)**
Deferred income taxes	(19.4)	(8.3)	**(35.7)**
Retirement and severance benefits	(0.0)	(6.5)	**(11.7)**
Change in calculation method of underwriting reserve for Housing Loan Guarantee Insurance under GAAP in Japan	—	—	**41.1**
Other	(2.6)	(6.0)	**6.9**
Net consolidated income in accordance with U.S. GAAP	¥26.0	¥38.3	**¥116.1**

GAAP in **Japan** (Unaudited)

CONTENTS

Consolidated Balance Sheets (Unaudited)

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
March 31, 2003 and 2004

Assets	Yen in millions 2003	Yen in millions 2004	Dollars in thousands 2004
Cash and deposits	¥ 366,953	**¥ 287,588**	**$ 2,713,094**
Call loans	5,000	**64,000**	**603,773**
Securities bought under resale agreements	1,999	**3,999**	**37,726**
Monetary claims bought	38,874	**42,834**	**404,094**
Money trust	26,803	**28,045**	**264,575**
Investments in securities:			
Domestic bonds	2,199,855	**2,277,134**	**21,482,396**
Domestic stocks	1,406,696	**1,913,060**	**18,047,735**
Foreign securities	863,146	**975,184**	**9,199,849**
Other securities	72,322	**88,335**	**833,349**
Total investments in securities	4,542,021	**5,253,715**	**49,563,349**
Loans (Note 3):			
Policy loans	33,898	**33,103**	**312,292**
Others	693,563	**724,813**	**6,837,858**
Total loans	727,462	**757,917**	**7,150,160**
Property and equipment:			
Land	108,634	**99,396**	**937,698**
Building	390,127	**381,246**	**3,596,660**
Furniture, equipment and other	111,401	**101,585**	**958,349**
	610,163	**582,228**	**5,492,716**
Less accumulated depreciation	284,925	**284,186**	**2,681,000**
Net property and equipment	325,237	**298,041**	**2,811,707**
Premiums receivable and agents' balances	119,217	**121,475**	**1,145,990**
Reinsurance receivable and recoverable on paid losses	71,777	**68,996**	**650,905**
Other assets	211,177	**213,428**	**2,013,471**
Deferred tax assets	35,560	**439**	**4,141**
Customers' liability under guarantees and acceptances	25,519	**10,470**	**98,773**
Reserve for bad debts	(19,977)	**(23,990)**	**(226,320)**
Reserve for losses on investments	(12)	**—**	**—**
Total assets	¥6,477,614	**¥7,126,961**	**$67,235,481**

See accompanying notes to consolidated financial statements.

Liabilities, Minority Interests and Shareholders' Equity	Yen in millions 2003	2004	Dollars in thousands 2004
Liabilities:			
Underwriting fund:			
Outstanding claims	¥ 509,149	**¥ 533,042**	**$ 5,028,698**
Underwriting reserves	4,483,727	**4,623,379**	**43,616,783**
	4,992,877	**5,156,421**	**48,645,481**
Short-term debt (Note 4)	22,647	**942**	**8,886**
Long-term debt (Note 4)	1,100	**500**	**4,716**
Reinsurance payable and due to other insurance companies	85,919	**82,810**	**781,226**
Reserve for employees' retirement and severance benefits	152,203	**136,037**	**1,283,367**
Accrued bonuses for employees	12,126	**13,174**	**124,283**
Reserve for loss on valuation of real estate	1,220	**1,220**	**11,509**
Reserve for EXPO 2005 Aichi	—	**70**	**660**
Reserve for price fluctuation	6,830	**13,437**	**126,764**
Other liabilities	123,452	**160,384**	**1,513,056**
Deferred tax liabilities	7,483	**145,218**	**1,369,981**
Liability under guarantees and acceptances	25,519	**10,470**	**98,773**
Total liabilities	5,431,379	**5,720,687**	**53,968,745**
Minority interests	4,278	**4,362**	**41,150**
Shareholders' equity (Note 7):			
Common stock, no par value:			
Authorized—3,000,000,000 shares; issued and outstanding—1,479,894,005 shares as of March 31, 2003 and 1,513,184,880 shares as of March 31, 2004	128,476	**139,595**	**1,316,933**
Capital surplus	81,991	**93,110**	**878,396**
Retained earnings	404,279	**471,421**	**4,447,367**
Unrealized gains on investments, net of tax	449,101	**751,571**	**7,090,292**
Foreign currency translation adjustments	(5,922)	**(11,335)**	**(106,933)**
Treasury stock	(15,971)	**(42,451)**	**(400,481)**
Total shareholders' equity	1,041,955	**1,401,911**	**13,225,575**
Commitments and contingent liabilities (Note 6)			
Total liabilities, minority interests and shareholders' equity	¥6,477,614	**¥7,126,961**	**$67,235,481**

Consolidated Statements of Income (Unaudited)

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Ordinary income and expenses:				
Underwriting income:				
Net premiums written	¥1,234,874	¥1,303,946	**¥1,379,119**	**$13,010,556**
Deposit premiums from policyholders	296,730	306,757	**300,819**	**2,837,915**
Investment income on deposits by policyholders, etc.	71,226	65,442	**59,812**	**564,264**
Life insurance premiums	120,055	124,516	**128,104**	**1,208,528**
Reversal of underwriting reserve	16,373	—	**—**	**—**
Other underwriting income	750	801	**304**	**2,867**
Total underwriting income	1,740,011	1,801,464	**1,868,160**	**17,624,150**
Underwriting expenses:				
Net claims paid	641,878	646,557	**680,271**	**6,417,650**
Loss adjustment expenses	59,340	59,783	**58,965**	**556,273**
Commission and collection expenses	223,534	228,342	**237,994**	**2,245,226**
Maturity refunds to policyholders	523,145	538,281	**461,718**	**4,355,830**
Dividends to policyholders	409	79	**145**	**1,367**
Life insurance claims	12,749	16,871	**17,951**	**169,349**
Provision for outstanding claims	31,668	28,939	**30,463**	**287,386**
Provision for underwriting reserve	—	17,503	**99,509**	**938,764**
Other underwriting expenses	828	1,005	**1,579**	**14,896**
Total underwriting expenses	1,493,554	1,537,363	**1,588,600**	**14,986,792**
Gross underwriting profit	246,457	264,100	**279,560**	**2,637,358**
Investment income (expenses):				
Interest and dividend income	138,378	129,332	**128,710**	**1,214,245**
Investment gain (loss) on money trust, net	(2,174)	(2,475)	**4,372**	**41,245**
Investment gain on trading securities, net	—	467	**—**	**—**
Gain on sales or redemption of investments in securities, net	38,681	31,881	**77,450**	**730,660**
Loss on devaluation of investment securities	(28,220)	(50,647)	**(2,522)**	**(23,792)**
Gain (loss) on derivative transactions, net	(1,269)	(3,025)	**7,121**	**67,179**
Provision for losses on investment	—	(3)	**—**	**—**
Other investment income (expenses), net	1,705	(4,647)	**(4,064)**	**(38,339)**
Transfer to investment income on deposits by policyholders, etc.	(71,226)	(65,442)	**(59,812)**	**(564,264)**
Net investment profit	75,873	35,439	**151,255**	**1,426,933**
Operating expenses and general and administrative expenses	259,183	247,709	**245,554**	**2,316,547**
Other ordinary expenses (income):				
Interest expenses	1,263	879	**95**	**896**
Provision for bad debt and bad debt written off	12	69	**4,538**	**42,811**
Equity in losses of affiliates	—	546	**1,708**	**16,113**
Other ordinary expenses (income), net	(722)	778	**3,977**	**37,518**
Total other ordinary expenses	553	2,273	**10,319**	**97,349**
Ordinary profit	62,594	49,557	**174,943**	**1,650,405**
Extraordinary losses (income):				
Loss (gain) on sales of properties and equipment, net	1,912	(1,855)	**2,467**	**23,273**
Provision for price fluctuation reserve	949	—	**6,607**	**62,330**
Reversal of price fluctuation reserve	—	(13,832)	**—**	**—**
Other extraordinary losses, net	33,861	9,836	**48,371**	**456,330**
Net extraordinary losses (income)	36,723	(5,851)	**57,446**	**541,943**
Income before income taxes	25,870	55,408	**117,496**	**1,108,452**
Income taxes—current (Note 9)	17,984	34,846	**37,771**	**356,330**
Income taxes—deferred	(11,470)	(12,753)	**1,362**	**12,849**
Minority interests	369	502	**576**	**5,433**
Net income	¥ 18,986	¥ 32,812	**¥ 77,787**	**$ 733,839**

	Yen			Dollars
Net income per share (Note 1 (t)):				
Basic	¥12.84	¥22.46	**¥53.94**	**$0.50**
Diluted	12.19	21.35	**52.78**	**0.49**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity (Unaudited)

