

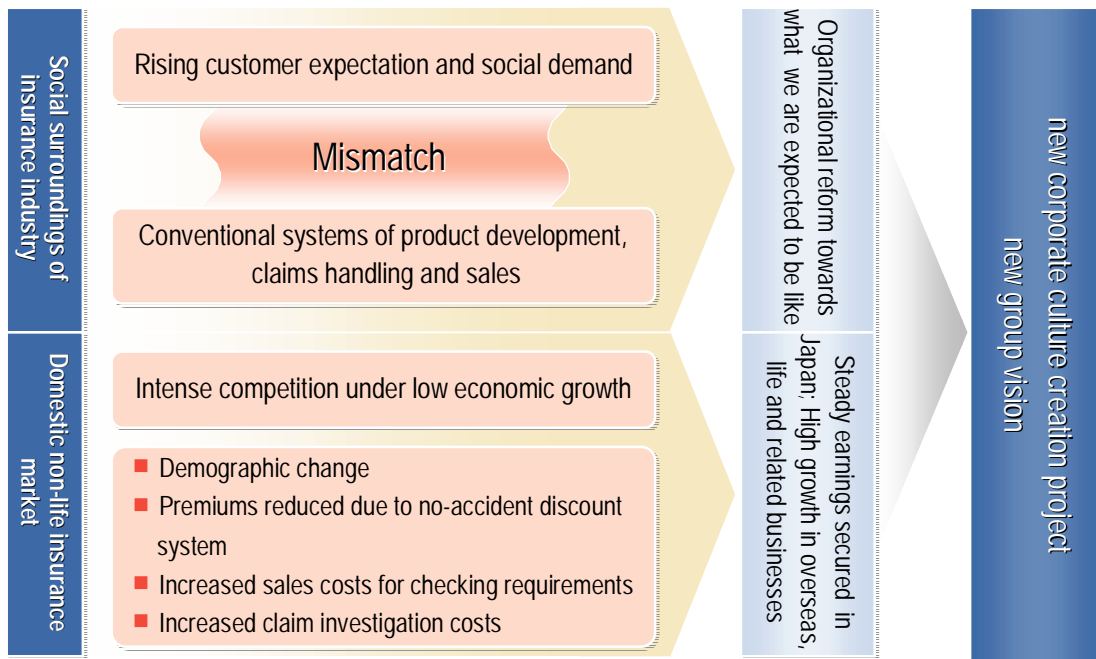


Operation Overview and Strategy Summary

March, 2007

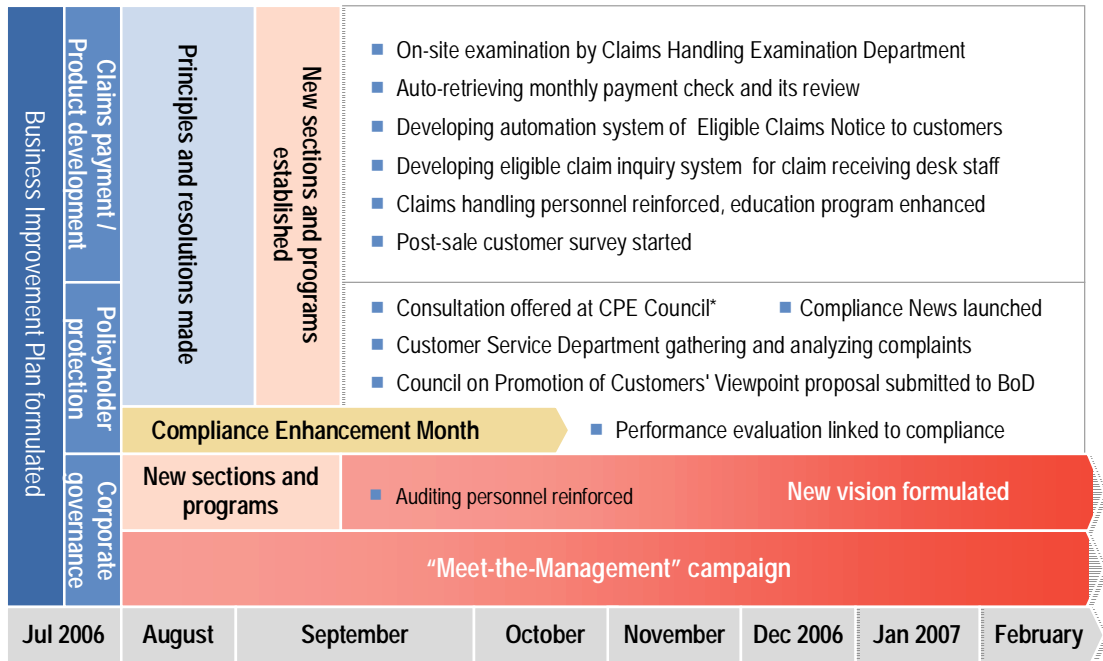
Mitsui Sumitomo Insurance Co.,Ltd.

Non-life insurance market and environment in Japan



Social surroundings of insurance industry	Policyholder and consumer protections
	<ul style="list-style-type: none"> Sufficient accountability of important matters required (more explicitly in FSA's revised guideline) Advanced sales process ensuring checking confirmation documents with customers Agent and employee education to make sure of customer retention and policy renewal in routine
Domestic non-life insurance market	Higher claim payments and loss adjustment expenses
	<ul style="list-style-type: none"> Burden of proof of contingency, etc of the incident shifting from appellant to insurer Loss adjustment costs rising for detailed investigation from viewpoint of fair policyholder treatment
Domestic non-life insurance market	Fire-, miscellaneous-, personal accident- and marine insurance lines
	<p>Net premiums written increased at a growth rate almost equivalent to that of nominal GDP</p> <ul style="list-style-type: none"> Growth seen in product groups related to pension, elderly care and medical services, which function as supplementary to social welfare
Domestic non-life insurance market	Automobile insurance line
	<ul style="list-style-type: none"> Net premiums written sliding aside or slightly decreasing Premiums discounted for no-accident drivers Average premium per vehicle dropped due to increased weight of smaller cars Number of registered cars slid aside Simplified insurance products resulted in lower average premium per unit

Business Improvement Plan in Progress



Appropriate claims handling	Claims payment administration	Principles	<ul style="list-style-type: none"> Principles on Upgrading Claims Handling System for Appropriate Payment formulated (Aug)
		New units and programs	<ul style="list-style-type: none"> Claims Handling Examination ("CHE") Department established (Sep) Claims Payment Examination Council established (Sep) Claims Handling Consulting Section opened (Sep) Claims Payment Objection System established (Sep) Long-Term Medical Service Center established (Oct)
		Personnel	<ul style="list-style-type: none"> Workforce increasing in claims handling
		Education	<ul style="list-style-type: none"> Standard education system formulated Education staff reinforced Education course of diseases and medical care launched for acquiring practical knowledge and use in claims handling
		Systems	<ul style="list-style-type: none"> Automatic multi-claim payment system set up (Sep) Car accident registration and under-payment warning enhanced Building systems for eligible claim notification, eligible claim inquiry system for claims receiving desk staff (under development)
	Product development	<ul style="list-style-type: none"> Product Development Guidelines governing product development and retirement formulated Conducting post-sale customer survey Product Division established Product revision 	
	Interpretation, criteria, review	<ul style="list-style-type: none"> Standard Policy Interpretations, Criteria in Determination of Ineligible Claim, etc. prepared (Sep) CHE Dept making on-spot examination (Sep and onwards) Monthly payment check, findings review (Sep and onwards) 	
Policyholder protection	Complaints response	Principles	<ul style="list-style-type: none"> Complaints Response Guidelines formulated (Sep)
		New units	<ul style="list-style-type: none"> Customer Service Department established (Sep) Claims Handling Consulting Section opened (Sep) Council on Promotion of Customers' Viewpoint established (Oct)
	Legal compliance	<ul style="list-style-type: none"> Compliance Enhancement Month campaign (Aug-Sep) Periodical Compliance News launched (Oct and onwards) Strengthening compliance education (Aug and onwards) Performance evaluation systems linked to compliance (Oct) 	
Corporate governance	Corporate governance	<ul style="list-style-type: none"> Audit Committee established (Sep) Nomination Committee and Remuneration Committee increased outside directors to majority (Sep) 	
	Reporting of routine operations	<ul style="list-style-type: none"> Corporate Quality Control Department established (Sep) Closer communication between management and front-liners (Jul and onwards) New Vision Promotion Division established (Aug) 	
	Internal control	<ul style="list-style-type: none"> Internal Audit Dept substantially increased audit staff (Sep) Supervisory Section established (Sep) 	

Towards better corporate quality

**"a company that puts the first priority on the customers' view"
MSI, reliable corporate group**

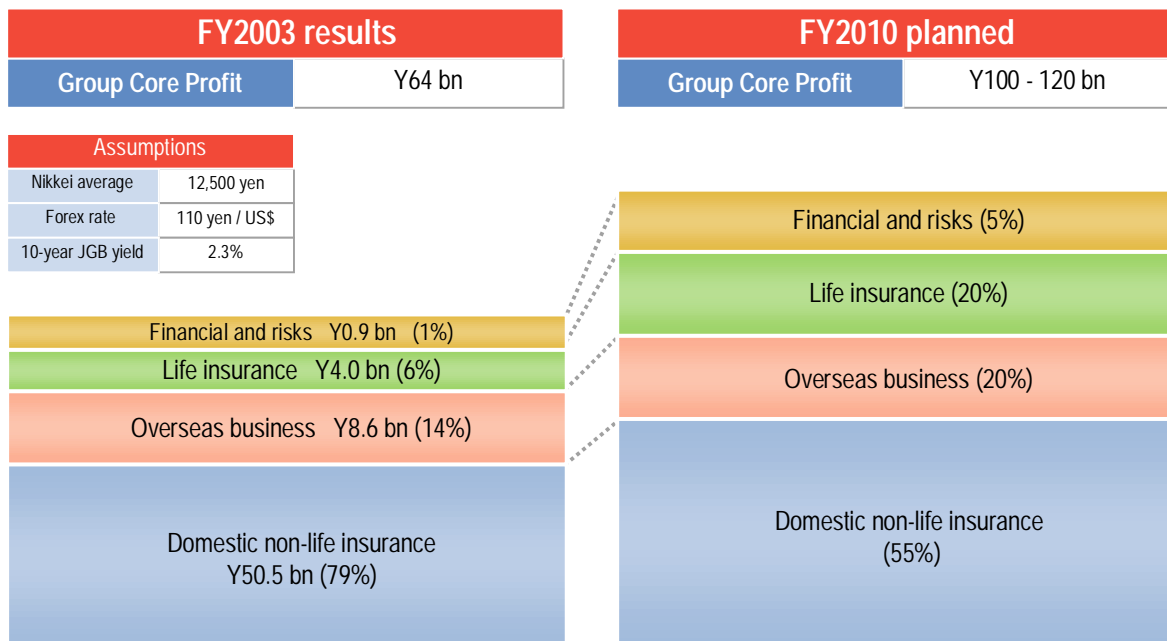
New vision (new mgmt plan)

