



**Mitsui Sumitomo Insurance Group**

**The Second**

**Informational  
Meeting**

**in Fiscal 2003**

**on December 2, 2003**

**Mitsui Sumitomo Insurance Co.,Ltd.**

# Operations in the 1st Half, 2003 (1)

## the 1st year of MS WAVE

### Indices to measure **No.1 in Growth**

### achievements

**No.1** in growth rate of net premiums written from domestic non-life insurance

**2.5% increase** posted by parent only

**Best** among the major non-life insurers

**No.2** in consolidated net premiums written from overall non-life insurance underwriting

**657.3 bil yen** in consolidated net premiums written (+5.0%)

**No.2 position**

due to a high growth in overseas (+45.2%)

**No.2** in the amount of life insurance in-force among subsidiaries of non-life insurers


**5,390 bil yen** in-force at Kirameki Life

**120 bil yen closer** to the 2nd (from 550 bil yen at Mar., 2003

to 430 bil yen at Sep., 2003)

# Operations in the 1st Half, 2003 (2)

## the 1st year of MS WAVE



Indices to measure  
**No.1 in Profitability**

achievements

**No.1 position** for  
combined ratio  
(94.0% planned originally)

**89.2%** marked in combined ratio  
**Best** among the major non-life insurers  
Lower than the plan,  
and the efforts will never be relaxed

**No.1** in the rate of  
investment return

**2.24%** scored in income yield  
steady on the road to **V9**

# MSI Group and the Features of Management Strategy

Corporate group  
strength

Consolidation oriented management

Focus on life insurance,  
variable annuity, third sector insurance

Proactive overseas expansion

Vital importance of investment income

Management environment  
recognition

# MSI Corporate Group Strength



Mitsui group  
Sumitomo group

Excellent clientele base

70% out of top 30 companies in major 27 industries

“Mitsui & Sumitomo” brand

Financial  
strength

Rich net worth of 1.2 trillion yen

Top investment performer

Overseas  
foundations

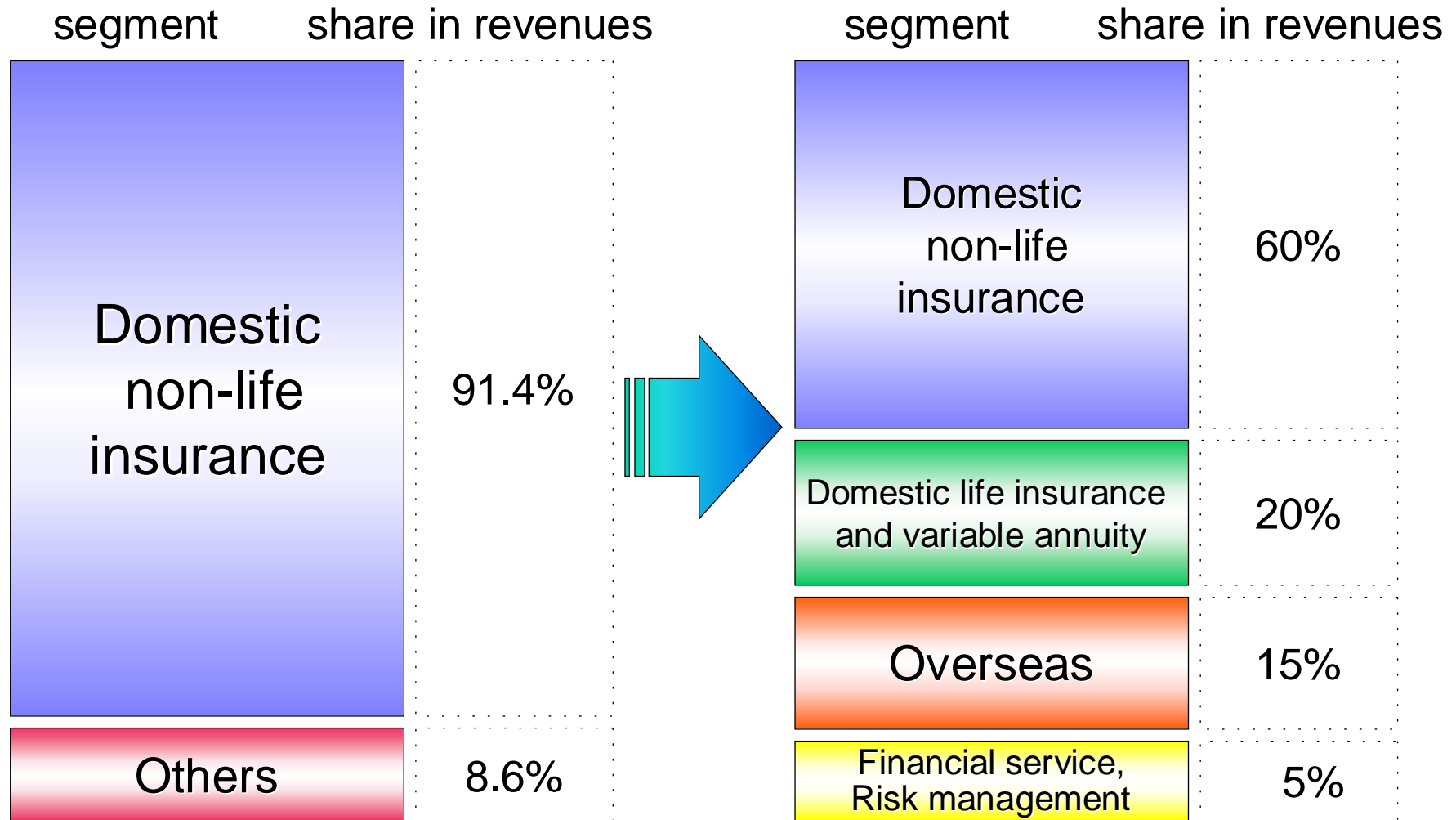
Network of 56 bases in 36 countries

Strong bases in Asia, Lloyds

# Future Business Portfolio of the Group

< Fiscal 2003, planned >

< Group Project in fiscal 2010 >



# Strategy for No.1 in Growth & Profitability

## Domestic operation Top-line Initiatives (1)

Automobile  
Insurance

**MOST**  
모스타

to be revised  
Jan 2004

### ➤ Releasing differentiated products

- microsegmented age-based rate      set up new age-based rate for drivers of age 35 and older
- discount for brand-new car owner      applicable to liability and injury in addition to physical damage
- discount for gold license holder      to increase from 10% up to 12 %
- payout for legal fees      not only for traffic accident but also for unforeseen accidents in daily life