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	In thousands	Yen in millions		
	Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings
Balance as of March 31, 2001	1,479,886	¥128,473	¥81,989	¥426,579
Shares issued upon conversion of convertible bonds	7	2	2	—
Net income	—	—	—	18,986
Adjustment due to changes of investments in affiliates	—	—	—	69
Cash dividends	—	—	—	(10,272)
Bonuses to directors	—	—	—	(97)
Adjustment due to merger	—	—	—	(51,855)
Balance as of March 31, 2002	1,479,894	128,476	81,991	383,410
Net income	—	—	—	32,812
Cash dividends	—	—	—	(10,949)
Bonuses to directors	—	—	—	(84)
Adjustment due to changes of accounting policies of subsidiaries	—	—	—	(631)
Adjustment due to changes of investments in subsidiaries	—	—	—	(277)
Balance as of March 31, 2003	1,479,894	128,476	81,991	404,279
Shares issued upon conversion of convertible bonds	**33,290**	**11,119**	**11,115**	**—**
Gain on sales of treasury stock	**—**	**—**	**2**	**—**
Net income	**—**	**—**	**—**	**77,787**
Adjustment due to changes of investments in subsidiaries	**—**	**—**	**—**	**321**
Cash dividends	**—**	**—**	**—**	**(10,886)**
Bonuses to directors	**—**	**—**	**—**	**(80)**
Balance as of March 31, 2004	**1,513,184**	**¥139,595**	**¥93,110**	**¥471,421**

	Dollars in thousands		
	Common Stock	Capital Surplus	Retained Earnings
Balance as of March 31, 2003	$1,212,037	$773,500	$3,813,952
Shares issued upon conversion of convertible bonds	**104,896**	**104,858**	**—**
Gain on sales of treasury stock	**—**	**18**	**—**
Net income	**—**	**—**	**733,839**
Adjustment due to changes of investments in subsidiaries	**—**	**—**	**3,028**
Cash dividends	**—**	**—**	**(102,698)**
Bonuses to directors	**—**	**—**	**(754)**
Balance as of March 31, 2004	**$1,316,933**	**$878,396**	**$4,447,367**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (Unaudited)

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Cash flows from operating activities:				
Income before income taxes	¥ 25,870	¥ 55,408	**¥ 117,496**	**$ 1,108,452**
Depreciation	24,378	22,549	**19,307**	**182,141**
Amortization of excess of cost of investment over underlying net assets	—	318	**9**	**84**
Increase in outstanding claims	33,182	28,939	**30,463**	**287,386**
Increase (decrease) in underwriting reserves	(18,573)	15,633	**139,054**	**1,311,830**
Increase (decrease) in reserve for bad debts	(8,595)	(6,000)	**3,971**	**37,462**
Increase (decrease) in reserve for losses on investment	(142)	3	**(12)**	**(113)**
Increase (decrease) in reserve for employees' retirement and severance benefits	407	(11,173)	**(16,164)**	**(152,490)**
Increase in reserve for accrued bonuses for employees	2,608	940	**1,177**	**11,103**
Decrease in reserve for losses on sales of loans	(1,031)	(1,619)	**—**	**—**
Decrease in reserve for loss on valuation of real estate	(1,089)	—	**—**	**—**
Increase in reserve for EXPO 2005 Aichi	—	—	**70**	**660**
Increase (decrease) in reserve for price fluctuation	949	(13,832)	**6,607**	**62,330**
Interest and dividend income	(138,378)	(129,332)	**(128,710)**	**(1,214,245)**
Losses (gains) on investment in securities	(10,363)	18,969	**(75,110)**	**(708,584)**
Interest expenses	1,263	879	**95**	**896**
Foreign exchange gain	(909)	(1,287)	**(1,717)**	**(16,198)**
Losses (gains) on disposal of property and equipment	3,144	(636)	**5,217**	**49,216**
Equity in losses of affiliates	—	546	**1,708**	**16,113**
Acquisition of property and equipment for return of losses	—	(24,196)	**—**	**—**
Increase in other assets	(6,906)	(14,530)	**(7,426)**	**(70,056)**
Increase (decrease) in other liabilities	(22,953)	6,691	**(1,844)**	**(17,396)**
Others	12,991	5,291	**(8,079)**	**(76,216)**
Subtotal	(104,147)	(46,438)	**86,113**	**812,386**
Interest and dividends received	143,970	137,046	**134,993**	**1,273,518**
Interest paid	(1,261)	(889)	**(96)**	**(905)**
Income tax paid	(7,553)	(13,839)	**(39,425)**	**(371,933)**
Net cash provided by operating activities	31,007	75,878	**181,584**	**1,713,056**
Cash flows from investing activities:				
Net increase in deposit at banks	7,918	16,121	**310**	**2,924**
Purchase of monetary claims bought	(5,867)	(6,099)	**(6,700)**	**(63,207)**
Proceeds from sales and redemption of monetary claims bought	6,287	5,692	**2,848**	**26,867**
Purchase of money trusts	(4,080)	(15,200)	**—**	**—**
Proceeds from sales of money trusts	12,235	32,508	**3,836**	**36,188**
Purchase of securities	(737,705)	(730,143)	**(1,563,483)**	**(14,749,839)**
Proceeds from sales and redemption of securities	608,882	664,744	**1,397,047**	**13,179,688**
Investment in loans	(219,903)	(204,441)	**(234,993)**	**(2,216,915)**
Collection of loans	325,731	239,115	**193,489**	**1,825,367**
Increase in cash received under securities lending transactions	—	—	**43,988**	**414,981**
Acquisition of property and equipment	(19,693)	(10,239)	**(11,689)**	**(110,273)**
Proceeds from sales of property and equipment	2,516	6,040	**13,897**	**131,103**
Others	2,699	4,114	**6,125**	**57,783**
Net cash provided by (used in) investing activities	(20,979)	2,213	**(155,321)**	**(1,465,292)**
Cash flows from financing activities:				
Redemption of short-term debt	(19,854)	(62,848)	**(15)**	**(141)**
Acquisition of treasury stock	(11,598)	(4,368)	**(26,498)**	**(249,981)**
Cash dividends paid	(10,272)	(10,949)	**(10,886)**	**(102,698)**
Cash dividends paid to minority shareholders	(122)	(549)	**(88)**	**(830)**
Others	(452)	(124)	**(237)**	**(2,235)**
Net cash used in financing activities	(42,299)	(78,840)	**(37,727)**	**(355,915)**
Effect of exchange rate changes on cash and cash equivalents	1,454	919	**903**	**8,518**
Net change in cash and cash equivalents	(30,816)	172	**(10,561)**	**(99,632)**
Cash and cash equivalents at beginning of year	401,475	372,383	**370,775**	**3,497,877**
Increase in cash and cash equivalents related to a newly consolidated subsidiary	1,725	—	**—**	**—**
Increase in cash and cash equivalents related to a collective transfer of insurance portfolio	—	—	**2,988**	**28,188**
Decrease in cash and cash equivalents related to changes of investment in subsidiaries	—	(1,780)	**(190)**	**(1,792)**
Cash and cash equivalents at end of year (Note 8)	¥372,383	¥370,775	**¥ 363,011**	**$ 3,424,632**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements (Unaudited)

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries

(1) Summary of Significant Accounting Policies

(a) Basis of Presenting Financial Statements

Mitsui Sumitomo Insurance Company, Limited ("the Company") maintains its accounting records and prepares its financial statements in Japanese yen in accordance with the provisions of the accounting standards for non-life insurance companies issued by the Financial Services Agency of Japan and in conformity with generally accepted accounting principles and practices in Japan ("Japan GAAP"), which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Company was formed through the merger of Mitsui Marine and Fire Insurance Company, Limited and The Sumitomo Marine & Fire Insurance Company, Limited, on October 1, 2001. The Japan GAAP consolidated financial statements for the fiscal year ended March 31, 2002 consist of the premerger figures from Mitsui Marine and Fire Insurance Company, Limited for April 1, 2001 through September 30, 2001 and the Company's pro forma results for October 1, 2001 through March 31, 2002. However, for the purposes of this report, the consolidated financial statements were created as if the two companies had merged in the past. Therefore, amounts for the past financial years in the accompanying consolidated financial statements have been restated from amounts previously reported.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in order to present them in a form which is more familiar to readers outside Japan.

The accompanying consolidated financial statements have been extracted and translated from the consolidated financial statements that are prepared for Japanese domestic purposes in accordance with the provisions of the Securities and Exchange Law of Japan and filed with the Ministry of Finance of Japan and stock exchanges in Japan.

The accompanying footnotes include information which is not required under Japan GAAP but is presented herein as additional information for the financial statements.

Amounts of less than one million yen and one thousand dollars have been eliminated. As a result, totals in yen and dollars shown herein do not necessarily agree with the sum of the individual amounts.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the parent company and its significant subsidiaries. All material intercompany balances and transactions are eliminated.