New Group Vision Promotion Headquarters	Headed by CEO Egashira, formulating new management plan by Mar 2007
8 task-specific meetings, 4 business-specific meetings	Meeting set up for specific issue, each chaired by executive responsible for issue Management committee and executive meeting setting principles

New corporate culture project

Project committee (PC)	Headed by Chairman Shin, considers suggestions gathered, sends agenda to specific committees under New Group Vision Promotion Headquarters
How to promote	PC summarizes discussion and proposals raised from workplace meetings, Meet-the-Management campaign, proposal project, customers and MSA (agents' organization)
Workplace meeting Meet-the-Management Proposal project	<ul style="list-style-type: none"> Discusses company-wide reform issues at each workplace Executives visiting offices to explain new vision and exchange opinions Intranet board provided for discussion, open to reform proposals from employees

Long-term vision "Challenge 10"

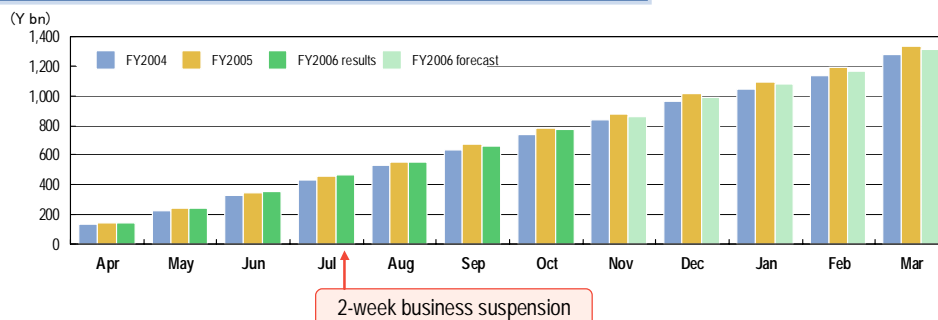


Impact of administrative dispositions

Administrative dispositions

To suspend contract conclusion, marketing, surety bond under the non-life insurance business license	Jul 10 to Jul 23	2 weeks
To suspend contract conclusion and marketing of whole-life medical insurance policy <Note 1> until third-sector product management and administration systems have improved	Jul 10 to Feb 23, 2007	7 months & half
To suspend application for approval and notification of new or revised insurance products <Note 2> until Dec 22 or thereafter when management and administration systems have improved	Jun 22 to Feb 23, 2007	8 months
To suspend application / notification of new overseas subsidiaries, branches, offices, joint ventures	Jun 22 to Sep 21	3 months

Preliminary: non-consolidated monthly trend of general premiums



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Premium income

Net premiums written	Y50 bn less than plan due to administrative dispositions and business improvement plan Will be affected to certain extent in fiscal 2007
Sales network	Impact limited temporarily in July, no further significant impact
Net premiums written forecast to drop 2.1% from Mar 2006	

Follow-up payout

Automobile insurance	Y0.6 bn to follow up under-payments
Third-sector insurance	Y0.2 bn to follow up inappropriate under-payments
Direct impact of disposition negligible	

Expenses

Expenses regarding buzi suspension in July	Y2.6 bn expensed temporarily except system development cost for this year (apologies sent to policyholders, recall of sales materials in exchange for new ones)
Agent commissions paid	No material impact, counter-measures taken for specialized agents
Others (than administrative disposition)	Y9 bn expensed for 5 Reforms in advance as planned pre-year Y5 bn scheduled to be expensed in relation with Business Improvement Plan and New Vision
Impact of disposition negligible vs top line, because of 5 Reforms' planned expenses	

Group performance in Stage I, Challenge 10

Stage I

Fiscal 2006 management plan targets & results

Consolidation	H1-2006 results	2006 plan	2006 forecast	9m -2006 results
	Net premiums written, Annual growth rate (%)	762.7 (+3.3%)	1,518.0 (+3.3%)	1,476.0 (+0.4%)
Group core profit ("GCP")	38.4 (100%)	80.5 (100%)	61.7 (100%)	
ROE (on a GCP basis)	-	3.9%	3.0%	

(Y bn)

GCP by business segment	H1-2006 results	2006 plan	2006 forecast
	Domestic non-life	26.9 (70%)	58.2 (72%)
Overseas	5.2 (14%)	11.0 (14%)	10.2 (17%)
Life	5.5 (14%)	9.5 (12%)	9.0 (15%)
Financial and risks	0.7 (2%)	1.8 (2%)	1.6 (2%)

(Y bn)

Consolidated net premiums written

Domestic non-life	Decreased 1.0 % for the nine months ended Dec.31,2006
Overseas business	Increasing 31.2% for the nine months ended Dec 31,2006 Lloyd's of London business, acquired subsidiaries and reinsurance subsidiaries performed well

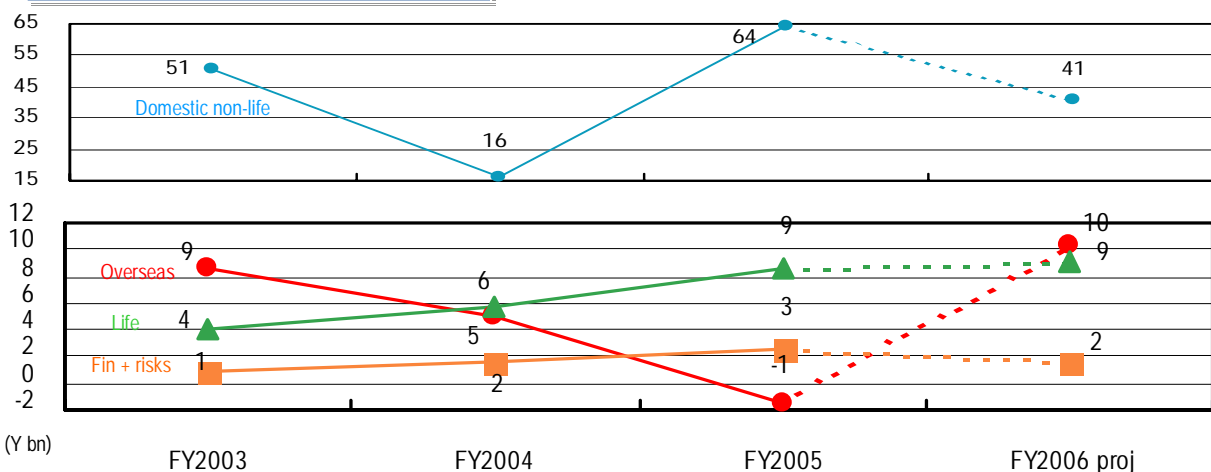
Overseas offsets shortfall in domestic non-life, forecasting a 0.4 % consolidated increase

Group Core Profit

Domestic non-life	Forecasting Y17.3 bn less than plan due to decrease in net premiums written, increase in payout and a slight increase in expenses
Overseas, life, etc.	Almost achieving planned targets

Forecasting a composition of domestic non-life 66%, overseas 17%, life 15% and financial and risks 2%

GCP trend by business segment



Non-consolidated performance in Stage I, Challenge 10

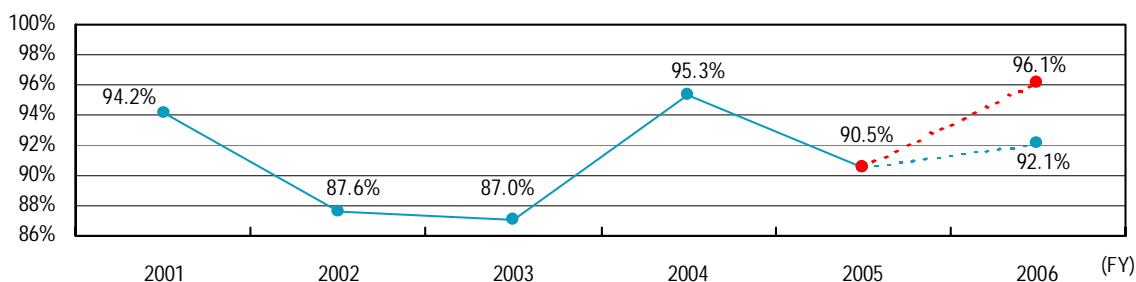
Stage I Fiscal 2006 management plan in targets & results

Non-consolidation

	H1-2006 results	2006 plan	2006 forecast	9m -2006 results
Net premiums written, Annual growth rate (%)	666.2 (-1.2%)	1,360.0 (+1.6%)	1,310.0 (-2.1%)	995.5 (-1.0%)
Combined ratio	91.0%	92.1%	96.1%	
Net loss ratio	60.4%	61.2%	64.5%	
Net expense ratio	30.6%	30.9%	31.6%	
Interest and dividend income	37.0	75.0	85.2	
Net income	33.8	70.0	55.0	

Note: "Net premiums written" exclude those of *Modorich* but include the effect caused by the abolished governmental reinsurance of the compulsory automobile liability insurance ("CALI").

Combined ratio trend



9 months' results of Net Premiums Written (excluding refund premiums of "Modo-rich")

	Net Premiums Written			
	9 months' result		Results Forecast for FY 2006	
		change(%)		change(%)
Fire	130.3	- 3.8%	177.4	- 3.2%
Marine	51.3	7.5%	68.8	4.1%
Personal accident	102.8	- 1.3%	131.8	- 5.0%
Voluntary Auto	425.2	- 1.2%	559.7	- 1.9%
CALI	144.4	- 0.6%	191.9	- 0.8%
Others	141.2	- 0.6%	180.5	- 3.2%
Total	995.5	- 1.0%	1310.0	- 2.1%

Strength of the MSI Group

Customer base of both Mitsui Group & Sumitomo Group

- Groups represent many of Japan's major manufacturers, with attendant markets of 2 million employees'
- Customer base dramatically expanded by the 2001 merger

Top-level commercial-line presence among Japan's non-life insurers

- Accounts maintained with 80% of top-10 companies of each of Japan's 27 industries
- Wide range of risk solution available for corporate customers
- Largest marine insurance premiums domestically earned for 5th consecutive fiscal year (since 2001)

Strong network of agents

- Nation-wide network of over 50,000 insurance agents
- Upsized agents through skilled management consultation

Overseas network

- No. 1 overseas sales network among Japan-based insurers, covering 39 countries and 63 major cities
- Competition with AIG for No.1 position in Asian region

Strong relationship with financial institutions

- P&C business with 399 financial institutions, representing 96.4% of all in Japan
- Earned variable annuity premiums as large as 320 billion Japanese yen for Apr.-Sept. 2006



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Future steps in areas of focus

Commercial lines

- Offering advanced risk solution in cooperation with affiliate consulting firm
- Improving customer satisfaction through initiatives on promoting legal compliance and business quality of commercial-focused agents
- Cultivating multi-national corporate accounts by strong overseas network
- Exercising outstanding proposal skills, sensitive to legal and social changes
- Permeating personal markets through and beyond corporate clients

Personal lines

- Assuring quality customer services through improved agent education aimed at promoting legal compliance and business quality
- Assisting agents' operations via 'Agent MS1' (agent-MSI Intranet system) and 'Mobile MS1' (PDA-based contract system)
- Facilitating agents' marketing by skilled management consultation and effective direct mailing system available to agents