## Domestic operation Top-line Initiatives (2)

New Product



**ViV Shushin**

(whole life accident and medical insurance)

released  
Nov 2003

### Mainstay product in the 3rd sector

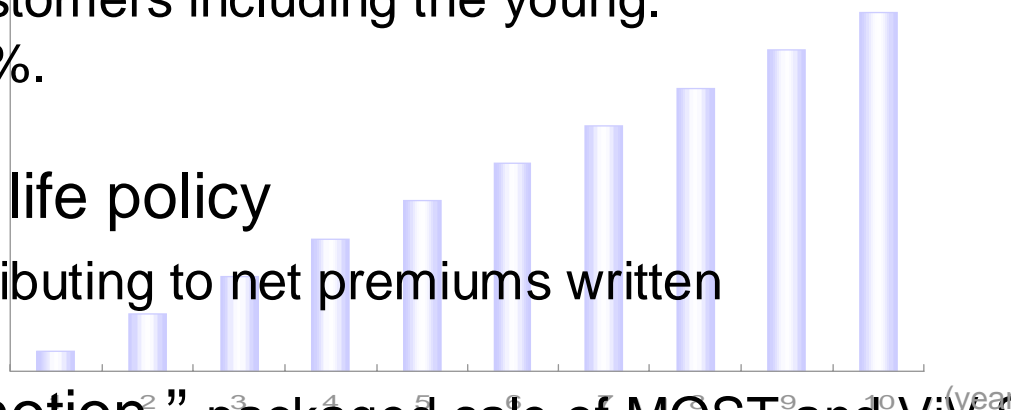
➤ MSI's original "Non-accident Mileage System"

wider range of customers including the young.  
discount up to 30%.

➤ Life time / whole life policy

great earner contributing to net premiums written

➤ "Attack MV Promotion," packaged sale of MOST and ViV Shushin



## Domestic operation Top-line Initiatives (3)

### Strategic tie-ups in Mitsui Sumitomo financial sector

#### Highly productive channels of partner

#### Mitsui Mutual Life

Non-life operation gross premiums  
transferred from MML to MSI 12 bil yen  
A powerful large retail agent 4% growth in sales  
10,000-person sales force

#### Sumitomo Life Insurance

Enter the 4th year of gross premium for 1st half, 2003  
tie-up, performing steadily 5.6% up to 4.5 bil yen  
Co-developing corporate 89 new auto fleets signed  
market

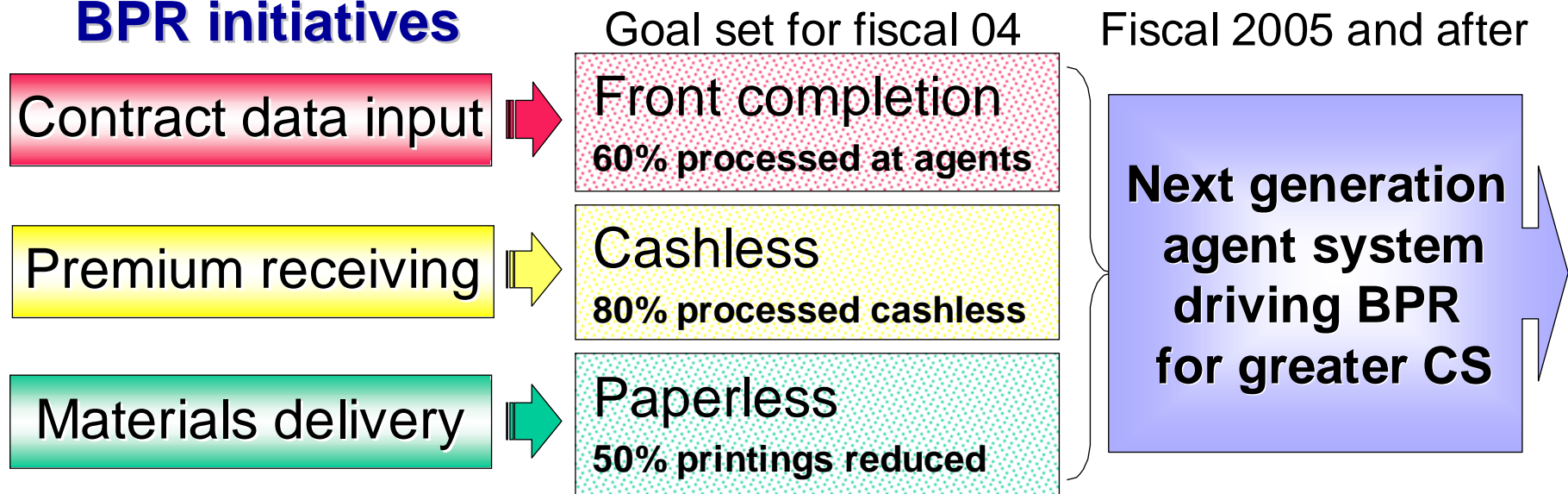
#### Sumitomo Mitsui Banking Corp

Giant bankassurance OTC of credit long-term  
retailer fire insurance  
Bonanza of wealthy Variable annuity insurance  
stratum market