The Company consolidated 24 subsidiaries as of the fiscal year ended March 31, 2004. Major subsidiaries are as follows:

Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
Mitsui Sumitomo Insurance Group Holding (USA), Inc.
Mitsui Sumitomo Insurance Company (Europe), Limited
Mitsui Sumitomo Insurance (Singapore) Pte. Ltd.

The Company accounted for 2 affiliates by the equity method in the year ended March 31, 2004. The affiliates are as follows:

Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd.
Sumitomo Mitsui Asset Management Company, Limited

The investments in and the operating results of other subsidiaries are not significant to the Company. The scope of consolidation required under generally accepted accounting principles in the United States of America ("U.S. GAAP") differs from that required under Japan GAAP.

(c) Foreign Currency Translations

(i) Foreign currency accounts

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rate of exchange in effect at the balance sheet date.

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

(ii) Foreign currency financial statements of consolidated subsidiaries

Assets and liabilities of the consolidated subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from translation of foreign currency financial statements are excluded from the income statements and are accumulated and classified in “Foreign currency translation adjustments” in the consolidated balance sheets.

Foreign currency translation adjustments are included in “Shareholders’ equity” and “Minority interests” in accordance with the Regulation of Consolidated Financial Statements.

(d) Investments

The Company classified investments in securities as “Trading securities,” “Securities held to maturity,” “Stocks of subsidiaries and affiliates” and “Other securities.” The valuation policies and methods of each category are as follows:

- Trading securities are valued at fair value at the balance sheet date, and the cost of sale is calculated using the moving average method.
- Securities held to maturity are valued at amortized cost.
- Stocks of subsidiaries and affiliates are valued at cost using the moving average method.
- Other securities with fair values are valued at fair value at the balance sheet date. Net unrealized gains or losses are reported as a separate component of shareholders’ equity, and cost of sales is calculated using the moving average method.
- Other securities without fair values are valued at cost using the moving average method or at amortized cost.
- Securities managed as a major component of trust assets in the money trust are valued at fair value.

Market value is the primary standard and method used to evaluate marketable securities holdings of consolidated subsidiaries located outside Japan.

Derivative financial instruments are valued at fair value. Interest rate swaps and currency swaps that meet certain criteria are accounted for under exceptional methods, as regulated in the related accounting standards, as if the interest rates or currencies under those swaps were originally applied to underlying bonds or loans.

Profit and losses on stock price option contracts for the purpose of hedging risks arising from fluctuations in stock prices relating to holding stocks and currency swap contracts used for hedging risks of variability in the cash flows of foreign bonds arising from fluctuations of foreign exchange rates are accounted for under the deferral hedge accounting method. Interest rate swap contracts for hedging risks arising from fluctuations in the cash flows of loans or bonds relating to fluctuations in interest rates are accounted for under the deferral hedge accounting method or exceptional methods when they meet certain criteria, as mentioned previously.

The effectiveness of hedging is assessed semiannually based on an analysis comparing cumulative amounts of fluctuations of the prices or the cash flows between the hedged items and the hedging instruments during the periods from the start of hedging to the date of the assessment. When hedged items and hedging instruments are highly and clearly interrelated or when interest swap transactions meet the criteria for applying exceptional methods, the assessments for the effectiveness of hedging are omitted.

(e) Property and Equipment

Property and equipment are principally stated at cost less accumulated depreciation. Depreciation is computed mainly by the declining-balance method based on estimated useful lives, which are prescribed by Japanese income tax laws.

Depreciation of real estate and property belonging to consolidated subsidiaries located outside Japan is computed primarily by the straight-line method.

Properties to be disposed of, that were acquired to recover paid claims, are valued at the lower of cost or market value, and no depreciation is recorded.

(f) Reserve for EXPO 2005 Aichi

Reserve for EXPO 2005 Aichi provides for the future cost of 2005 World Exposition to be held from March 25, 2005, by recognizing the estimated total exhibition costs under the exhibition agreement in equal installments over the period until March 2005.

(g) Leases

Under Japanese accounting standards for leases, finance leases that have been deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s consolidated financial statements.

(h) Policy Acquisition Costs

Policy acquisition costs are charged to income as incurred.

(i) Reserve for Outstanding Claims

In accordance with the regulations of the Insurance Business Law, a reserve for outstanding claims has been established in amounts estimated to be sufficient, in the opinion of management, to discharge claims incurred and reported.

A provision for losses incurred but not reported at the balance sheet date has also been made.

(j) Underwriting Reserves

Pursuant to the provisions of the Insurance Business Law and related rules and regulations, the Company is required to maintain underwriting reserves in amounts determined as follows:

(i) Premium reserve:

• Property and casualty insurance

—Insurance other than Compulsory Automobile Liability Insurance and Earthquake Insurance

Whichever 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 insurance and types of policy.

—Compulsory Automobile Liability Insurance

Accumulated total sum of premiums written less claims incurred and related net investment income less 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

Accumulated total amounts of underwriting balance and related net investment income less income taxes.

In addition to the above, in order to provide for any extraordinary risks which might arise from a catastrophe, the Company is required to maintain a contingency reserve at an amount determined based on net premiums written by lines of business.

• Life insurance

Future policy benefits for life insurance contracts are mainly calculated pursuant to the five-year zillmerized reserve method.

(ii) Deposits by policyholders:

The Company maintains reserves for the deposit portion of premiums and investment income on such portion, which are refundable to policyholders under long-term insurance.

(k) Reserve for Bad Debts

The reserve for bad debts is established under the standard for self-assessment of assets and the policy for depreciation and provision. Loans to debtors who are legally deemed to be experiencing financial difficulties such as bankruptcy, special clearance or whose notes are under suspension at clearinghouses and loans to debtors who are substantially deemed to be experiencing financial difficulties are provided for based on the amount remaining after deducting the collateral's resale value and collectible collateral amounts through guarantees. Loans to debtors for which there is a probability of financial difficulties in the future are provided for based on the amount remaining after deducting the collateral's resale value and amounts collectible from guarantees considering debtors' abilities to repay the entire outstanding debt.

Loans other than those mentioned above are provided for by multiplying actual bad debt ratios computed based on the actual bad debt amounts during past periods against outstanding balances.

(l) Reserve for Losses on Investments

The reserve for losses on investments is established to provide for possible future losses arising from holding shares of investments.

(m) Reserve for Employees' Retirement and Severance Benefits

The Company has an unfunded lump-sum payment benefit plan and funded non-contributory pension plan covering substantially all employees. Under the plans, employees are entitled to lump-sum or annuity payments based on the current rate of pay and length of service at retirement or termination of employment for reasons other than dismissal for cause. Directors and statutory auditors are not covered by the above plan.

In addition to the plans just described, substantially all employees of the Company are covered by a funded pension plan whose benefits are based on length of service and certain other factors and include a portion representing the governmental social security welfare pension.

Unrecognized net actuarial gains and losses are amortized from the next fiscal year using the straight-line method over periods within the estimated average remaining service years of employees.

Unrecognized prior service cost is amortized using the straight-line method over periods within the estimated average remaining service years of employees.

Pursuant to the enactment of Defined Benefit Corporate Pension Law in Japan, the Company, on April 1, 2003, obtained from the Minister of Health, Labor and Welfare an approval of exemption from the obligation for benefits related to future employee service under the substitutional portion of the Employees' Pension Fund plan.

The estimated amount of assets to be transferred (minimum underwriting reserve), measured as of March 31, 2004, is approximately ¥49.5 billion ($466 million). Assuming that the transfer of the assets occurred on March 31, 2004, the estimated gain arising from the adoption of Section 44-2 of JICPA Accounting Committee Report No.13 "Practical Guidance for Accounting for Retirement Benefits (Interim Report)" would be ¥40.5 billion ($382 million).

(n) Accrued Bonuses for Employees

Accrued bonuses for employees are provided for based on the estimated amounts to be paid allocated over the periods to which payment of bonuses are applicable.

(o) Reserve for Losses on Sales of Loans

The reserve for losses on sales of loans is established to provide for possible losses arising from a decline in the collateral values of loans sold to the Cooperative Credit Purchasing Company, Limited.

(p) Reserve for Loss on Valuation of Real Estate

The reserve for loss on valuation of real estate is established to provide for future possible losses in connection with future real estate transactions.

(q) Reserve for Price Fluctuation

In conformity with the Insurance Business Law (the "Law"), insurance companies must establish a provision for losses resulting from fluctuations in the price of securities, bank deposits and loans denominated in foreign currencies. The amount of the annual transfer to the "Reserve for price fluctuation" is calculated using percentages set forth in the Law for each type of security, and the balance limitation is also stipulated in the Law. Pursuant to the Law, the Company may reduce this reserve by: (1) the amount of the net loss resulting from sales and reappraisals of securities, etc., and (2) the amount for which permission is granted by the Financial Services Agency of Japan for any other reasons.