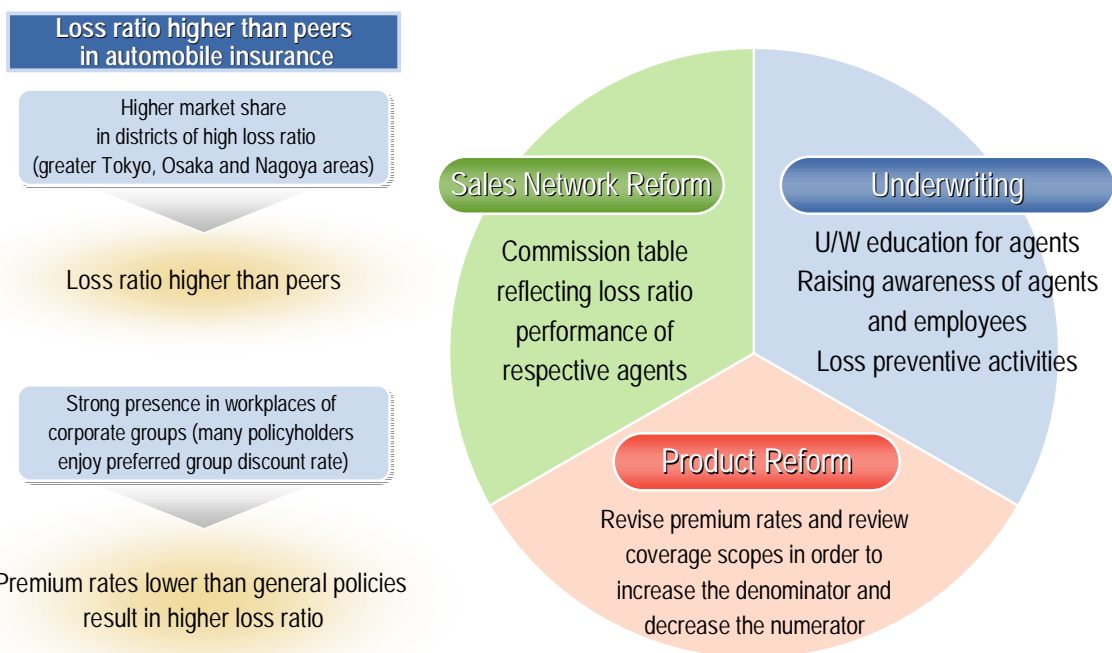
Overseas markets

- Driving further the localized operations as top-tier insurer in Asian markets
- Improving portfolios in the European, American and reinsurance markets
- Pursuing overseas business structure that assure independence in management and excellence in performance

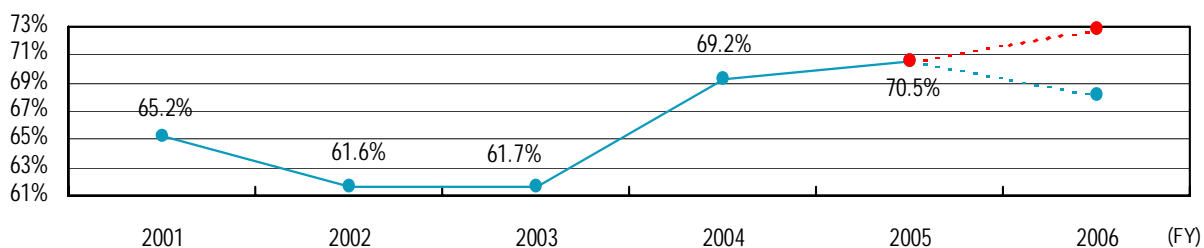
Financial institutions

- Developing OTC products on a group-wide basis, in concert with Mitsui Sumitomo Kirameki Life Insurance and Mitsui Sumitomo MetLife Insurance
- Improving software that facilitates insurance sales at financial institutions
- Providing well-tailored sales assistance and compliance education

Domestic non-life: Rationalizing auto loss ratio



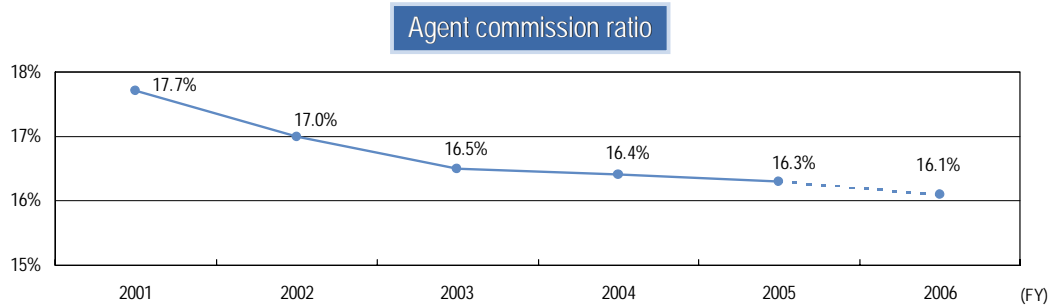
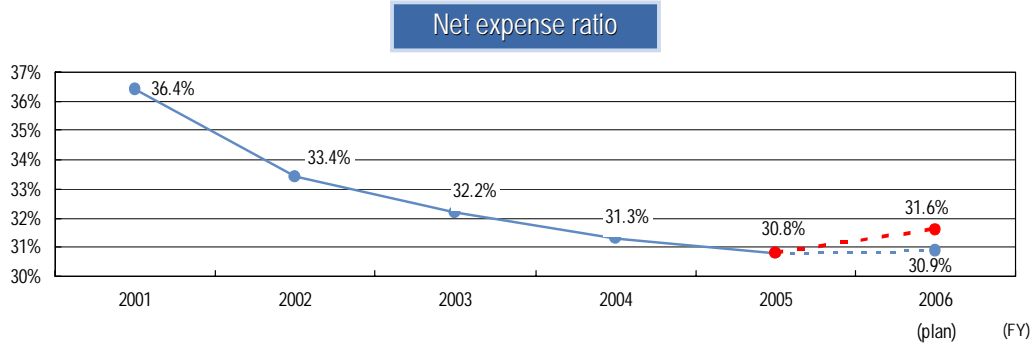
I/E ratio of automobile insurance



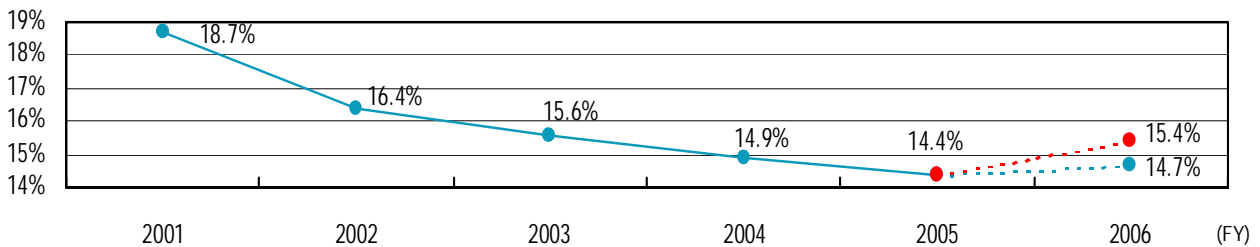
I/E ratio for fiscal 2006 (comparison with normalization targets)

Reason for variance in I/E ratio	Original plan	Mar-2007 forecast
(1) Decrease in IBNR statistically calculated, etc.	- 1.3%	- 0.7%
(2) Effect of the "2006 Heavy Snowfall"	- 0.6%	- 0.6%
(3) Effect of natural disasters	+0.3%	+ 0.1%
(4) Effect of revised rates and policy clauses	- 0.4%	- 0.4%
(5) Effect of measures for high loss ratio agents, etc	- 0.4%	+ 1.2%
(6) Expense for increased personnel in claims handling	-	+ 0.7%
(7) Increase in reported accidents, etc.	-	+ 2.0%
	- 2.4%	+ 2.3%

Domestic non-life: net expense ratio



Underwriting company expense ratio



Expenses related to 5 Reforms and New Vision	
Expense item for limited period	Fiscal 2006
	Expenditure
New Vision promotion	Y5 bn
5 Reforms promotion	Y9 bn

Five Reforms	Marketing Reform	<ul style="list-style-type: none"> Link with Sales Network Reform Create MSI's original sales style
	Claims Handling Service Reform	<ul style="list-style-type: none"> Increase satisfaction, confidence and reputation of customers Large increase in workforce and educational staff
	Product Reform	<ul style="list-style-type: none"> Review products and policy clauses Input conclusion at front-line, cashless, paperless
	System Architecture Reform	<ul style="list-style-type: none"> Slim-down of computer systems Offer customer-focused operations and services
	Human Resources Reform	<ul style="list-style-type: none"> Invest in human resource development Respond to changing employment environment

Domestic non-life: course of Product Reform

purpose

- (1) Build frameworks of product, admin, system, claims handling easy for customers, agents and employees
- (2) Strengthen product development system and expand supply capacity

		initiative	effect aimed at
Increasing cross-divisional approaches	Products	<p>complicated</p> <p>simplify standardize</p> <ul style="list-style-type: none"> Review product concept and development process Standardize writing style of policies and rules Retire unpopular products and additional riders 	<ul style="list-style-type: none"> Offer products easy to understand Quality better devised in product development
	Computer system	<p>multi-leveled</p> <p>simplify standardize</p> <ul style="list-style-type: none"> Make data in module, integrate process programs Raise maintenance efficiency More user-friendly operation 	<ul style="list-style-type: none"> Infrastructure ready to meet market needs Better sales support function
	Application process	<p>diverse, cumbersome</p> <p>streamline standardize</p> <ul style="list-style-type: none"> Standardize operation rules Simplify and streamline procedures 	<ul style="list-style-type: none"> Higher routine job efficiency of agents, employees More convenient for customers
	Claims handling	<p>difficult</p> <p>automate standardize</p> <ul style="list-style-type: none"> Review claims handling process Improve claim determination system 	<ul style="list-style-type: none"> Better claims handling services Full performance of payment obligation