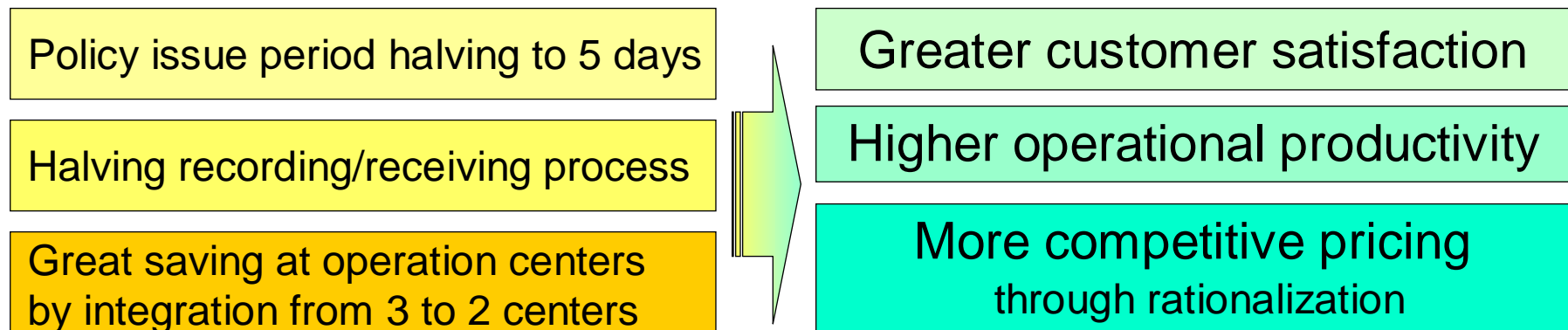
# Domestic operation Expenses / Productivity

“Business Process Restructuring (BPR) for Greater Customer Satisfaction”

## BPR initiatives



## CS effects through BPRs

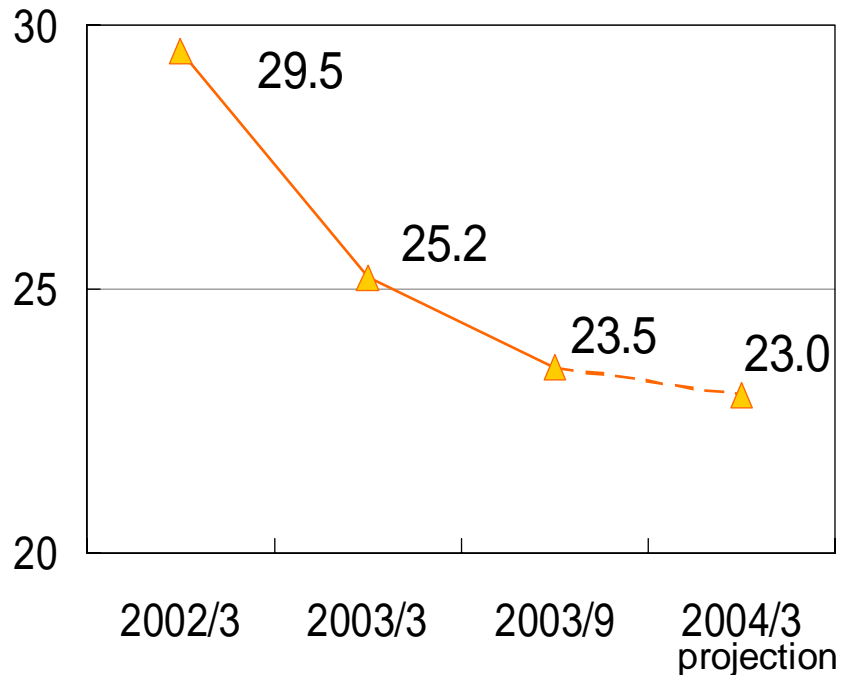


# Domestic operation Loss Reduction

Automobile claims handling system **“WITH”** - quick & proper payouts -

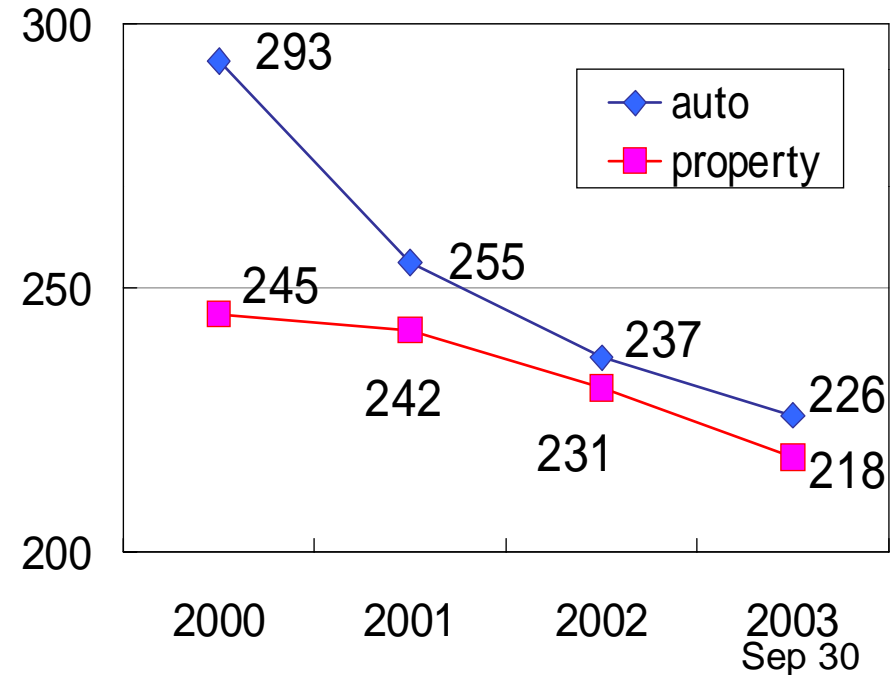
## Claims outstanding

Claims in 10,000



## Payout per claim

In thousand yen



New claims handling system for fire, personal accident, and miscellaneous insurances