(r) Deferred Assets under Article 113 of the Insurance Business Law

In conformity with Article 113 of the Insurance Business Law, insurance companies are permitted to capitalize the amount relating to the business expenses for the initial five fiscal years following the establishment of an insurance company. Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., a wholly owned life insurance subsidiary, is amortizing such amounts within 10 years following incorporation as permitted by the Law.

(s) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid debt instruments with an original maturity of three months or less.

(t) Net Income per Share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.

As a result of a change to Japanese accounting standards, from the fiscal year ended March 31, 2003, net income is calculated by excluding figures not attributable to common stock.

Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year with an applicable adjustment for related interest expense, net of tax.

(2) U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at ¥106=U.S.$1, the approximate rate prevailing at March 31, 2004. The translations should not be construed as representations that such yen amounts have been, could have been or could in the future be converted into U.S. dollars at that or any other rate.

(3) Loans

Loans as of March 31, 2003 and 2004 included "Loans to financially impaired parties", "Overdue loans", "Overdue loans more than 3 months past due" and "Restructured loans" as follows:

	Yen in millions		Dollars in thousands
	2003	**2004**	**2004**
Loans to financially impaired parties	¥ 78	**¥ 356**	**$ 3,358**
Overdue loans	9,561	**18,743**	**176,820**
Overdue loans more than 3 months past due	692	**670**	**6,320**
Restructured loans	21,866	**8,525**	**80,424**
Total	¥32,199	**¥28,295**	**$266,933**

Loans to financially impaired parties represent those loans on which accrued interest receivable is not recognized because repayments of principal or interest were overdue for considerable periods and they are regarded as not collectible (excluding the portion of the loans that were written off) and which meet the conditions described in Article 96, Sections 1-3, 4, of the Corporation Tax Enforcement Law (1965 Government Ordinance No. 97).

Overdue loans represent loans not accruing interest excluding loans that have been granted grace for interest payments for the purpose of the restructuring of or the provision of support to debtors in financial difficulty and excluding loans to financially impaired parties.

Overdue loans more than 3 months past due represent loans for which principal or interest was more than 3 months after the contractual due date for the repayment of principal or interest and exclude loans to financially impaired parties and overdue loans.

Restructured loans have favorable terms to debtors such as interest exemption or reduction, grace on interest payments, grace on principal repayments or forgiveness of debts for the purpose of the restructuring of or the provision of support to debtors in financial difficulty. Loans to financially impaired parties, overdue loans and overdue loans more than 3 months past due are excluded.

(4) Short-Term Debt and Long-Term Debt

Short-term debt and long-term debt consist of the following as of March 31, 2003 and 2004:

	Yen in millions		Dollars in thousands
	2003	**2004**	**2004**
1.2% Japanese yen convertible debentures, due 2004	¥22,250	**¥ —**	**$ —**
Bank loans	1,497	**1,422**	**13,603**
	23,747	**1,422**	**13,603**
Less current portion classified as short-term debt	22,647	**942**	**8,886**
Total long-term debt	¥ 1,100	**¥ 500**	**$ 4,716**

The 1.2% Japanese yen convertible debentures were converted into shares of common stock and redeemed at maturity during the year ended March 31, 2004.

(5) Extraordinary Losses (Income)

Other extraordinary losses (income), net, in the year ended March 31, 2002 includes reversal of reserve for bad debts of ¥1,783 million, reversal of reserve for losses on investments of ¥14 million, reversal of reserve for losses on sales of loans of ¥36 million and temporary revenue amounting to ¥1,384 million from prior years' service costs related to the accounting standard for retirement benefits. Also, other extraordinary losses (income), net, in the year ended March 31, 2002 includes miscellaneous expenses for the merger of ¥31,396 million, the amortization of actuarial differences in the amount of ¥5,551 million in accordance with the application of severance benefit accounting methods and valuation losses on land and construction in process of ¥132 million due to significant declines in fair values.

Other extraordinary losses (income), net, in the year ended March 31, 2003 includes reversal of reserve for bad debts of ¥3,596 million. Also, other extraordinary losses (income), net, in the year ended March 31, 2003 includes miscellaneous expenses for the merger of ¥7,726 million, such expenses as those related to premium severance pay for a reemployment support system of ¥4,491 million and valuation losses on land and buildings of ¥1,215 million due to significant declines in fair values.

Other extraordinary losses (income), net, in the year ended March 31, 2004 includes reversal of reserve for losses on investment of ¥12 million ($113 thousand). Also, other extraordinary losses (income), net, in the year ended March 31, 2004 includes extra losses due to a change in calculation method of underwriting reserve for Housing Loan Guarantee Insurance of ¥41,104 million ($387,773 thousand), such expenses as those related to premium severance pay for a reemployment support system of ¥4,529 million ($42,726 thousand), valuation losses on land and buildings valued at the lower of cost or market value of ¥2,605 million ($24,575 thousand) and valuation losses on land and buildings of ¥143 million ($1,349 thousand) due to significant declines in fair values.

(6) Commitments and Contingent Liabilities

According to the Enforcement Regulations of the Insurance Business Law, "Liability under guarantees and acceptances" and "Customers' liability under guarantees and acceptances" are presented in the consolidated balance sheets. These are provided in the ordinary course of business and include guarantees for the repayment of several types of asset-backed securities and Japanese city bank issued bonds. The contractual amounts of the financial guarantees reflect the Company's maximum exposure to credit loss in the event of nonperformance.

Total payments for finance leases other than those which have been deemed to transfer ownership of the leased property to the lessee were ¥473 million and ¥244 million ($2,301 thousand) in the years ended March 31, 2003 and 2004, respectively. Lease property less accumulated depreciation and unexpended lease expenses for such financial leases amounted to ¥442 million ($4,169 thousand) in the year ended March 31, 2004.

(7) Shareholders' Equity

Legal Reserve and Appropriations of Retained Earnings

The Insurance Business Law, which is applicable to the appropriations of retained earnings, requires that an amount equaling 20% or more of retained earnings appropriated for dividends be set aside as a reserve until the aggregate amount of such reserve and additional paid-in capital reaches the stated value of common stock. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. Voluntary reserves are available for future dividends subject to the approval of the shareholders and legal reserve requirements. At their general meeting on June 29, 2004, shareholders authorized the appropriation of retained earnings for the year ended March 31, 2004 as follows:

	Yen in millions	Dollars in thousands
Legal reserve	¥ 2,500	$ 23,584
Cash dividends, ¥8.5 ($0.08) per share	12,366	116,660
Bonuses to directors	71	669
Voluntary reserves	46,343	437,198
Total	¥61,281	$578,122

(8) Information for Statements of Cash Flows

Cash and cash equivalents reported on the consolidated balance sheets on March 31, 2002, 2003 and 2004 were as follows:

	Yen in millions			Dollars in thousands
	2002	2003	**2004**	**2004**
Cash and deposits	¥415,024	¥366,953	**¥287,588**	**$2,713,094**
Call loans	328	5,000	**64,000**	**603,773**
Securities bought under resale agreements	—	1,999	**3,999**	**37,726**
Monetary claims bought	17,774	38,874	**42,834**	**404,094**
Monetary trust	—	26,803	**28,045**	**264,575**
Investments in securities	427	—	**—**	**—**
Time deposits at banks with maturities over 3 months	(57,719)	(40,754)	**(30,850)**	**(291,037)**
Monetary claims bought with maturities over 3 months	(3,452)	(3,810)	**(7,619)**	**(71,877)**
Monetary trust with maturities over 3 months	—	(24,291)	**(24,986)**	**(235,716)**
Cash and cash equivalents	¥372,383	¥370,775	**¥363,011**	**$3,424,632**

(9) Income Taxes

The Company and its domestic subsidiaries are subject to corporate (national) and inhabitants (local) taxes based on income which, in the aggregate, resulted in a normal statutory tax rate of approximately 36% for the years ended March 31, 2002, 2003 and 2004.

Enterprise (local) tax was imposed on net domestic premiums written and was included in loss adjustment expenses and operating expenses and general and administrative expenses.