Effects aimed at in Product Reform

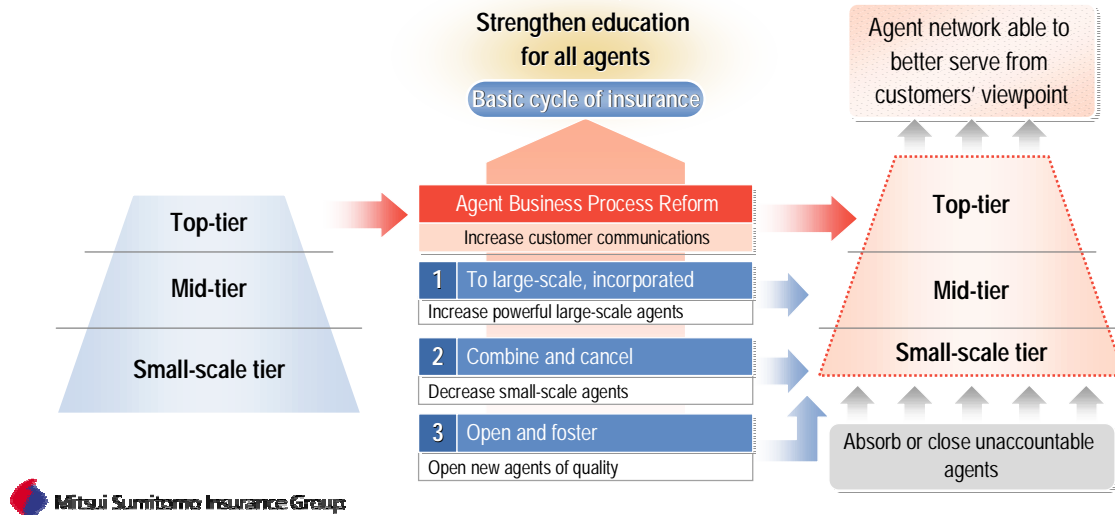
Customers	<ul style="list-style-type: none"> Easy-to-understand products meeting customers' needs Uniform and proper claims handling services Policy form with coverage description easy to understand 	<ul style="list-style-type: none"> To develop easy-to-understand products which reflect suggestions from customers and agents To build up framework assuring products of quality service throughout from sales to payout To make different processing more common for simplification
Agents	<ul style="list-style-type: none"> Less errors and inquiries through standardizing application process, varying among product lines, into simplified one. Higher efficiency in paper work to save time for proposal and explanation to customer 	
Sales and administration within MSI	<ul style="list-style-type: none"> Quick response to market or channel, meeting precisely its need with custom-made special rider Less burden of inquiries from agents 	
Claims Handling within MSI	<ul style="list-style-type: none"> Uniform and quick explanation and claims handling services Provide information about payout in detail 	

Domestic non-life: Sales Network and Agent Business Process Reforms

Promotion of Sales Network- and Agent Business Process- Reforms

Sales network	1) Transform agents to large-scale, incorporated ones, 2) combine or cancel and 3) open and foster to excellent ones
Agent business	<ul style="list-style-type: none"> Help top-tier agents increase customer communications by delivering "Anshin Otodoke-bin" customized mails Educate all agents to ensure their routine sales based on "basic cycle of insurance"

As of Sep 2006 56,462 agents → Goal in Mar 08 Sales network of 50,000 skilled agents



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Agents, new, cancelled and total

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
New agents	3,195	3,049	2,740	907
Cancelled agents	6,609	6,893	7,637	2,084
Total as of yearend	66,380	62,536	57,639	56,462
Annual change	-3,414	-3,844	-4,897	-1,177

*Figures for Fiscal 2006 represent those as of Sep 30, 2006, excluding agents of convenience store chains..

Large-scaled agents' weight in premium income

results as of Sep 2006	prem of general insurance lines
up to top 10%	74%
up to top 30%	91%

Progress in approach toward better quality

Agents recognized as new special class professionals

AAA	AA	AA	Total
7 agents under 5 co.s	11 agents	212 agents	230 agents

*Total number of recognized agents as of September 30, 2006

Introduction of Anshin Otodoke-bin customized mailing

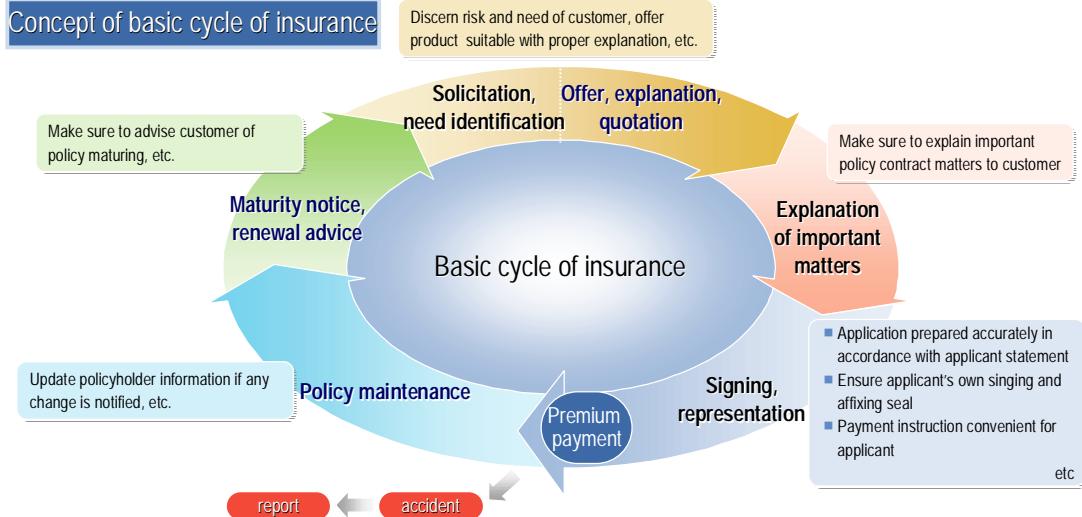
Introduced agents	Dispatches in FY2005	Dispatches in FY2006
3,243 agents	208,795 letters	77,051 letters

*as of September 30, 2006

Domestic non-life: Strengthening of agent education

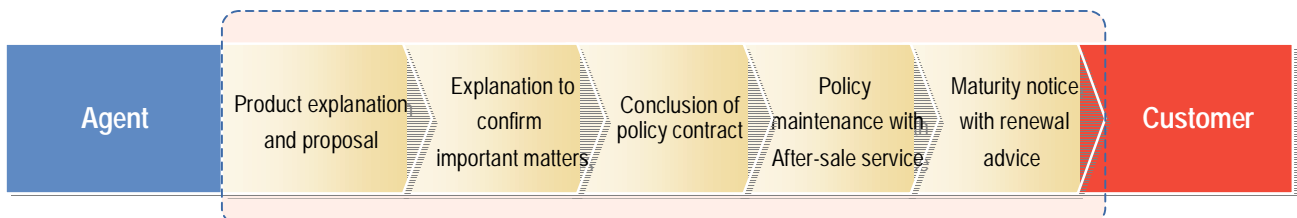
Strengthening of agent education: basic cycle of insurance at agent

Education program for all agents, which aims to ensure that a chain of essential customer services ("basic cycle of insurance") is followed by each agent, is implemented to be finished by March 2007.

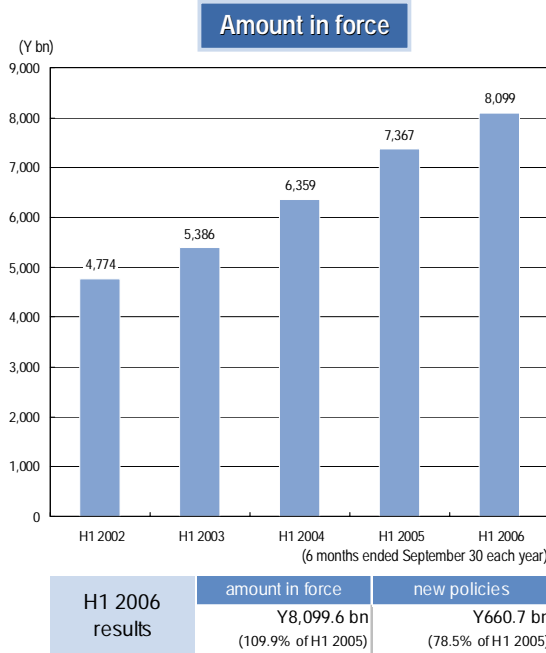


Strengthening of agent education

In order to extend "assurance, safety and satisfaction" to customers and secure trust from them, MSI advocates a chain of sales activities, named "basic cycle of insurance," for taking care of existing policyholder accounts. The cycle starts with product explanation and proposal, followed by explanation to confirm important matters, conclusion of policy contract and customer retention with after-sale service, and closes with a maturity notice. MSI recommends in the education of agents that **its agents should be sure to continuously extend service based on this cycle to a level each customer likes to be served** so that the cycle will be embedded as agent's basic sales practice.



Life insurance: Mitsui Sumitomo Kirameki Life Insurance



10th anniversary

Commemorative products launched

- April 06: general income protection
- Nov 06: new medical

Sales force increased

Business model developed based on cross-sale

- Life Playing Leaders reinforced: towards 200-member force to cover nationwide
- Recognized agents, Loyal Members increased

as of May 04	as of May 05	as of April 06	as of Oct 06
984	1,600	2,013	2,184

Steady growth of core profit

effective net income	FY 2005	H1 2006
	Y 4.5 bn	Y 3.5 bn



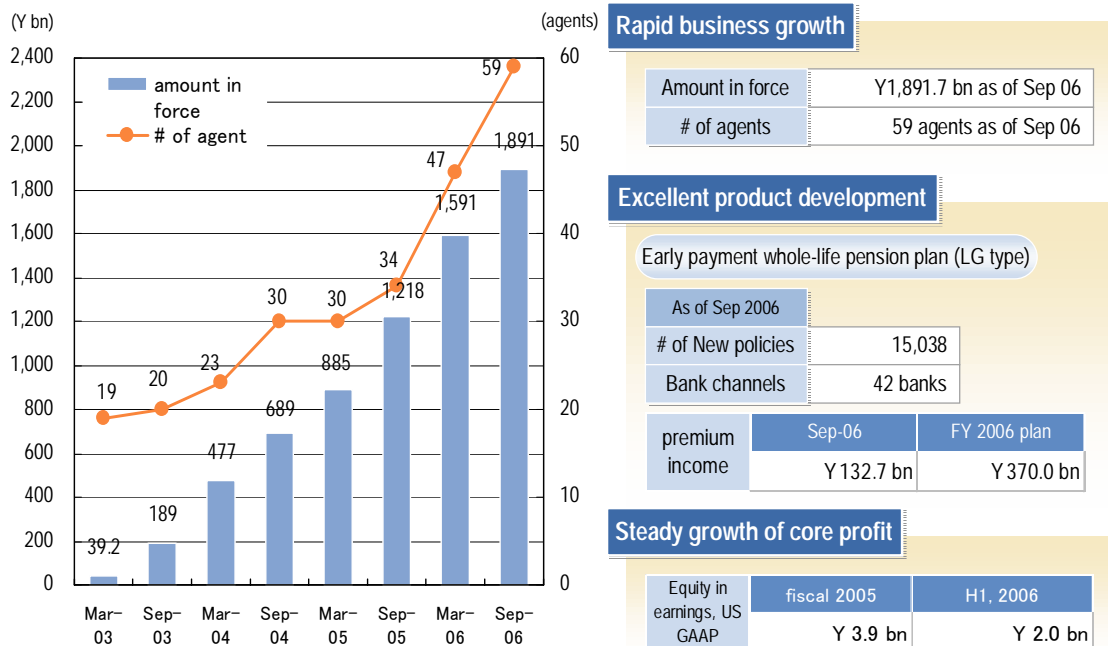
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- Amount in force broke through a Y8 tn line
- Measures to strengthen sales force
 - Strengthening Life Playing Leader system
 - Place Life Playing Leaders, who are MSI employees and exclusively engaged in life insurance sales, nationwide to guide agents.
 - Strengthening Loyal Members
 - Increase and activate Loyal Member agents which larger than a certain level in size and with higher output and proactively promoting life insurance, too.