**“HEARTS”** started Nov 03

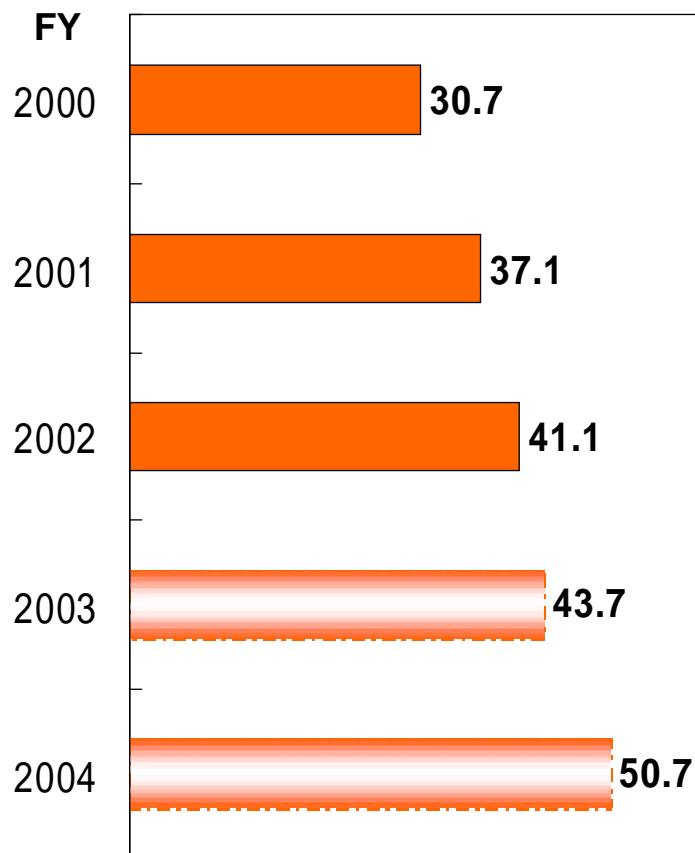
# Overseas Operation Focusing on Asia (1)



## Asia

### Growing fast

Gross premiums (bil yen)



### High profitability

➤ **Combined ratio**

Fiscal 2002 88.8%

Fiscal 2003 85.5%  
(est.)

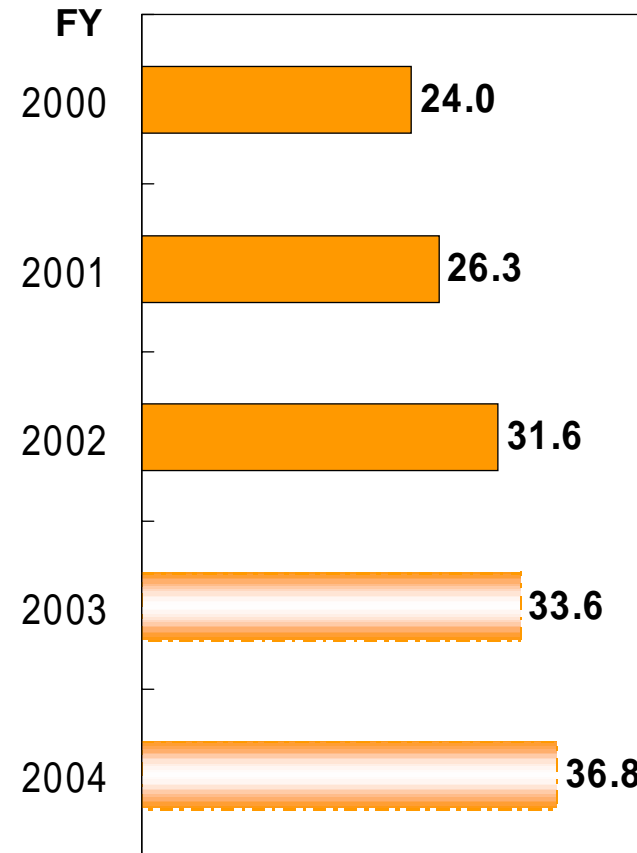
➤ **ROE**

Fiscal 2002 13.3%

Fiscal 2003 13.4%  
(est.)

### Assets growing accordingly

Net worth (bil yen)



## Overseas Operation Focusing on Asia (2)



### **Locally rooted operations under 2 HQs**

Asia Division 1st for Far Easter Asia

Asia Division 2nd for Southeastern Asia

#### ➤ China & India

Expanding business in rapidly growing markets by broadening the office network in China and employing the JV started up in India

#### ➤ ASEAN nations

Exploring local clientele of good risk and aiming at a higher market position in each area

#### ➤ M&As

Entering life insurance business and expanding non-life insurance business further in local markets

# Overseas operation US, Europe / Reinsurance



## U/W in the US

### Profits coming back sharply

Strictly controlled U/Ws and premium rates pulled up  
(bil yen)

Fiscal	2002	Sep 30, 2003	2003 (est.)
Net premiums	21.5	18.3	30.2
Combined ratio	134%	100%	110%
Income after tax	- 3.8	0.1	- 0.2



## U/W in Europe

### Steady in the Lloyd's market

Net premiums written planned to increase 63% up to 46.5 bil yen for fiscal 2003



## Reinsurance subsidiaries

### Solid presence with high credit rating in the market, leading to more business chances

Net premiums written planned to increase 40% up to 5.3 bil yen for fiscal 2003

### Raising retention ceiling

to employ capital effectively for more profits

# Life insurance MS Kirameki Life Insurance (1)

(compensation oriented insurance)

## ***Reinforcing channels***

○Life insurance playing leaders  
("PL")

○Direct operation main branch

○Loyal agents

## ***Tripod promotional bases***

...life insurance experts  
increasing from 45 to 70  
at the parent's branches

...opening in Tokyo and Osaka

...867 core agents recognized

## ***Differentiated mainstays***

**MS Shushin** (whole life insurance with  
market-sensitive interest rate)

73 bil yen amount in-force as of Sep. 2003,  
since the release in Feb. 2003

**Income protection  
insurance**

858 bil yen amount in-force  
up 20% YoY as of Sep. 2003

# Life insurance MS Kirameki Life Insurance(2)

## EV (Embedded Value ("EV"))

	Mar 2002	Mar 2003
NAV	26.1	<b>27.2</b>
value of in-force business	18.5	<b>22.1</b>
total	44.6	<b>49.3</b>
change	-	<b>10.5%</b>

Original capital 20 bil yen (Oct 1996)