(10) Segment Information

The Company operates principally in two business segments: property and casualty insurance and life insurance. Life insurance operations are mainly conducted by its wholly owned subsidiary Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., which offers mainly individual and group life policies. Summarized financial information with respect to the business segments is as follows:

Yen in millions

March 31, 2002	Property and Casualty Insurance	Life Insurance	Adjustments and Eliminations	Consolidated
Ordinary income	¥1,815,843	¥129,310	¥(85,147)	¥1,860,007
Adjustments and eliminations	1,784	72	(1,857)	—
Total	1,817,627	129,383	(87,004)	1,860,007
Ordinary expense	1,755,874	128,576	(87,038)	1,797,412
Ordinary profit	¥ 61,753	¥ 806	¥ 33	¥ 62,594
Assets	¥6,985,012	¥369,487	¥(30,594)	¥7,323,905
Depreciation	24,230	148	—	24,378
Capital investment	18,130	316	—	18,447

Yen in millions

March 31, 2003	Property and Casualty Insurance	Life Insurance	Adjustments and Eliminations	Consolidated
Ordinary income	¥1,857,644	¥133,056	¥(70,321)	¥1,920,379
Adjustments and eliminations	1,844	—	(1,844)	—
Total	1,859,488	133,056	(72,166)	1,920,379
Ordinary expense	1,809,384	133,603	(72,166)	1,870,821
Ordinary profit (loss)	¥ 50,104	¥ (547)	¥ —	¥ 49,557
Assets	¥6,028,854	¥479,272	¥(30,513)	¥6,477,614
Depreciation	22,415	134	—	22,549
Capital investment	10,719	47	—	10,766

Yen in millions

March 31, 2004	Property and Casualty Insurance	Life Insurance	Adjustments and Eliminations	Consolidated
Ordinary income	**¥1,929,830**	**¥136,670**	**¥ —**	**¥2,066,500**
Adjustments and eliminations	**1,928**	**—**	**(1,928)**	**—**
Total	**1,931,759**	**136,670**	**(1,928)**	**2,066,500**
Ordinary expense	**1,754,710**	**138,776**	**(1,928)**	**1,891,557**
Ordinary profit (loss)	**¥ 177,049**	**¥ (2,106)**	**¥ —**	**¥ 174,943**
Assets	**¥6,569,587**	**¥557,476**	**¥ (102)**	**¥7,126,961**
Depreciation	**19,186**	**121**	**—**	**19,308**
Capital investment	**10,292**	**209**	**—**	**10,501**

Dollars in thousands

March 31, 2004	Property and Casualty Insurance	Life Insurance	Adjustments and Eliminations	Consolidated
Ordinary income	**$18,205,943**	**$1,289,339**	**$ —**	**$19,495,283**
Adjustments and eliminations	**18,188**	**—**	**(18,188)**	**—**
Total	**18,224,141**	**1,289,339**	**(18,188)**	**19,495,283**
Ordinary expense	**16,553,867**	**1,309,207**	**(18,188)**	**17,844,877**
Ordinary profit (loss)	**$ 1,670,273**	**$ (19,867)**	**$ —**	**$ 1,650,405**
Assets	**$61,977,235**	**$5,259,207**	**$ (962)**	**$67,235,481**
Depreciation	**181,000**	**1,141**	**—**	**182,150**
Capital investment	**97,094**	**1,971**	**—**	**99,066**

Eliminations in ordinary income include the transferred amount due to the inclusion of the provision for outstanding claims and for underwriting reserves of ordinary expense for the life insurance segment as a reversal of such amounts in the consolidated statements of income.

The portfolio investment activities are considered a part of insurance business and not as an independent segment to be disclosed. Pursuant to the materiality rules of the applicable Japanese regulations, segment information by location and overseas sales amounts are not disclosed.

Overseas Network

(As of July 31, 2004)

● Overseas Subsidiaries and Affiliates
☆ Overseas Branches
★ Overseas Offices
■ Underwriting Agents for Mitsui Sumitomo Insurance Co., Ltd., Head Office

ASIA AND OCEANIA

Singapore

● Mitsui Sumitomo Insurance (Singapore) Pte Ltd.
16 Raffles Quay #24-01, Hong Leong Building, Singapore 048581
Tel: 65-6220-9644~8
Fax: 65-6225-6371 (24F Reception)
/9201 (21F)
/6324-0096 (Reins. Dept.)

● MSI Management (Singapore) Pte Ltd.
16 Raffles Quay #19-06, Hong Leong Building, Singapore 048581
Tel: 65-6227-2130
Fax: 65-6227-5547

● Mitsui Sumitomo Reinsurance Limited, Singapore Branch
16 Raffles Quay #21-03, Hong Leong Building, Singapore 048581
Tel: 65-6224-9962
Fax: 65-6225-3477

● Interisk Asia Pte. Ltd.
16 Raffles Quay #19-01, Hong Leong Building, Singapore 048581
Tel: 65-6227-4576
Fax: 65-6222-9575

Thailand

☆ Mitsui Sumitomo Insurance Co., Ltd., Thailand Branch
14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6165~6187
Fax: 66-2-679-6209~6214

● MSI Holding (Thailand) Company Limited
14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6165~6187
Fax: 66-2-679-6209~6214

● THE AYUDHYA INSURANCE PUBLIC COMPANY LIMITED
898 Ploenchit Tower, 7th Floor, Ploenchit Road, Bangkok 10330, Thailand
Tel: 66-2-2263-0035 (Ex. 1122)
Fax: 66-2-2263-0589

● MSI Adjusting (Thailand) Company Limited
14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6165~6187
Fax: 66-2-679-6209~6214

● Calm Sea Service Co., Ltd.
14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6165~6187
Fax: 66-2-679-6209~6214

● Wilson Insurance Co., Ltd.
No. 25 18th Floor, Bangkok Insurance/Y.M.C.A. Bldg., South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-677-3999 (ext. 100)
Fax: 66-2-677-3978~9

● MBTS Broking Service Co., Ltd.
14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6205~8
Fax: 66-2-679-6208

● MBTS Life Insurance Broker Co., Ltd.
14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6165~6187
Fax: 66-2-679-6209~6214

● Sumikai Service (Thailand) Co., Ltd.
14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6165~6187
Fax: 66-2-679-6209~6214

Malaysia

● Mitsui Sumitomo Insurance (Malaysia) Bhd.
Level 22 Menara Weld
No. 76, Jalan Raja Chulan, 50200 Kuala Lumpur,
P.O. Box 11034, 50732 Malaysia
Tel: 60-3-20729711
Fax: 60-3-20701454

● MSI Risk Consultancy Services (Malaysia) Sdn. Bhd.
Level 21 Menara Weld
No. 76, Jalan Raja Chulan, 50200 Kuala Lumpur,
P.O. Box 11034, 50732 Malaysia
Tel: 60-3-20729711
Fax: 60-3-20701454

● Mitsui Sumitomo Reinsurance Limited, Labuan Branch
Level 13 (F2), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 WP Labuan, Malaysia
Tel: 60-87-452748
Fax: 60-87-452750

☆ Mitsui Sumitomo Insurance Co., Ltd., Labuan Branch
Level 13 (F2), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 WP Labuan, Malaysia
Tel: 60-087-452748
Fax: 60-087-452750

Philippines

● BPI/MS Insurance Corporation
16th Floor, Ayala-FGU Center, 6811 Ayala Avenue, 1226 Makati City, Philippines
Tel: 63-2840-9000
Fax: 63-2840-9229

● First Lepanto-Taisho Insurance Corp.
16th Floor, Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City, Philippines
Tel: 63-2892-2826
Fax: 63-2812-3907

● Philippine Charter Insurance Corp.
Skyland Plaza, Sen. Gil Puyat Avenue, Corner Tindalo Street, Makati City,
P.O. Box 1893, MCP O1258, Makati City, Philippines
Tel: 63-2844-7044
Fax: 63-2815-4797

Indonesia

● P.T. Asuransi Mitsui Sumitomo Indonesia
Summitmas II, 15th Floor, Jalan Jenderal Sudirman, Kavelling 61-62, Jakarta 12190, Indonesia
Tel: 62-21-2523110
Fax: 62-21-2524308/5256040

Taiwan

☆ Mitsui Sumitomo Insurance Co., Ltd.,
Taipei Branch
7th Floor, No. 260,
Tun Hwa North Road,
Taipei, Taiwan
Tel: 886-2-8712-1350
Fax: 886-2-8712-1370

★ Kaohsiung Representative Office
Room D, 25th Floor, 55,
Cung Jeng 3rd Road,
Kaohsiung 800, Taiwan
Tel: 886-7-222-2300
Fax: 886-7-222-2348

★ Yangming Representative Office
4F-1, 13, Sec., 2 Peitou Road,
Peitou, Taipei, Taiwan
Tel: 886-2-2893-0020
Fax: 886-2-2897-9171

The Republic of Korea

☆ Mitsui Sumitomo Insurance Co., Ltd.,
Korea Branch
23F, Young Poong Bldg. 33,
Seorin-Dong, Jongno-Gu, Seoul
110-752, The Republic of Korea
Tel: 82-2-3702-5800
Fax: 82-2-3702-5900

People's Republic of China

☆ Mitsui Sumitomo Insurance Co., Ltd.,
Shanghai Branch
41st Floor, HSBC Tower Bldg.,
101 Yin Cheng East Road,
Pudong New Area, Shanghai 200120,
People's Republic of China
Tel: 86-21-6841-1034/0265/1922
Fax: 86-21-6841-0906/4998