New medical insurance (launched in November 2006)

- (1) Sufficient reimbursement covering from short hospitalization, including day hospitalization, to long hospitalization. (while a certain amount of payout is set even in case of short hospitalization, no ceiling is provided on total payout in case of hospitalization due to any of the Three Fatal Diseases.)
- (2) A new special rider for advanced medical treatment, covering patient's own costs as actual loss value. (It is the first invention among life insurer that the clause of actual loss coverage is made applicable to patient's medical expenses. Such a unique and distinctive idea as only a non-life insurer makes it available.)
- (3) Facilitates automatic lending for premium payment to prevent a policyholder from incidental cancellation
- (4) Premium rate priced less expensive than conventional policy despite its broader coverage with sufficient payout

Life insurance: Mitsui Sumitomo MetLife Insurance (1/2)

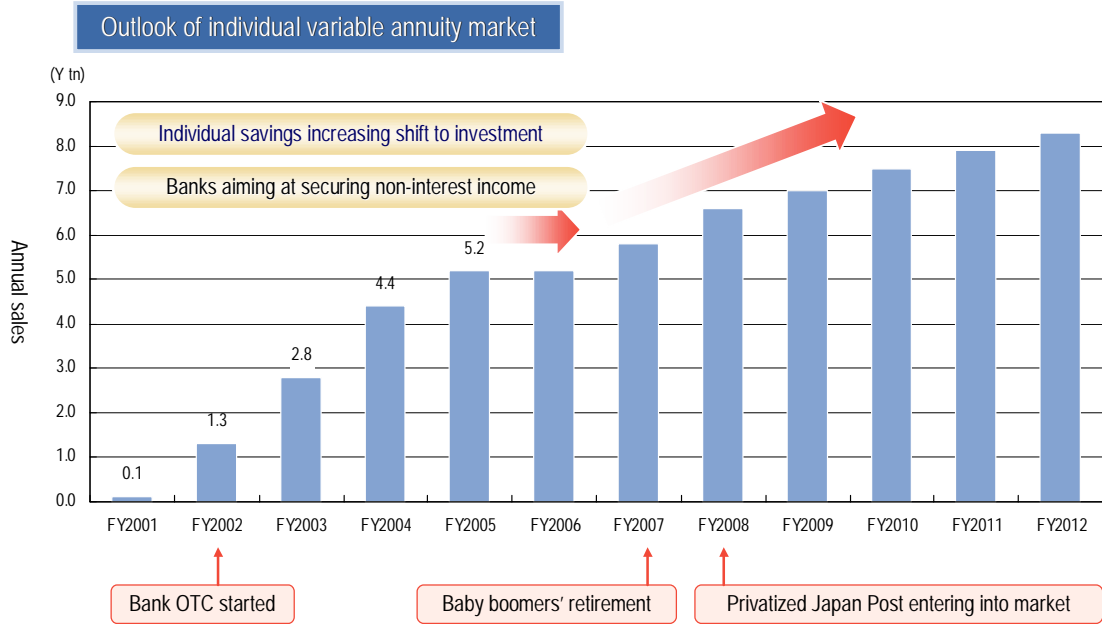


- Amount in force grew constantly to Y1,891.7 bn as of September 30, 2006
- A new product (Lifetime Guarantee type) was launched in cooperation with MetLife, Inc. from the U.S., and sold well. MS MetLife intends to increase sales through newly explored bank channels as well as existing agents.

Early payment whole-life pension plan (Lifetime Guarantee ("LG") type)

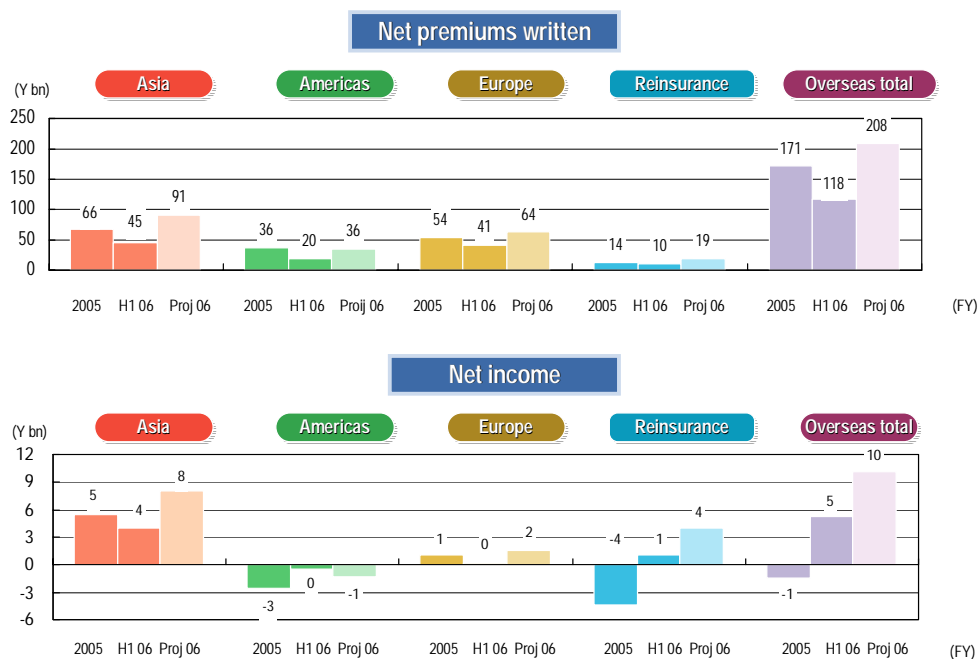
- (1) Even after annuity payment has commenced, investment continues in the segregated account.
- (2) At shortest, annuity payment commences one year after the signing date, and an amount of installment is calculated based on the savings period originated from the signing date and is paid throughout lifetime.
- (3) Every five years during the annuity payment period, installment amount is reviewed and may be increased, according to investment results.

Life insurance: Mitsui Sumitomo MetLife Insurance (2/2)



- The Bank OTC market has grown at a 40% annual rate since the bank OTC deregulation, backed by worries about the national pension funds, a ultra-aging society coming out and mounting needs of pension.
- Entering fiscal 2006, growth of the market has been slowing down due to (1) first sales campaigns prevailed, (2) salespersons annoyed with more explanation efforts required due to complicated policy scheme, also (3) with more explanation steps required pertaining to more strict legal compliance, etc.
- However, individual savings increases its flows to investment products, and the individual annuity market is deemed to continuously grow 5% or higher annually because (1) banks are now aiming to secure non-interest income, (2) the Baby Boomer generation will begin to retire in 2007, and their retirement benefits will flow in the market, (3) Japan Post will be privatized and is expected to enter in the annuity market in fiscal 2008, etc.

Overseas business (1/2): Earnings in overseas business



*Each Overseas total for Proj 06 includes HQ adjustment, consolidation adjustment pertaining to M&A transactions and others unable to allocate to specific segment.



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- In Asia, both net premiums written and net income are expected to grow, accompanied with contributions of the former Aviva operation acquired two years ago and Mingtai last year.
- Overall performance in the Americas is expected to recover steadily though earnings will continuously remain depressed because the Brazilian operation will decrease earnings while the U.S. operation is expected to return to black ink by selecting risks in the underwriting.
- The European operation is expected to remain unchanged in respect of both the LOM business and Japanese accounts.
- The reinsurance subsidiaries are expected to achieve a V-shaped recovery from fiscal 2005 when they were bitterly hit by Katrina and other hurricanes in the U.S.

Former Aviva and Mingtai

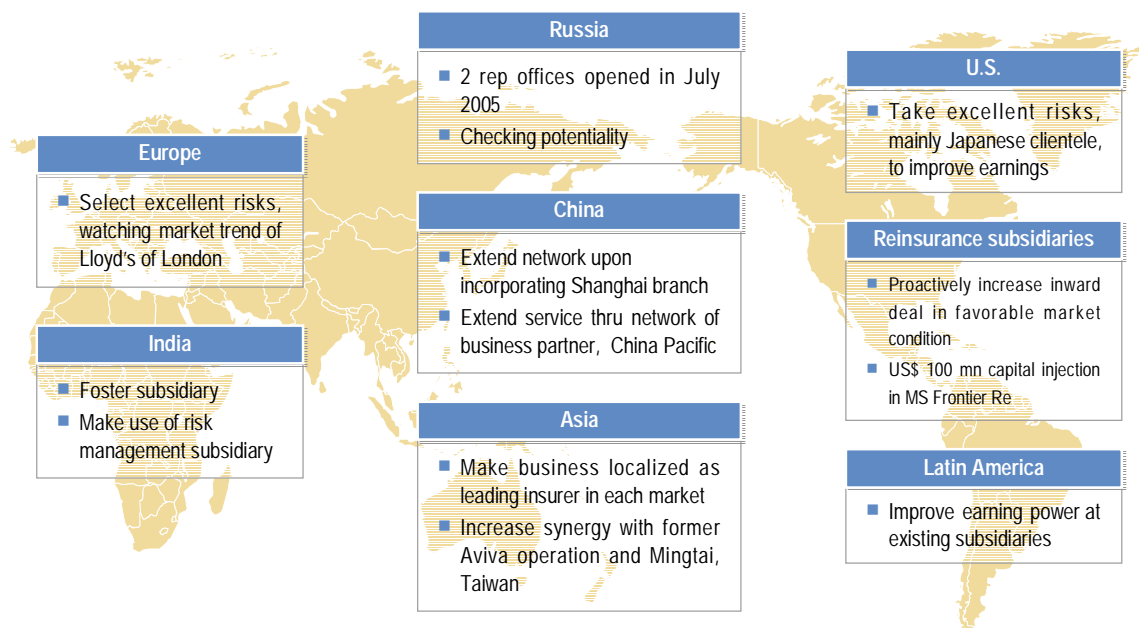
fiscal period	Former Aviva				Mingtai			
	H1 2005	FY 2005	H1 2006	FY2006 proj	H1 2005	FY2005	H1 2006	FY2006 proj
Gross premiums written	8.9	24.7	20.5	38.9	0.0	18.6	20.5	40.5
Loss ratio (*1)	43.0%	42.4%	44.4%	46.2%	0.0%	68.2%	50.4%	52.2%
Expense ratio (*1)	48.0%	46.9%	43.8%	46.5%	0.0%	43.0%	36.1%	38.6%
Pretax income	0.4	2.5	1.6	2.8	0.0	0.1	0.7	0.9
Net income (equity in earnings)	0.3	2.0	1.6	2.7	0.0	0.1	0.7	0.9
Consolidated net income (*2)	0.4	1.9	0.2	2.6	0.0	0.1	0.7	0.9

H1 2005 includes results at Aviva (Singapore) and Aviva (Hong Kong) for the period from March to June and Aviva Thailand's from January to June. Aviva (Malaysia), Aviva (Indonesia) and Mingtai have been included in consolidation since H2 2005.

(*1) Loss adjustment expense is not included in loss ratio but in expense ratio.

(*2) Consolidated net income is before amortization of consolidation adjustment.

Overseas business (2/2): Overseas business development



- To strengthen the corporate governance system at each overseas office as well as supervisory function on overseas operations in corporate governance at the head office ("HO")
- To build up a local business system able to seek earnings for itself, independently from the HO, in each tri-polar geographic segment as well as strengthen HO's supervisory function over local group performance.