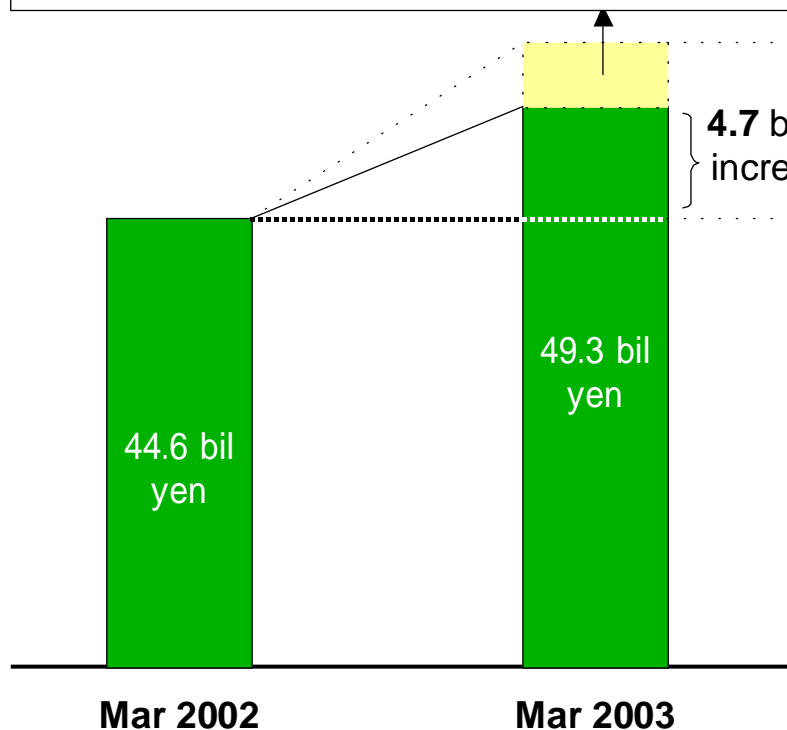
Increased by 10 bil yen (Apr 1998)



EV 49.3 bil yen Mar 2003

*EV increased at 8.6% p.a.*

EV decreased 2.8 bil yen due to interest rate factors ( or due to changes in the market rate and the discount rates applied to PV calculation)



**Increased 7.5 bil yen 16.8% up before interest factor adjustments**

<Break-down of change for fiscal 2002> bil yen

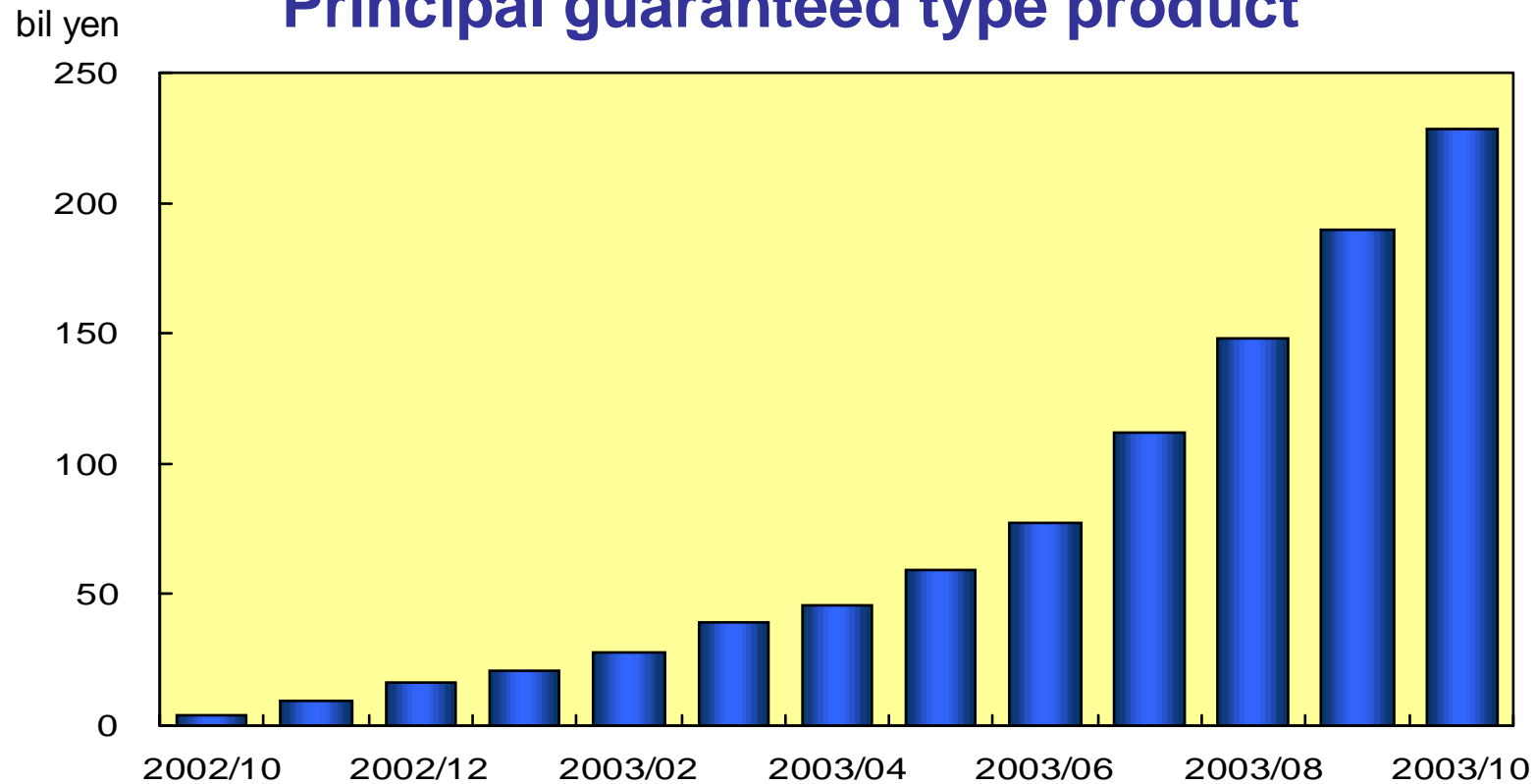
break-down item	change
Expected return on previous EV	<b>+2.8</b>
New contracts in-force	<b>+3.7</b>
Difference between projected and actual performance	<b>+1.0</b>
subtotal	<b>+7.5</b>
Change in discount rate from 7 to 6%	<b>+2.0</b>
Market rate fell from 1.4 to 1.13%	<b>- 4.8</b>
total	<b>+4.7</b>