★ China General Representative Office
Room No. 1608, Beijing Fortune Bldg.,
5 Dong San Huan Bei-Lu,
Chao Yang District, Beijing,
People's Republic of China
Tel: 86-10-6590-8500
Fax: 86-10-6590-8504

★ Beijing Representative Office
Room No. 1608, Beijing Fortune Bldg.,
5 Dong San Huan Bei-Lu,
Chao Yang District, Beijing,
People's Republic of China
Tel: 86-10-6590-8500
Fax: 86-10-6590-8504

★ Guangzhou Representative Office
Room No. 3908, Zhong Xin Ghuang
Chang, 233 Tian He Bei-Lu, Guangzhou,
People's Republic of China
Tel: 86-20-3877-2136/2129/2156
Fax: 86-20-3877-2161

★ Shenzhen Representative Office
28th Floor, Unit 16, Office Tower
Shun Hing Square, Di Wang
Commercial Center, 5002 Shen Nan
Dong Road, Shenzhen 518008,
People's Republic of China
Tel: 86-755-8246-1263/
8246-3442/8246-3700
Fax: 86-755-8246-1267

★ Dalian Representative Office
21st Floor, Dalian Senmao Bldg., 147
Zhong Shan Road, Xi gang District,
Dalian, Liao-Ning Province,
People's Republic of China
Tel: 86-411-360-2076
Fax: 86-411-360-0184

★ Chengdu Representative Office
Room No. 669, Jinjiang Hotel, 80,
2nd Section, Renmin South Ave.,
Chengdu, Sichuan,
People's Republic of China
Tel: 86-28-8559-4992
Fax: 86-28-8559-3565

★ Tianjin Representative Office
Room No. 1703, Tianjin International
Building, No. 75 Nianjing Road,
Tianjin, People's Republic of China
Tel: 86-22-2330-4987
Fax: 86-22-2330-4986

★ Suzhou Representative Office
17-D Kings Tower, 1156 Binhe Road,
New District, Suzhou,
People's Republic of China
Tel: 86-0512-6701-5210
Fax: 86-0512-6701-5212

Hong Kong

● Mitsui Sumitomo Insurance Company
(Hong Kong) Limited
Room No. 2308, Bank of America Tower,
12 Harcourt Road, Central,
(G.P.O. Box 3027)
Hong Kong
Tel: 852-252-38191/39136~7/57866
Fax: 852-284-59255

● SPC Company (H.K.) Limited
Room No. 2308, Bank of America Tower,
12 Harcourt Road, Central,
(G.P.O. Box 3027)
Hong Kong
Tel: 852-252-57887
Fax: 852-284-59256

● Oriental Management Service Co., Ltd.
Room No. 2308, Bank of America Tower,
12 Harcourt Road, Central,
(G.P.O. Box 3027)
Hong Kong
Tel: 852-253-05830
Fax: 852-280-46269

● M&H Insurance Agency Limited
Room No. 2308, Bank of America Tower,
12 Harcourt Road, Central,
(G.P.O. Box 3027)
Hong Kong
Tel: 852-252-38191/39136~7/57866
Fax: 852-284-59255

● Mascot Insurance Brokers Limited
Room No. 2308, Bank of America Tower,
12 Harcourt Road, Central,
(G.P.O. Box 3027)
Hong Kong
Tel: 852-252-38191/39136~7/57866
Fax: 852-284-59255

Macau

☆ Mitsui Sumitomo Insurance Co., Ltd.,
Macau Branch
1-3, Rua Dr. Pedro Jose Lobo,
Edificio Banco Luso, 12 Andar,
Apartment 1202, Macau
Tel: 853-375427
Fax: 853-596667

Vietnam

● United Insurance Company of Vietnam
Hanoi Tung Shing Square, 11th Floor,
2 Ngo Quyen Street, Hoan Kiem District,
Hanoi, Vietnam
Tel: 84-4-8240495
Fax: 84-4-8240496

★ Hanoi Representative Office
Hanoi Tung Shing Square, 11th Floor,
2 Ngo Quyen Street, Hoan Kiem District,
Hanoi, Vietnam
Tel: 84-4-8240495
Fax: 84-4-8240496

★ Ho Chi Minh Representative Office
8th Floor, Sun Wah Tower,
115 Nguyen Hue Street, District 1,
Ho Chi Minh City, Vietnam
Tel: 84-8-8219030~1
Fax: 84-8-8219029

India

● Cholamandamlam MS General Insurance Company Limited
"DARE HOUSE", 2nd Floor Rm. 234,
N.S.C. Bose Road,
Chennai 600 001, India
Tel: 91-44-521-66000
Fax: 91-44-521-66001

★ New Delhi Representative Office
No. 1111 on 11th floor of Ashoka Estate,
24 Barakhamba Road,
New Delhi 110 001, India
Tel: 91-11-2376-5130~2
Fax: 91-11-2376-5133

Myanmar

★ Yangon Representative Office
Room No. 622, Traders Hotel,
223 Sule Pagoda Road,
G.P.O. Box 888, Yangon, Myanmar
Tel: 95-1-242828 (ext. 7622)
Fax: 95-1-242807

Cambodia

● Asia Insurance (Cambodia) Ltd.
No. 91 Prea Norodom Building,
Phnom Penh, Cambodia
Tel: 855-023-427-981
Fax: 855-023-222-364

Australia

☆ Mitsui Sumitomo Insurance Co., Ltd., Australia Branch
Level 12, The Chifley Tower, 2 Chifley Square, Sydney, N.S.W. 2000, Australia
Tel: 61-2-9222-7600, 7604, 7607
Fax: 61-2-9232-7006

★ Sydney Representative Office
Level 12, The Chifley Tower, 2 Chifley Square, Sydney, N.S.W. 2000, Australia
Tel: 61-2-9222-7600, 7604, 7607
Fax: 61-2-9232-7006

★ Melbourne Representative Office
Level 8, 15 William Street, Melbourne,
Victoria 3000, Australia
Tel: 61-3-9245-8188
Fax: 61-3-9614-2248

New Zealand

★ New Zealand Representative Office
Vero Center, 48 Shortland Street,
Auckland, New Zealand
Tel: 64-9-357-2394
Fax: 64-9-363-2328

■ Vero Insurance New Zealand Limited
Vero Center, 48 Shortland Street,
Auckland, New Zealand
Tel: 64-9-357-2394
Fax: 64-9-363-2328

Papua New Guinea

☆ Mitsui Sumitomo Insurance Co., Ltd. Papua New Guinea Branch
Level 1, The Lodge, Bampton Street,
Port Moresby, Papua New Guinea
(P.O. Box 1579)
Tel: 675-321-1600
Fax: 675-321-1658

THE AMERICAS

U.S.A.

● Mitsui Sumitomo Insurance Group Holding (USA), Inc.
Corporation Trust Center,
1209 Orange Street,
Wilmington,
Delaware County of New Castle, U.S.A.
Tel: 1-908-604-2900
Fax: 1-908-604-2991

● Mitsui Sumitomo Insurance Company of America
560 Lexington Avenue, 20th Floor,
New York, NY 10022-6828, U.S.A.
Tel: 1-212-446-3600
Fax: 1-212-319-7001

● Mitsui Sumitomo Insurance U.S.A., Inc.
560 Lexington Avenue, 20th Floor,
New York, NY 10022-6828, U.S.A.
Tel: 1-212-446-3600
Fax: 1-212-319-7001

● Mitsui Sumitomo Marine Management (USA) Inc.
15 Independence Boulevard,
P.O. Box 4602, Warren,
NJ 07059, U.S.A.
Tel: 1-908-604-2900
Fax: 1-908-604-2991

● GARMI Inc.
49 East 4th Street, Suite 500,
Dixie Terminal South,
Cincinnati, OH 45202, U.S.A.
Tel: 1-513-287-8220
Fax: 1-513-412-4990

● Seven Hills Insurance Agency Inc.
49 East 4th Street, Suite 500,
Dixie Terminal South,
Cincinnati, OH 45202, U.S.A.
Tel: 1-513-287-8158
Fax: 1-513-412-4990

● Seven Hills Insurance Agency LLC.
49 East 4th Street, Suite 500,
Dixie Terminal South,
Cincinnati, OH 45202, U.S.A.
Tel: 1-513-287-8158
Fax: 1-513-412-4990

● Seven Seas Insurance Agency Inc.
49 East 4th Street, Suite 500,
Dixie Terminal South,
Cincinnati, OH 45202, U.S.A.
Tel: 1-513-287-8158
Fax: 1-513-412-4990

● MSI Claims (USA), Inc.
560 Lexington Avenue, 20th Floor,
New York, NY 10022-6828, U.S.A.
Tel: 1-212-446-3640
Fax: 1-212-319-7001

● MSI Property (U.S.A.), Inc.
15 Independence Boulevard,
P.O. Box 4602, Warren,
NJ 07059, U.S.A.
Tel: 1-908-647-8917
Fax: 1-908-604-2992

★ New York Representative Office
560 Lexington Avenue, 20th Floor,
New York, NY 10022-6828, U.S.A.
Tel: 1-212-446-3600
Fax: 1-212-319-7001

★ Cincinnati Representative Office
312 Elm Street, Suite 1250,
Cincinnati, OH 45202, U.S.A.
Tel: 1-513-719-8524
Fax: 1-513-241-4071

★ Atlanta Representative Office
14 Piedmont Center, Suite 415,
3535 Piedmont Road, Atlanta,
GA 30305, U.S.A.
Tel: 1-404-442-9407
Fax: 1-404-442-9410

★ San Francisco Representative Office
50 California Street, Suite 680,
San Francisco, CA 94111, U.S.A.
Tel: 1-415-433-4270
Fax: 1-415-433-4292

★ Los Angeles Representative Office
10 Universal City Plaza, Suite 1700,
Universal City, CA 91608, U.S.A.
Tel: 1-818-509-7150
Fax: 1-818-752-9329

Guam (U.S.A.)