Overseas investment return

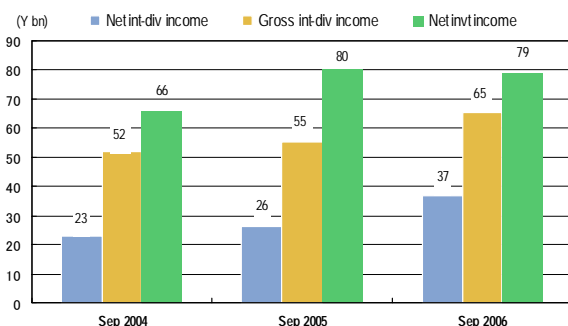
(Y bn, %)

Area	Investment	Net income FY 2006 projection	ROI (%)	Area	Investment	Net income FY 2006 projection	ROI (%)
Asean	58	5	8.9	Americas	35	-1	-3.9
E. Asia	63	3	4.6	Reinsurance	35	4	11.6
Europe	19	1	7.5	Total	220	12	5.5

<Note> Total includes Oceania, the Middle East and India, and is pre-amortization of consolidation adjustment.

Investment management (1/2): Earnings in investment management

Interest and dividend income



Note 1: Net int-div income = Gross int-div income - investment income on saving type premiums transferred

Note 2: Net invt income = Investment income - investment income on saving type premiums transferred - investment expenses

Interest and dividend income

Y 65.4 bn (+Y10.0bn vs Sep 2005)

reasons Higher dividends due to recovering corporate earnings
Higher yen value of euro bond coupons

Higher net interest and dividend income

Net investment income

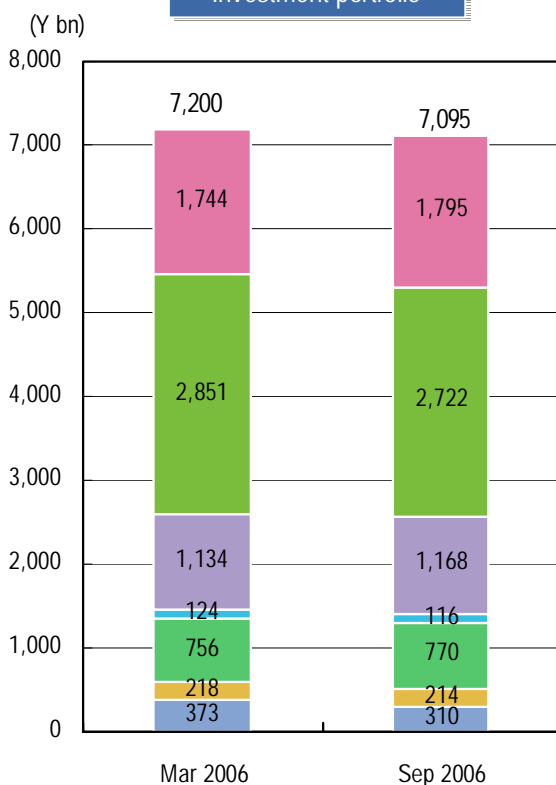
Y 79.0 bn (Y1.2 bn less than Sep 2005)

reason Lower capital gains on equities sold

Investment allocation for H1 2006

- Weight on yen denominated assets such as bonds and loans
- Partially in foreign currency bonds and alternative investment

Investment portfolio



- Others
- Real estate
- Loans
- Other sec's
- Foreign sec's
- Equities
- Bonds

Total assets

	Mar 2006	Sep 2006
Total assets	7,537	7,411
Investment	7,200	7,095
Other assets	337	316

Interest and dividend income

	Sep 2005 (6 months)	Mar 2006 (full year)	Sep 2006 (6 months)
Bonds	13	27	14
Equities	16	28	20
Foreign securities	14	41	17
Other securities	0	17	1
Loans	7	13	7
Real estate	4	7	4
Others	2	4	3

Investment management (2/2): Investment management strategy

Investment policy

Stick to ALM principles

- Match assets and liabilities in risk terms

Add more return on predictable base

- Increase net asset value

Proper risk control

- Secure necessary asset quality and retain sufficiently high solvency level

FY2006 investment guidelines

- Lowering interest risks by lengthening average life in interest bearing yen assets and with swap transactions
- Reduce Japanese equity portfolio to limit risks
- More credit risks such as of personal loans
- Increase alternative investments

ALM practices

- Take into consideration return-to-risk properties of assets and liabilities
- Use interest rate swap instruments
- New ALM system in use since FY 2005 for advanced analysis

Personal loans

- Balance risen as part of increasing credit risk investments
- Catching up corporate loans in balance and surpassed in interest income

Alternative investments

- More investment in hedge funds
- On a/c of MSI Venture Capital
 - Investment in academic ventures
 - Buyout fund facility established

Effect of macroeconomic changes

Environment change factor	Domestic non-life insurance
Higher share prices	Increase in market value of equities held +Y160 bn per 1,000-yen rise in Nikkei average
Interest rate hike	Increase of net asset value in general and segregated accounts; Increase of interest and dividend income
Yen appreciation	Decrease in yen value of assets in foreign currency Decrease in yen value of reserves in foreign currency

Personal loans, alternative investments steadily risen

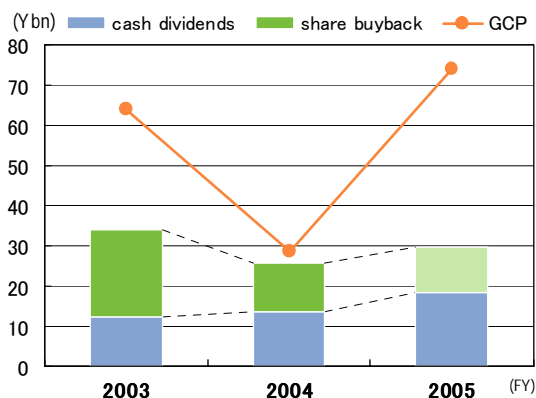
Personal loans (Y bn)			Alternative investments (Y bn)		
Mar-05	Mar-06	Sep-06	Mar-05	Mar-06	Sep-06
327	347	367	78	107	110

Average life of bonds lengthened

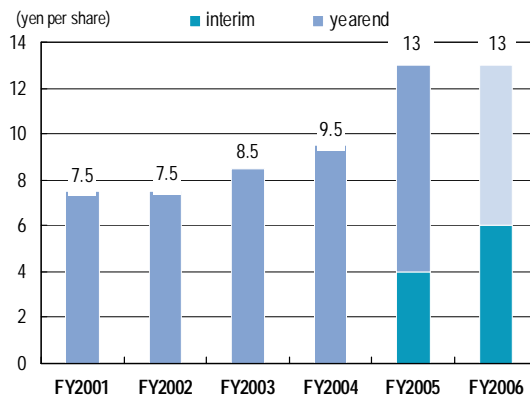
Remaining life distribution							(Y bn)
	1 year or less	Over 1 year to 3 years	Over 3 to 5 years	Over 5 to 7 years	Over 7 to 10 years	Over 10 years and unspecified	
Mar-05	245	308	402	314	332	109	
Mar-06	160	296	395	283	333	278	
Sep-06	117	316	390	350	248	374	

Capitalization policy (1/2): Guidelines of return to shareholders

Distribution to shareholders



Cash dividends



Intends to return roughly 40% of Group Core Profit by way of dividends and share buyback

Cash dividends	Basically increase
Share buyback	Decrease 10% of the # of shares outstanding as of Oct 1st 2001 by 2010, Buy flexibly, watching supply-demand condition and share price movement

- Intended distribution amount to shareholders is roughly equivalent to 40% of annual Group Core Profit ("GCP") by way of cash dividends and share buyback.
- Cash dividends are basically intended to be steadily increased.

Shares bought back

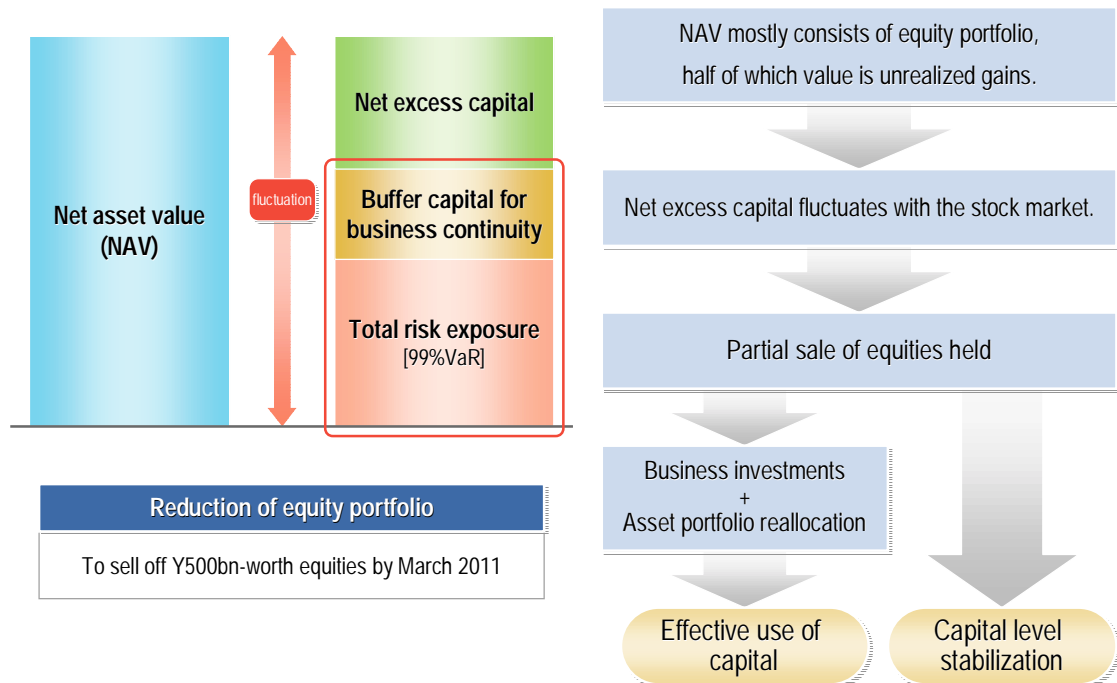
Period	# of shares (thousand shares)	amount bought (Y mn)
Mar-Dec 02	25,895	14,570
Oct-Dec 03	29,381	25,999
Aug-Oct 04	23,073	21,485
Sep 2005	10,000	11,992
Oct 2006	1,143	1,689
Total	89,492	75,737

GCP and Distribution to shareholders

(Y bn, %)	2003	2004	2005
Group Core Profit	64	29	74
Cash dividends	12	14	19
Share buyback	22	12	TBD
C. dividends + S. buyback	34	26	TBD
Distribution/GCP	53%	89%	TBD

< Note > Each fiscal year represents one which relevant Group Core Profit was reported for. Cash dividends and share buyback represent actual amounts of those relevant to said Group Core Profit.