# Life insurance Mitsui Sumitomo CitilInsurance

(asset management product)

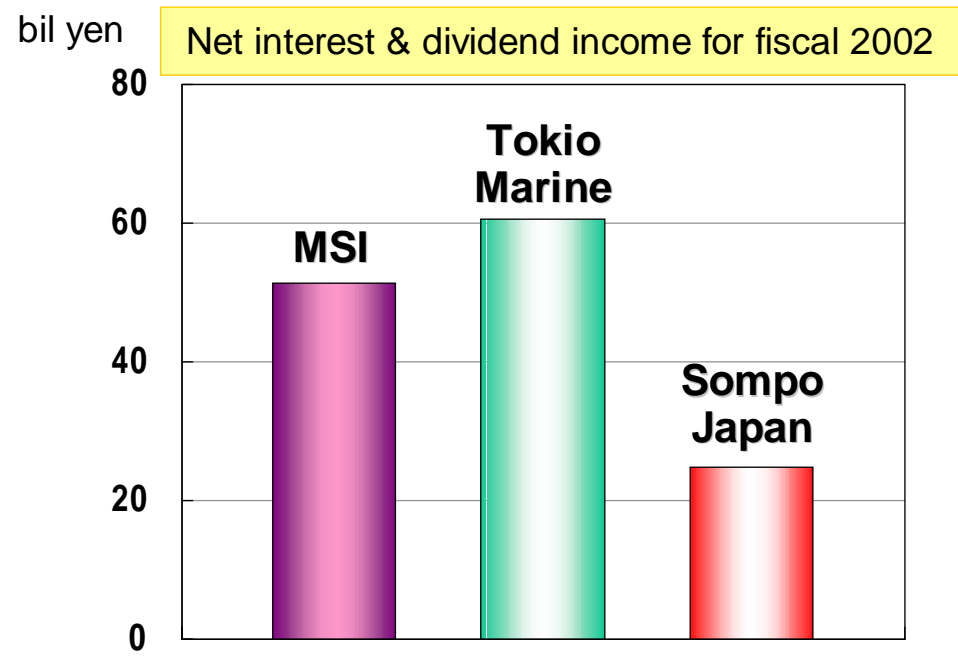
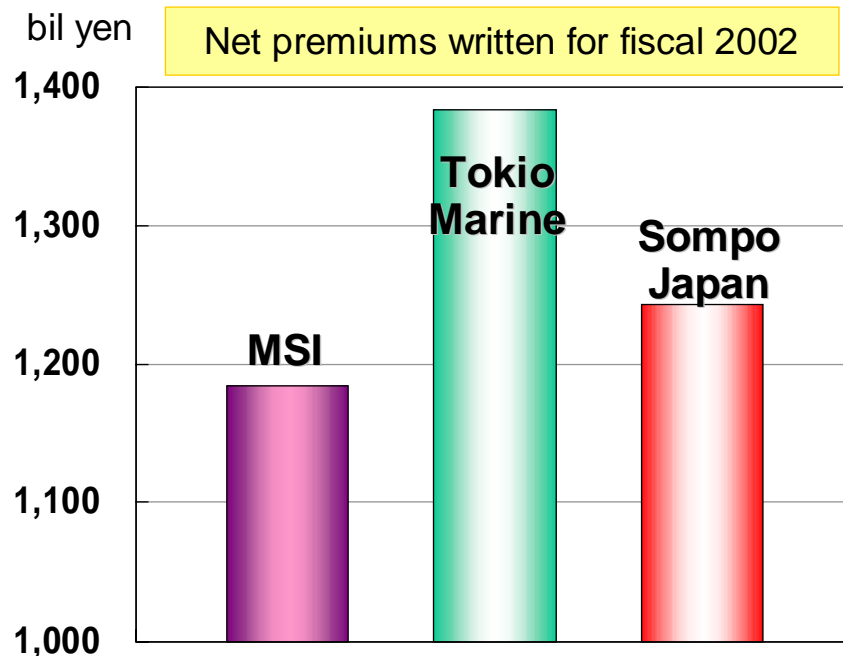
Specialized in variable annuity products  
for OTC sale of banks and securities houses

**Amount in-force surged up by  
Principal guaranteed type product**



# Investments Vital importance of Investment Income

- Net interest and dividend income is a sound footing for adverse situational change
- High net interest and dividend income gained from our high yielding portfolio



Fiscal 2002		Net premiums written		Net interest & dividend		
M	S	I				
			1,184.5	(100)	51.3	(100)
			1,383.6	(117)	60.5	(118)
			1,243.5	(105)	24.8	( 48)

Notes:

1) Net premiums written are after excluding the effect of abolition of reinsurance to government related to CALI.

2) A figure in parenthesis is an index where MSI = 100.

# Investments Strength in Investment (1)

## ➤ Competitive income yield continuously maintained

Competitive gap (left) and income yield on investment (right)

Fiscal			2000		2001		2002	
<b>M</b>	<b>S</b>	<b>I</b>	gap	2.58%	gap	2.54%	gap	2.37%
<b>Tokio Marine</b>			(- 0.31%)	2.27%	(- 0.30%)	2.24%	(- 0.59%)	1.78%
<b>Sompo Japan</b>			(- 0.35%)	2.23%	(- 0.50%)	2.04%	(- 0.47%)	1.90%

Net interest and dividend (bil yen)

Fiscal			2000	2001	2002	
<b>M</b>	<b>S</b>	<b>I</b>	132.6	129.2	116.8	(100.0)
<b>Tokio Marine</b>			134.5	136.2	116.2	(99.5)
<b>Sompo Japan</b>			93.2	81.6	72.3	(62.0)