■ Cassidy's Associated Insurers Inc.
376 W. O'Brien Drive, Agana,
Guam 96910
Tel: 1-671-472-8834
Fax: 1-671-477-3127

■ AON Insurance Micronesia (Guam)
718 North Marine Drive, Suite 303,
East West Business Center Tumon,
Guam 96913
Tel:1-671-646-3681
Fax: 1-671-649-9358

Northern Marianas

■ Associated Insurance Underwriters of the Pacific Inc.
Beach Road, Garapan,
P.O. Box 501369, Saipan,
MP 96950, Saipan
Tel: 1-670-234-7222
Fax: 1-670-234-5367

■ AON Insurance Micronesia (Saipan)
Ground Floor, Lim's Office Bldg.,
cor. Beach Road & Airport Road,
San Jose, Saipan, MP 96950, Saipan
Tel: 1-670-234-2811
Fax: 1-670-234-5462

Canada

★ Toronto Representative Office
One Financial Place, 14th Floor,
1 Adelaide St. East, Toronto, Ontario
M5C 2V9, Canada
Tel: 1-416-359-3190
Fax: 1-416-863-9488

■ Chubb Insurance Company of Canada
One Financial Place, 1 Adelaide St.
East, Toronto, Ontario M5C 2V9,
Canada
Tel: 1-416-863-0550
Fax: 1-416-863-5010

Bermuda

● MS Frontier Reinsurance Limited
Lobby Floor, Victoria Hall,
11 Victoria Street,
Hamilton, HM11, Bermuda
Tel:1-441-295-5795
Fax: 1-441-295-8384

● SPAC Insurance (Bermuda) Ltd.
Lobby Floor, Victoria Hall, 11 Victoria
Street, Hamilton, HM11, Bermuda
Tel: 1-441-295-5795
Fax: 1-441-295-8384

● Interisk Global Management (Bermuda) Limited
Skandia International House,
16 Church Street, Hamilton,
HMHX, Bermuda

Mexico

★ Mexico Representative Office
Blvd. Manuel Avila Camacho No. 24,
Piso 9 Col. Lomas de Chapultepec,
C.P. 11000, Delegacion Miguel
Hidalgo, Mexico, D.F.
Tel: 52-55-5202-3613/4632
Fax: 52-55-5520-5524

Panama

★ Panama Representative Office
Calle 50, Plaza Credicorp Bank Panama,
Piso 7, Oficina 701, Panama
Republica de Panama
(P.O. Box 89-9909, Zona 9,
San Francisco, Panama City,
Republica de Panama)
Tel: 507-210-0133/0147
Fax: 507-210-0122

Brazil

● MSI Do Brasil Ltda.
Avenida Paulista 1471-4° Andar,
Cep. 01311-927 Cerq. Cesar,
São Paulo, SP, Brazil
Tel: 55-11-3177-5806
Fax: 55-11-289-6997

● Mitsui Sumitomo Seguros S.A.
Avenida Paulista 1471-1° Andar,
Cep. 01311-927 Cerq. Cesar,
São Paulo, SP, Brazil
Tel: 55-11-3177-5806
Fax: 55-11-289-6997

★ São Paulo Representative Office
Avenida Paulista 1471-4° Andar,
Cep. 01311-927 Cerq. Cesar,
São Paulo, SP, Brazil
Tel: 55-11-3177-5806
Fax: 55-11-289-6997

Colombia

★ Bogotá Representative Office
Calle 98, No. 9-03 Oficina 601,
Santafe de Bogotá, Colombia
Tel: 57-1-610-4287, 611-2605
Fax: 57-1-218-2358

Peru

★ Lima Representative Office
Calle Ernesto Diez Canseco 442 Oficina
202 - Miraflores, Lima, Peru
Tel: 51-1-447-3313/3053
Fax: 51-1-447-3280

Argentina

★ Buenos Aires Representative Office
Reconquista 513, 4 Piso "A", (1003)
Ciudad Autonoma de Buenos Aires,
Republica Argentina
Tel: 54-11-5218-2396
Fax: 54-11-5218-2397

EUROPE, MIDDLE EAST, AND AFRICA

United Kingdom

● Mitsui Sumitomo Insurance Company (Europe), Limited
6th Floor, New London House,
6 London Street,
London EC3R 7LP, U.K.
Tel: 44-20-7816-0321
Fax: 44-20-7816-0220

● MSI Claims (Europe), Ltd.
6th Floor, New London House,
6 London Street,
London EC3R 7LP, U.K.
Tel: 44-20-7816-0321
Fax: 44-20-7816-0220

● Mitsui Sumitomo Insurance (London Management) Ltd.
4th Floor, 71 Fenchurch Street,
London EC3M 4BS, U.K.
Tel: 44-20-7702-6286~88
Fax: 44-20-7977-8300

● MSI Corporate Capital Limited
4th Floor, 71 Fenchurch Street,
London EC3M 4BS, U.K.
Tel: 44-20-7705-6286
Fax: 44-20-7977-8300

● MSI European Services Ltd.
6th Floor, New London House,
6 London Street, London EC3R
7LP, U.K.
Tel: 44-20-7816-0321
Fax: 44-20-7816-0220

● Mitsui Sumitomo Insurance (London) Ltd.
One Aldgate, London EC3N 1LP, U.K.
Tel: 44-20-7522-0003
Fax: 44-20-7702-0923

☆ Mitsui Sumitomo Insurance Co., Ltd., UK Branch
4th Floor, 71 Fenchurch Street, London
EC3M 4BS, U.K.
Tel: 44-20-7702-6286~88
Fax: 44-20-7977-8300

★ London Representative Office
6th Floor, New London House,
6 London Street,
London EC3R 7LP, U.K.
Tel: 44-20-7816-0321
Fax: 44-20-7816-0220

★ Derby Representative Office
Norman House, Heritage Gate,
Friar Gate, Derby DE1 1NU, U.K.
Tel: 44-1332-294565
Fax: 44-1332-342970

Ireland

● Mitsui Sumitomo Reinsurance Limited
4 Exchange Place,
Custom House Docks, I.F.S.C.,
Dublin 1, Ireland
Tel: 353-1-612-6120
Fax: 353-1-612-6121

Germany

★ Düsseldorf Representative Office
Georg-Glock-Str. 8, 40474 Düsseldorf,
Germany
Tel: 49-211-493258-00
Fax: 49-211-493258-100

The Netherlands

★ Amsterdam Representative Office
2nd Floor Rivierstaete Building,
Amsteldijk 166, 1079 LH Amsterdam,
The Netherlands
Tel: 31-20-664-0211
Fax: 31-20-664-3216

France

★ Paris Representative Office
47 Rue de Ponthieu, 75008 Paris,
France
Tel: 33-1-5836-0770
Fax: 33-1-5836-0790

Belgium

★ Brussels Representative Office
Av. Louise 287, Bte. 8,
1050 Brussels, Belgium
Tel: 32-2-646-0940
Fax: 32-2-646-1129

Spain

★ Barcelona Representative Office
Rambla de Catalunya 33, Entresuelo,
08007 Barcelona, Spain
Tel: 34-93-488-0813
Fax: 34-93-488-0413

★ Madrid Representative Office
Edificio Mapfre Luchana, Francisco de
Rojas 12, Madrid 28010, Spain
Tel: 34-91-447-1600
Fax: 34-91-593-1764

Italy

★ Milan Representative Office
Foro Buonaparte, 63 20121
Milan, Italy
Tel: 39-02-8791431
Fax: 39-02-87914331