Capitalization policy (2/2): Reduction of equities held and use of excess capital



- Net Asset Value ("NAV") is composed mostly of the equity portfolio, and the aggregate unrealized gain of the portfolio accounts for almost a half of its market value.
- Once the stock market becomes very volatile in future, both NAV and net excess capital will undergo turbulence as well.
- Continuously reduce the equity portfolio to evade this fluctuation factor and secure solid capital base

Reduction of equity portfolio

period	amount sold (Y bn)
up to fiscal 2004	84
fiscal 2005	56
Apr-Sep 2006	10
Total	150

Effect of macroeconomic changes on NAV and risk exposure

macroeconomic change		NAV	risk exposure
stock prices	rise	increase	increase
	fall	decrease	decrease
interest rates	rise	increase	decrease
	fall	decrease	increase

Mitsui Sumitomo Insurance: Financial Highlights

appendix

Non-consolidation

	FY 2005 results	H1 2006 results	FY 2006 plan	FY 2006 full year projection
Net premiums written (*1)	Y1,338.4bn	Y666.2bn	Y1,360.0bn	Y1,310.0bn
Net loss ratio	59.7%	60.4%	61.2%	64.5%
Net expense ratio	30.8%	30.6%	30.9%	31.6%
Combined ratio	90.5%	91.0%	92.1%	96.1%
Interest and dividend income	Y79.1bn	Y37.0bn	Y75.0bn	Y85.2bn
Net income	Y64.8bn	Y33.8bn	Y70.0bn	Y55.0bn

Consolidation targets

Consolidated net premiums written	Y1,469.7bn	Y762.7bn	Y1,518.0bn	Y1,476.0bn
Group Core Profit ("GCP")	Y73.9bn	Y38.4bn	Y80.5bn	Y61.7bn
ROE (on a GCP basis)	4.2%	-	3.9%	3.0%

Core Profit by business

Domestic non-life insurance	Y64.2bn	Y26.9bn	Y58.2bn	Y40.9bn
Overseas business	-Y1.4bn	Y5.2bn	Y11.0bn	Y10.2bn
Life insurance (*2)	Y8.5bn	Y5.5bn	Y9.5bn	Y9.0bn
Financial services	Y2.6bn	Y0.8bn	Y1.7bn	Y1.6bn
Risk-related business	Y0.0bn	Y0.0bn	Y0.1bn	Y0.0bn
Total	Y73.9bn	Y38.4bn	Y80.5bn	Y61.7bn

*1. "Net premiums written" exclude those of *Modorich* but include the effect caused by the abolished governmental reinsurance of the compulsory automobile liability insurance ("CALI").

*2. The figure in respect of "Life insurance" represents a sum of MSI Kirameki's net income before NLP reserves and MS MeLife's equity in earnings by the US GAAP.



*Outline of the interim settlement and
result forecast for FY2006*

March, 2007

Mitsui Sumitomo Insurance Co.,Ltd.

Net Premiums Written and Net Income (2006 INTERIM)

Net Premiums Written (excluding refund premiums of "Modo-rich") (bil yen)

	2005 interim	2006 interim		
			change (Am't)	change (%)
Consolidated basis	738.5	762.7	24.1	3.3%
MSI only	674.2	666.2	-8.0	-1.2%
Subsidiaries	64.3	96.4	32.1	50.0%

Net Income (bil yen)

	2005 interim	2006 interim		
			change (Am't)	
Consolidated basis	33.6	34.7	1.1	
MSI only	34.9	33.8	-1.0	
Subsidiaries	1.4	4.9	3.4	
Domestic Life business	-1.2	-1.4	-0.1	
Overseas Non-life business	2.3	6.1	3.7	
Financial service business	0.3	0.2	-0.1	
Consolidation adjustment	-2.7	-3.9	-1.2	



※Profit amounts of subsidiaries are computed based on our share.

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- Consolidated net premiums written increased Y24.1 bn., or a 3.3% growth, from a year before to Y762.7 bn.
- Non-consolidated net premiums written decreased Y8.0 bn., or a 1.2% fall, due to top priority given to tasks in the Business Improvement Plan.
- In respect of the subsidiaries, the aggregate net premiums written increased Y32.1 bn., or a 50.0% growth, mainly due to contributions of the operation, which we acquired from Aviva plc. from the U.K., and Mingtai Fire & Marine Insurance Co., Ltd.
- Other than the former Aviva units and Mingtai, consolidated net premiums written increased 0.9% while those of the subsidiaries 24.9% in total.
- Consolidated net income was Y34.7 bn. for the interim, Y1.1 bn. higher than a year before.
- Non-consolidated net income decreased by Y1.0 bn. from a year before, due to increased incurred losses caused by natural disasters, etc.
- Net income of the subsidiaries increased Y3.4 bn. in total from a year before, due to the Asian and reinsurance subsidiaries performing well.
- Consolidation adjustments booked pertaining to the acquisitions of the units from Aviva and Mingtai were amortized Y0.1 bn. and Y0.9 bn. for H1 2005 and H1 2006, respectively.

Outline of 2006 interim (MSI only)

Key figures (excluding “Modo-rich” funds)

(bil yen)

	2005 interim	2006 interim	
			change
Net premiums written	674.2	666.2	-8.0
Increase ratio	2.5%	-1.2%	
Net loss ratio	57.6%	60.4%	2.8
Net operating expense ratio	30.5%	30.6%	0.1
Combined ratio	88.1%	91.0%	2.9
Underwriting profit	20.4	3.8	-16.5
Net interest and dividend income	26.6	37.0	10.3
Net sales gain on securities	31.1	11.1	-20.0
Devaluation loss on securities	7.7	2.1	-5.5
Ordinary profit	71.1	49.0	-22.0
Extraordinary income / losses	-20.7	-2.0	18.6
Net income	34.9	33.8	-1.0



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- Annual growth rate of non-consolidated net premiums written was minus 1.2% due to declines in all insurance lines except marine and personal accident lines.
- Net loss ratio rose by 2.8 percentage points from a year before due to decreased premium income in addition to increased payout mainly in the automobile and compulsory automobile liability insurance lines (consisting of a 2.1 percentage point hike by increased payout and a 0.7 percentage point rise by decreased premium revenues).
- Net expense ratio rose by 0.1 percentage points from a year before. Although commissions ratio dropped by 0.2 percentage points, underwriting expense ratio grew by 0.3 percentage points partially due to increased premium revenues.
- Combined ratio increased by 2.9 percentage points from a year before to 91.0%.
- Underwriting profit fell Y16.5 bn. from a year before mainly due to incurred losses increased by natural disasters, etc.
- Net interest and dividend income rose Y10.3 bn. with contribution of higher dividends received from Japanese and foreign equities held.
- Net sales gain on securities was Y20.0bn lower than a year before while the reduction plan was duly implemented. In the background, the amount of equities sold in the ended interim was less than that of H1 2005 because the amount of equities planned to sell for fiscal 2006 (Y35.0 bn.) is less than the results of fiscal 2005 (Y55.6 bn.).
- Devaluation loss on securities was Y5.5 bn. lower than a year before.
- As a result, ordinary profit fell Y22.0 bn. from a year before to Y49.0 bn.
- Extraordinary loss decreased Y18.6 bn. from a year before to Y2.0 bn. as stated below. Net income amounted to Y33.8 bn., only Y1.0 bn. less than a year before.

Extraordinary items

(Y bn.)

	H1 2005	H1 2006	Change
	Gain on real estate sold	-0.9	0.2
Impairment loss	0.0	-0.4	-0.3
Provision for catastrophe loss	-23.4	—	23.4
Transition to defined contribution	3.4	—	-3.4
Business suspension expenses	—	-2.1	-2.1
Provision for price fluctuation	-1.4	-1.4	0.0
Extraordinarily income / losses	-20.7	-2.0	18.6

Increase ratio, Loss ratio, Expense ratio (MSI only)

Increase ratio and loss ratio

	Net premiums written			Net loss ratio	
		Change (Am't)	Change (%)		Change
Fire	85.1	-4.8	-5.4%	43.2%	-1.8pt
Marine	34.2	2.1	6.6%	44.9%	0.9pt
Personal accident	71.8	0.3	0.5%	44.1%	5.4pt
Voluntary Auto	282.7	-3.6	-1.3%	67.8%	3.0pt
CALI	97.4	-0.5	-0.6%	75.6%	5.1pt
Others	94.7	-1.4	-1.6%	56.1%	2.7pt
Total	666.2	-8.0	-1.2%	60.4%	2.8pt

(bil yen)

Expenses and expense ratio

	Expenses		Net operating expense ratio	
		Change		Change
Commissions	107.8	-2.4	16.2%	-0.2pt
Other expenses	95.9	0.9	14.4%	0.3pt
Personnel	53.0	1.5	8.0%	0.4pt
Non-personnel	36.6	-0.2	5.5%	0.0pt
Tax and contribution	6.2	-0.3	0.9%	-0.1pt
Total expenses	203.7	-1.5	30.6%	0.1pt

(bil yen)



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- Net premiums written
 - Marine: sea freights increased due to brisk trade together with contributions from new accounts
 - Personal accident: sustained by premium installments of *ViV Shushin* whole-life policies signed in prior years
 - CALI (compulsory automobile): subsidy cut for premiums
 - Other lines: insufficient routine sales activity, not only affected by the business suspension, but involving the entire organization in the remedy for legal compliance enhancement and those in the Business Improvement Plan as top priority for the Jul-Sep quarter

- Net loss ratio
 - Fire: improved due to smaller payout for prior years' natural disaster claims
 - Personal accident: losses risen in proportion to premiums increased for the prior years, with more accidents reported pertaining to prior year's new policies during the ended interim
 - Automobile: both payout per claim and the number of claims increased, particularly cases of Y10 mn. or more per claim increased

- Expenses
 - While personnel expenses rose, non-personnel was curtailed, and as a result, underwriting expenses were Y0.9 bn. higher than a year before. Expense ratio rose by 0.1 percentage points from a year before.

Incurring losses (MSI only)

Incurring losses (excluding loss adjustment expenses)

	2005 interim		2006 interim		change
Incurring losses	363.7		407.0		43.2
Natural disaster	9.0		17.3		8.2
IBNR	0.9		11.9		11.0
Others	353.7		377.7		24.0
(Auto)	(168.9)		(181.8)		(12.9)

(bil yen)

Details of Natural Disaster (excluding snow damage)

	2005			2006		
	Net paid losses	Loss reserves	Total	Net paid losses	Loss reserves	Total
Fire	1.4	5.8	7.3	0.8	14.6	15.5
Marine	0.0	0.0	0.0	0.0	0.0	0.0
Voluntary Auto	0.7	0.5	1.2	0.4	0.9	1.3
Others	0.0	0.4	0.4	0.0	0.3	0.3
Total	2.2	6.8	9.0	1.3	15.9	17.3

(bil yen)

- Incurring losses partly helped u/w profit drop by a ¥43.2 bn. increase from a year before.
- Natural disaster losses increased ¥8.2 bn. from a year before, including a heavy damages by Typhoon # 13. Net payouts, inclusive of those for natural disaster claims in prior years, as follows:
 - Fiscal 2005: ¥10.6 bn. (fire 8.4, marine 0.2, auto 0.6 and others 1.2)
 - Fiscal 2006: ¥0.3 bn. (fire 2.1, marine 0.0, auto 0.4 and others 0.4)
- Provision for IBNR reserves increased ¥11.0 bn. from a year before partly because several items additionally became applicable to for statistical IBNR recognition under the new accounting principles.
 - < items subject to statistical IBNR >
 - since fiscal 2005: automobile, damage liability
 - since fiscal 2006: personal accident, workers' compensation, pecuniary loss, etc
 - < case reserves by insurance line >

	31-Mar-06			30-Sep-06		
	ordinary	IBNR	total	ordinary	IBNR	total
Fire	38.6	11.9	50.5	48.1	14.7	62.8
Marine	17.7	8.3	26.1	21.4	9.6	31.0
Personal acc	23.9	13.1	37.1	24.1	16.1	40.3
Automobile	214.0	26.5	240.5	223.3	30.5	253.8
CALI	49.2	—	49.2	47.7	—	47.7
Others	84.3	53.5	137.9	83.2	57.2	140.5
Total	428.0	113.5	541.5	448.0	128.3	576.4

(Y bn.)