A figure in parenthesis is an index where MSI = 100

## ➤ Higher yield achieved in 3 core categories

of Japanese bonds, foreign securities and loans

Income yield by investment category for fiscal 2002

			JPN bonds	foreign sec	loans	equities	real estate
<b>M</b>	<b>S</b>	<b>I</b>	2.02%	4.55%	2.30%	1.85%	3.10%
<b>Tokio Marine</b>			1.45%	2.56%	2.15%	2.34%	4.68%
<b>Sompo Japan</b>			1.75%	3.07%	2.17%	1.63%	2.85%

Source: "Disclosure" and "Kessan Tanshin" reports

# Investments Strength in Investment (2)

## ➤ Strict credit control

Japanese & Foreign Bonds ... rated "A" or better account for 97%  
 loans ... Impaired loans account for 4.2% as of Sep 2003

Impaired loans			(bil yen)					
Fiscal			2001		2002		Sep 30, 2003	
M	S	I						
			33.9	(4.5)	32.1	(4.5)	30.8	(4.2)
<b>Tokio Marine</b>			47.2	(7.2)	54.6	(8.4)	54.0	(8.6)
<b>Sompo Japan</b>			31.7	(4.5)	36.9	(6.0)	35.5	(6.4)

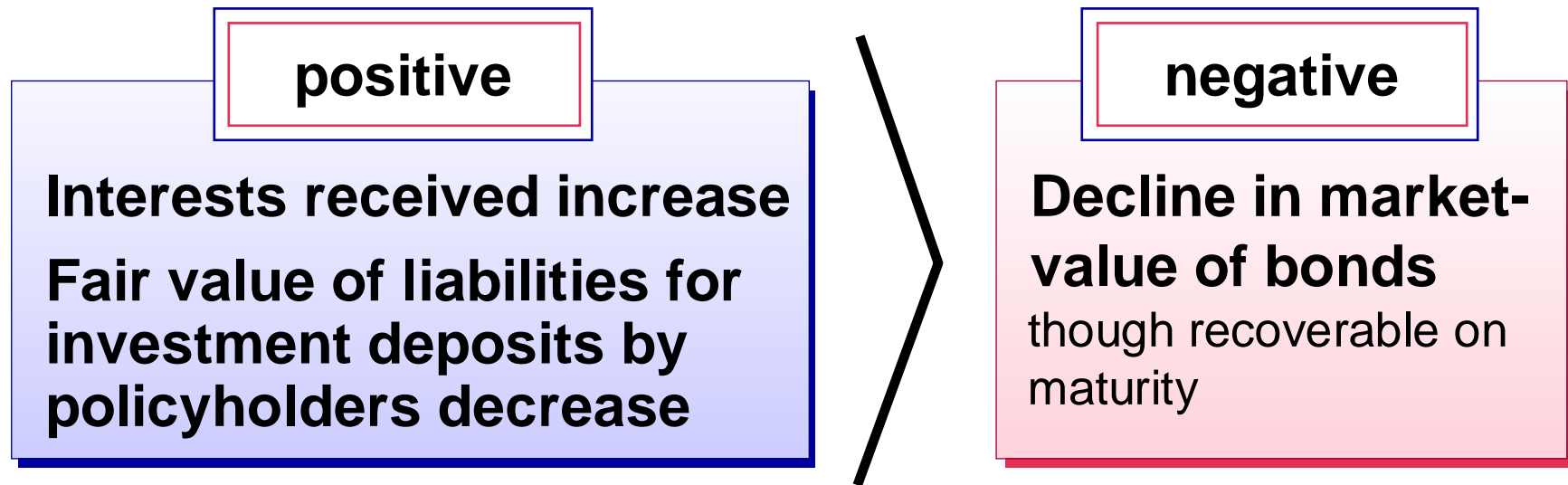
A figure in parenthesis represents a ratio of impaired loans to total loans in percentage.

## ➤ Alternative investments

balance  
 outstanding      Mar 2003      Sep 2003      Mar 2004, planned  
 46 bil yen      ➡      56 bil yen      ➡      60 bil yen

# Investments Effects of Interest Rate Hike

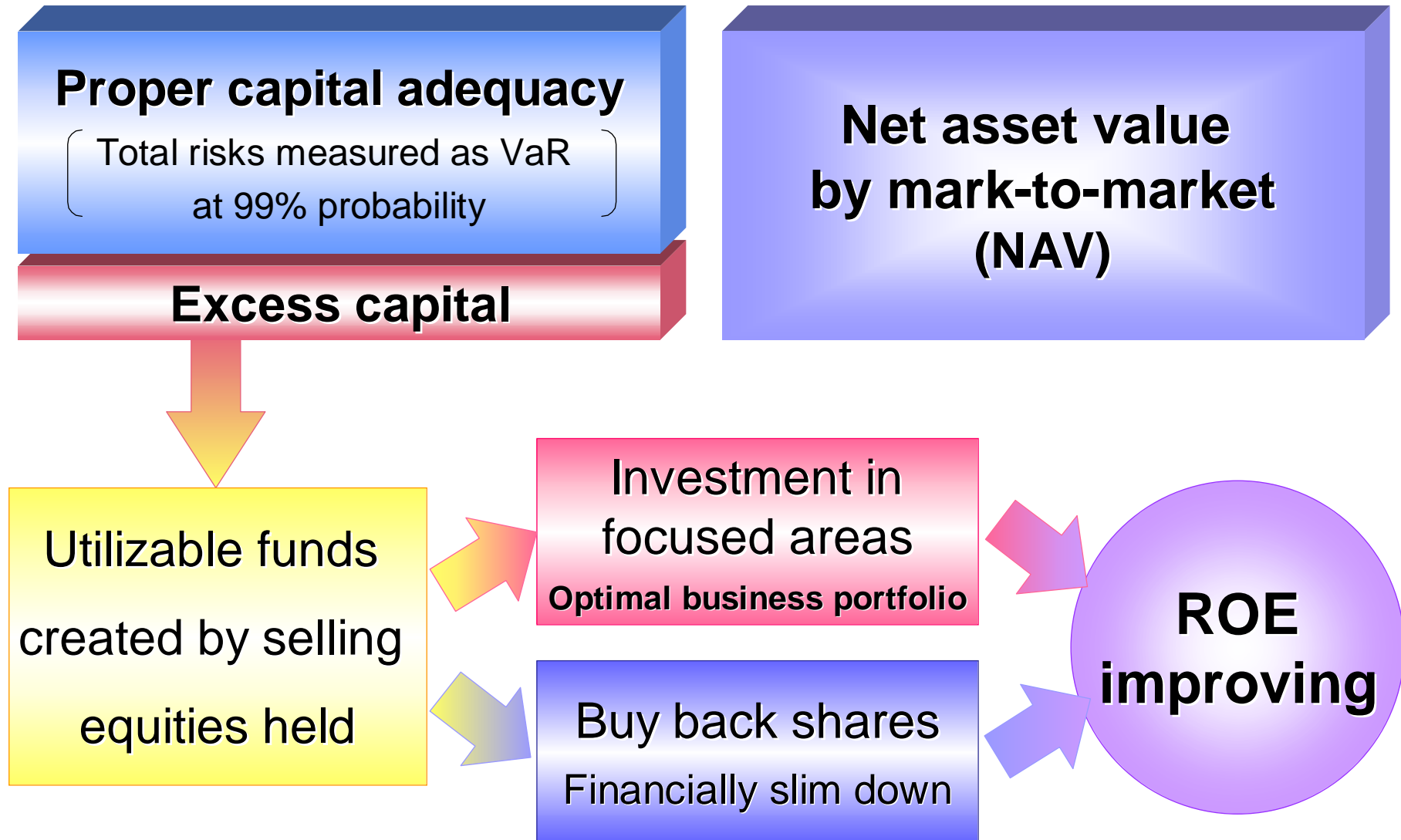
**Higher interest rate would affect positive overall**