Austria

★ Vienna Representative Office
Hietzinger Hauptstr. 41,
A-1130 Wien, Austria
Tel: 43-1-87-883-690
Fax: 43-1-87-883-692

Czech Republic

★ Prague Representative Office
IBC Building 3F, IBC-Pobrezni 3,
18600 Prague 8, Czech Republic
Tel: 420-2-2483-5400
Fax: 420-2-2232-2530

Turkey

★ Generali Sigorta, Mitsui Sumitomo Insurance Desk
Bankalar Caddest, Generali Han,
31/33, K: 3 d: 44, Karakoy, 80000
Istanbul, Turkey
Tel: 90-212-243-9071
Fax: 90-212-243-9073

Saudi Arabia

★ Al Khobar Representative Office
c/o Arab Commercial Enterprises Ltd.,
P.O. Box 358, Al-Khobar 31952,
Saudi Arabia
Tel: 966-3-882-9266, 9267
Fax: 966-3-882-9266, 9267

■ Arab Commercial Enterprises Ltd., Al Khobar Branch
ACE Building, 28th Street,
Al Khobar, Saudi Arabia
(P.O. Box 358, 31952 Al Khobar)
Tel: 966-3-8820149
Fax: 966-3-8822628

United Arab Emirates

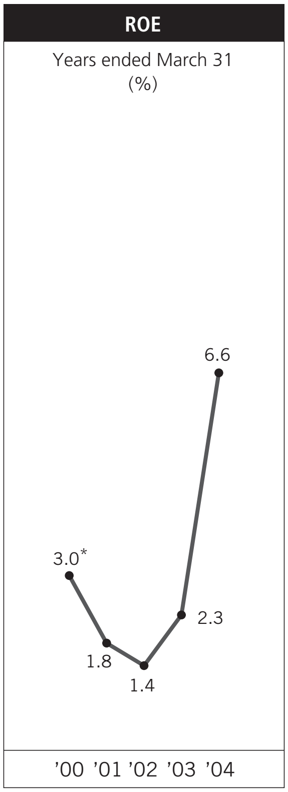
★ Dubai Representative Office
Spectrum Building 109,
P.O. Box 2190,
Dubai, UAE
Tel: 971-4-3365335
Fax: 971-4-3366955

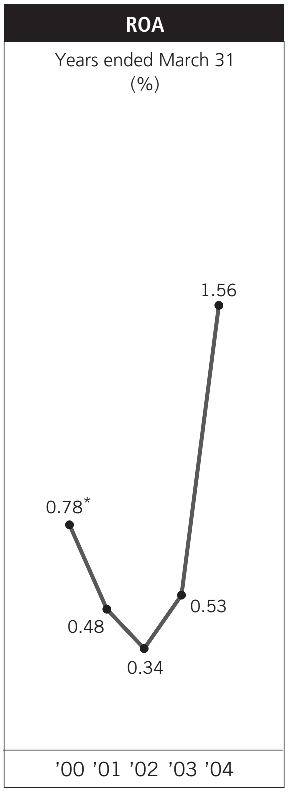
★ Abu Dhabi Representative Office
c/o Abu Dhabi National Insurance Co.,
P.O. Box 43040, Abu Dhabi, UAE
Tel: 971-2-6274834
Fax: 971-2-6275115

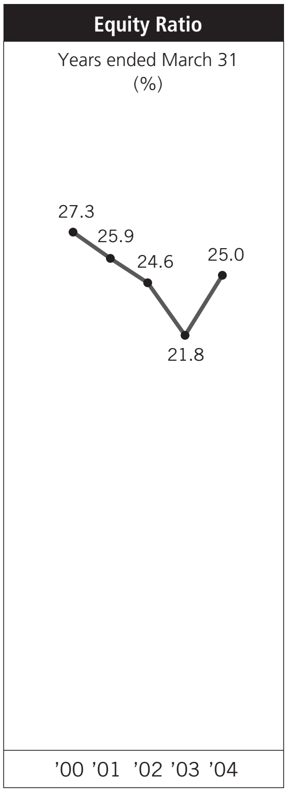
■ Arab Commercial Enterprises Ltd., Dubai Branch
2nd Floor, Riqa Street, Abu Dhabi
Commercial Bank Building,
P.O. Box 1100, Deira, Dubai, UAE
Tel: 971-4-295881
Fax: 971-4-2957779

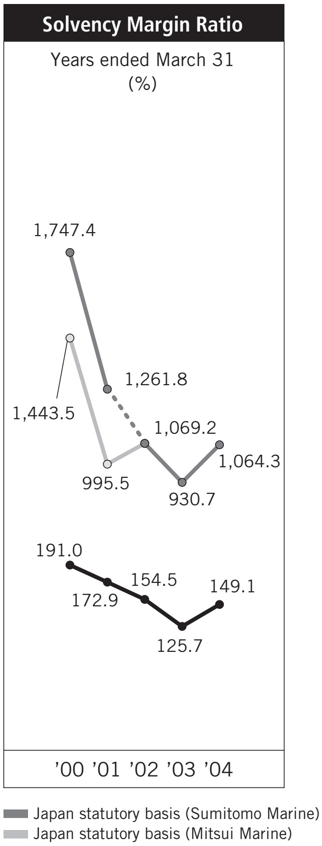
■ Arab Commercial Enterprises Ltd., Abu Dhabi Branch
2nd Floor, Zubara Tower, Salam Street,
P.O. Box 585, Abu Dhabi, UAE
Tel: 971-2-6457070
Fax: 971-2-6458050

Investor Information









Notes: 1. ROE = net income/average shareholders' equity*
2. ROA = net income/average total assets*
3. Equity ratio = total shareholders' equity/total assets
4. Solvency margin ratio = total shareholders' equity/net premiums earned
5. Japan statutory basis solvency margin ratio = solvency margin total amount/(total risk amount x 0.5)
These values are calculated according to regulations set forth in the Japanese Ministry of Finance's Notice No. 50, issued in 1996, and Articles 86 and 87 of the Enforcement Regulations of the Insurance Business Law of Japan.
6. The consolidated financial statements prior to the merger have been restated as if the companies had been combined for all periods presented.
**Net income in the indicated fiscal year was affected by a change in the corporation tax rate.*

Corporate Data

(As of July 31, 2004, except where noted)

Mitsui Sumitomo Insurance Co., Ltd.
Head Office
27-2, Shinkawa 2-chome,
Chuo-ku, Tokyo 104-8252, Japan
Tel: 81-3-3297-1111

Date Established
October 21, 1918

Network
Domestic Offices: 713
Domestic Agents: 78,057 (As of March 31, 2004)
Overseas Branches and Offices: 55

Number of Employees
13,675

Stock Exchange Listings
The Company's common stock is listed on the First Section of the Tokyo Stock Exchange and two other Japanese stock exchanges.

Transfer Agent
The Sumitomo Trust & Banking Co., Ltd.
5-33, Kitahama 4-chome, Chuo-ku,
Osaka 540-8639, Japan

Ordinary General Meeting of Shareholders
The Ordinary General Meeting of Shareholders is held in Tokyo, Japan within the four-month period following April 1.

Number of Shares of Common Stock

Authorized:	3,000,000,000
Issued:	1,513,184,880

Paid-in Capital
¥139,595 million

Auditors
KPMG AZSA & Co.

Lines of Business
Animal Insurance
Automobile Insurance
Aviation Insurance
Burglary Insurance
Commercial Credit Insurance
Compulsory Automobile Liability Insurance
Contractors' All Risks Insurance
Fire Insurance
Liability Insurance
Machinery Insurance
Marine Insurance
Miscellaneous Pecuniary Insurance
Movables Comprehensive All Risks Insurance
Nuclear Energy Insurance
Personal Accident Insurance
Plate-Glass Insurance
Ships' Passengers' Accident Liability Insurance
Surety Bond
Transit Insurance
Windstorm and Flood Insurance
Workers' Compensation Insurance
Reinsurance with respect to the preceding items

Investor Relations
Investor Relations Department
Mitsui Sumitomo Insurance Co., Ltd.
27-2, Shinkawa 2-chome,
Chuo-ku, Tokyo 104-8252, Japan
Tel: 81-3-3297-1111
Fax: 81-3-3297-6888

Mitsui Sumitomo Insurance on the Internet
Key financial results and information about Mitsui Sumitomo Insurance can be found on Mitsui Sumitomo Insurance's website on the Internet at:
http://www.ms-ins.com

Mitsui Sumitomo Insurance Co.,Ltd.
Head Office:
27-2, Shinkawa 2-Chome
Chuo-ku, Tokyo,104-8252, Japan
Tel: 81-3-3297-1111
URL: http://www.ms-ins.com

Mitsui Sumitomo Insurance Co., Ltd.   Annual Report 2004

This annual report is printed on recycled paper.

Printed in Japan

00702 3,600 2004.09 (新) 62