## **Consistent investment policy**

- Strict ALM control
- Retain high quality bonds until maturity
- Steady building of individual loans

# Capital strategy Principle of Capital Strategy



# Capital strategy    Return to Shareholders

1

## Basic policy on dividends

Dividend : Return out of core profit for a period



Dividend planned to increase 1 yen per share  
as of March 31, 2004

2

## Basic policy on buy back shares

Repurchase of our own shares out of utilizable  
funds for benefit of shareholders

# Corporate Social Responsibility (“CSR”)

CSR mission in action

**Sustainable growth**

**High corporate value**

**Co-development with society**

**Medium-term management plan  
MS WAVE**

**No.1 in Corporate Quality**

CSR Committee established

**CSR awareness and commitment**

# Today's MD&A Summary to Investors



## **Expansion into promising businesses for greater profits**

- \* diversified revenue sources, firm growth in life insurance and overseas business and consolidated strength of the group
- \* consolidated net income planned 57.0 bil yen for fiscal 2004, up from 32.8 bil yen for fiscal 2002

## **Leader's position and trustworthiness in the non-life insurance industry**

- \* the 2nd leading company in both size and profit/efficiency in the industry
- \* solid financial position and high creditability rated "Aa3" and "AA-" by Moody's and S&P, respectively

## **Management policy for shareholders**

- \* maximizing shareholder value as management mission; visibly reflected on consolidated ROE and implementation of share repurchase and dividend increase
- \* transparent management by open disclosure; through proactive IR activities and US GAAP-based reporting

Through our insurance and financial services businesses, **Mitsui Sumitomo Insurance Group** commits itself to the following:

Bringing security and safety to people and business around the world,

Providing the finest products and services, and realizing customer satisfaction,

Continuously improving our business, thereby meeting our shareholders' expectation and earning their trust.

December 2, 2003 Mitsui Sumitomo Insurance Co.,Ltd.

## Medium-Term Outlook of Business

appendix

Mitsui Sumitomo Insurance Co., Ltd.

(Non-consolidated results / targets)

	FY2000	FY2001	FY2002	FY2003 (initial estimation)	FY2003 (revised estimation)	FY2004 (target)
Net premiums written [bil yen]	1,161.7	1,175.7	1,184.5	1,205.0	1,200.0	1,230.0
Net loss ratio	58.4%	57.8%	57.2%	59.2%	57.9%	59.2%
Net expense ratio	37.3%	36.4%	35.3%	34.8%	34.9%	33.8%
Combined ratio	95.7%	94.2%	92.5%	94.0%	92.8%	93.0%
Net interest and dividend income [bil yen]	54.3	58.0	51.4	49.0	48.5	47.0
Net income [bil yen]	27.1	23.6	32.4	38.0	77.0	52.0
R O E	1.7%	1.7%	2.8%	3.6%	7.0%	4.7%

(Consolidated results / targets)

Consolidated net premiums written [bil yen]	1,185.7	1,223.3	1,253.2	1,286.0	1,295.0	1,317.0
Consolidated net income [bil yen]	29.9	19.0	32.8	41.0	81.0	57.0
Consolidated R O E	1.9%	1.4%	2.8%	3.8%	7.3%	5.1%

(Net income from business other than domestic non-life insurance )

Life insurance business (Proforma net income) [bil yen]	0.3	0.5	1.1	0.5	0.6	2.0
Overseas business [bil yen]	-0.9	-4.8	-0.7	1.7	4.4	6.6
Financial services business [bil yen]	0.5	-0.9	-4.3	-0.4	2.0	1.0
Risk-related business [bil yen]	0.1	0.1	0.1	0.1	0.1	0.1
Total [bil yen]	-0.0	-5.1	-3.9	1.9	7.1	9.7

\* Amounts are shown after excluding refundable premium of our original automobile insurance "Mudo-rich" and the effect of abolition of reinsurance to government related to CALI. (CALI = Compulsory Automobile Liability Insurance)

\* Part of "Net income from business other than domestic non-life insurance" is included in the non-consolidated "Net income".



**Mitsui Sumitomo Insurance**

### **Cautionary Statements**

Any statements about Mitsui Sumitomo Insurance Co., Ltd.'s future plans, strategies, and performance contained in this brochure 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 numbers of uncertain factors could cause actual results to differ materially from hose discussed in the forward-looking statements. Such factors include, but 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.