- Incurring losses of the automobile line increased ¥12.9 bn., excluding IBNR, from a year before, mostly because the planned countermeasures for agents with high loss ratio were delayed, being left aside by companywide efforts in improving legal compliance and operation practices, as well as for increased accidents reports, mainly first party injury accidents.

Interest income and dividend income (MSI only)

Outline of income

(bil yen)

	2005 interim	2006 interim	change
Gross income	55.3	65.4	10.0
Investment income on deposits by policyholders, etc	-28.7	-28.4	0.3
Net income	26.6	37.0	10.3

Sources of gross income

(bil yen)

	2005 interim	2006 interim	change
Bonds	12.8	14.2	1.3
Stock shares	15.9	20.4	4.4
Foreign securities	14.1	16.9	2.8
Other securities	0.4	0.9	0.5
Loans	6.5	6.5	0.0
Real estates	3.5	3.5	0.0
Others	1.8	2.8	0.9
Total	55.3	65.4	10.0

- Gross interest and dividend income sharply increased Y10.0 bn. from a year before, mainly from equities (+Y4.4 bn.) and foreign securities (+Y2.8 bn.) .

Outline of 2006 interim (Overseas Subsidiaries)

Net premiums written

(bil yen)

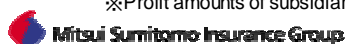
	2005 interim	2006 interim	
		change (Am't)	change (%)
Subsidiaries Total	64.3	96.4	32.1 50.0%
Asia	14.0	33.1	19.1 136.2%
(Excluding AVIVA, Mingtai)	(6.9)	(8.1)	(1.2) (17.6%)
Europe	27.7	36.4	8.6 31.4%
The Americas	15.0	16.8	1.7 11.9%
Reinsurance	7.4	10.0	2.5 34.2%

Net income

(bil yen)

	2005 interim	2006 interim	
		change	
Subsidiaries Total	2.3	6.1	3.7
Asia	2.1	4.0	1.9
(Excluding AVIVA, Mingtai)	(1.7)	(1.8)	(0.0)
Europe	0.2	0.4	0.1
The Americas	-0.1	-0.3	-0.2
Reinsurance	0.1	1.9	1.8

※Profit amounts of subsidiaries are computed based on our share.



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- Aggregate net premiums written of the subsidiaries increased Y32.1 bn., or 50.0% rise, from a year before.
- Every overseas operation, in the regions of Asia, Europe and the Americas and of the reinsurance business, increased revenues.
- The Asian operation reported a 136.2% increase in revenues with large additional contributions from some affiliates acquired from Aviva and Mingtai, whose earnings had not been included a year before.
- Excluding the said addition, the Asian operation earned 17.6% more than a year before, performing solidly.
- Two reinsurance subsidiaries also increased net premiums written 34.2%, running smoothly again.
- Aggregate net income of the subsidiaries for the ended interim increased Y3.7 bn. from a year before mainly due to inclusion of the ex-Aviva affiliates and Mingtai in consolidation and recovery at the reinsurance subsidiaries.

Outline of 2006 interim (Life-Insurance business)

Mitsui Sumitomo Kirameki Life

(bil yen)

	2005 interim	2006 interim	change (%)
Amount of new business	841.6	660.7	-21.5%
Amount in force	7,367.0	8,099.6	9.9%
Premiums	95.3	106.3	11.5%
Net income	0.04	0.00	- 0.03
Net income (Pro forma)*	2.1	3.5	1.4

*excluding the burden of standard underwriting reserves

Mitsui Sumitomo MetLife

(bil yen)

	2005 interim	2006 interim	change (%)
Amount of new business	229.7	301.9	31.4%
Amount in force	1,218.3	1,891.7	55.3%
Premiums	262.2	319.2	21.7%
Net income (our share)	- 2.6	- 2.9	- 0.3
Net income (our share, US base)*	1.6	2.0	0.4

*Base profit for our Group Core profit



Mitsui Sumitomo Insurance Group

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- Mitsui Sumitomo Kirameki Life Insurance Company, Limited
 - New policy amount decreased 21.5% because MSI, whose sales distribution Kimameki mostly depends on, was forced to slow down sales promotion.
 - Amount in force steadily grew 9.9% from a year before.
 - Premiums written rose 11.5% based on increased amount in force.
 - Net income was Y3 mn. after provision for standard underwriting reserves with intention to meet the requirement level as early as possible.
 - Proforma net income, or income before provision for standard underwriting reserves, increased by Y1.4 bn. from Y2.1 bn. a year before to Y3.5 bn.
- Mitsui Sumitomo MetLife Co., Ltd.
 - New policy amount increased 31.4% from a year before on its uptrend.
 - Amount in force rose 55.3% from a year before.
 - Reported net loss of Y2.9 bn. for the ended interim, or MSI's earnings in equity of MS MetLife, because selling commissions were expensed in advance due to increased new policies.
 - Net income by the U.S. GAAP, which is used in the Group Core Profit calculation, increased constantly by Y0.4 bn. from a year before to Y2.0 bn. for the ended interim. A selling commission paid is deferred and amortized for the period of the relevant policy contract by the U.S. GAAP.

Results Forecast for FY2006<Consolidated>

Key Financial Data

	2005	2006(Est.)	
		Change	Increase Rate
Net Premiums Written	1,469.7	1,476.0	6.2 0.4%
MSI only	1,338.4	1,310.0	-28.4 -2.1%
Subsidiaries	131.2	166.0	34.7 26.5%
Ordinary Income	127.7	92.0	-35.7
Net Income	71.6	57.5	-14.2
Consolidated / Non-consolidated ratio	1.11	1.05	

Consolidated subsidiaries segment information

Overseas net premiums written

	2005	2006(Est.)	
		Change	
Asia	42.9	62.7	19.8
Europe	45.5	55.0	9.5
The Americas	27.9	29.0	1.1
Reinsurance	14.8	19.3	4.4
Total Overseas subsidiaries	131.2	166.0	34.7

Net income for subsidiaries

	2005	2006(Est.)	
		Change	
Asia	5.2	6.2	0.9
Europe	2.7	2.5	-0.3
The Americas	-1.3	-2.0	-0.7
Reinsurance	-4.3	4.0	8.4
Total Overseas subsidiaries	2.3	10.7	8.4
Life Insurance Companies	-2.4	-3.6	-1.1
Financial Services	0.8	0.5	-0.4

(Our share)



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- Consolidated net premiums written are forecast to increase 0.4% from a year before to Y1,476.0 bn.
- Non-consolidated net premiums written are forecast to fall 2.1% to Y1,310.0 bn.
- Aggregate net premiums written of the subsidiaries are forecast to surge 26.5% to Y166.0 bn. mainly due of the Asian operation expanding its business.
- Consolidated net income is forecast to drop by Y14.2 bn. to Y57.5 bn. due to earnings slowing down at MSI.
- Net premiums written of the overseas business
 - The Asian operation forecasts a Y20.0 bn. increase with full year earnings at the ex-Aviva units and Mingtai which will be newly consolidated.
 - The European operation forecasts a Y9 bn. or more increase due to firm business in the Lloyd's of London market.
 - The reinsurance subsidiaries forecast a Y4.4 bn. increase in total by increasing underwriting deals and due to higher reinsurance rates.
- Aggregate net income of the subsidiaries (and affiliates on a equity basis)

Asia	Forecasts Y6.2 bn., with ex-Aviva units and Mingtai to be newly included.
Europe	Forecast Y2.5 bn., almost same as a year earlier.
Americas	Forecast a Y2.0 bn. loss due to earnings falling at the Brazilian subsidiary.
Reinsurance	Forecast a Y4.0 bn. with no large-scale hurricane and other natural disasters.
Life insurance	Forecast a Y3.6 bn. loss due to heavy initial costs to be reported under the Japanese GAAP, in spite of the uptrend continuing at MS MetLife, as well as provision for standard underwriting reserves to be made at Kirameki.
Financial and risks-related	Forecast Y0.5 bn. in sum of those from MSI Asset Management and MSI Venture Capital.

Results forecast for FY 2006<non-consolidated>

Key Financial Data

(bil yen)

	2005	2006(Est.)	
			Change
Net Premiums Written	1,338.4	1,310.0	-28.4
Increase rate	2.2%	-2.1%	-4.3pt
Net loss ratio	59.7%	64.5%	4.8pt
Net operating expense ratio	30.8%	31.6%	0.8pt
Combined ratio	90.5%	96.1%	5.6pt
Underwriting profit	5.3	-17.0	-22.3
Net interest and dividend income	79.1	85.2	6.0
Income yield	2.70%	2.75%	0.05pt
Realized gain (net)	45.0	27.5	-17.6
Devaluation loss	10.1	2.5	-7.7
Ordinary profit	115.4	85.0	-30.5
Extraordinary income / losses	-22.6	-7.9	14.8
Net income	64.8	55.0	-9.8

Assumptions of forecast

	Fiscal 2005	Assumption
Forex (JPY/USD)	Y117.47	Y115.00
Yield (10yr-JGB)	1.43%	1.75%
Stock (Nikkei avg)	Y17,060	Y16,500

*Forex rates and stock prices : closings as of Mar 31, 2005 and assumptions as of Sep 30, 2006

*Yield : actual average long-term interest rate for fiscal 2005 and assumed one for H2 2006

- Net premiums written are forecast to fall 2.1%, or Y28.4 bn. from a year earlier due to the effects of the administrative dispositions and tasks in the business improvement plan as top priority.
- Net loss ratio is expected to rise by 4.8 percentage points from a year earlier to 64.5% due to increasing provision for reserves on the prior years' claims and decreasing premium income.
- Net ratio of loss, excluding natural disasters, is forecast to rise by 5.0 percentage points from a year earlier to 63.0%.
- Net operating expense ratio is expected to increase by 0.8 percentage points from a year earlier to 31.6% due to decreasing premium income in addition to Y13.9 bn. to be expensed for the corporate quality improvement efforts.
* Refer to page 13 for net operating expense ratio
- Underwriting profit is forecast to drop by Y22.3 bn. from a year earlier to a loss of Y17.0 bn. due to increasing incurred losses of the automobile and other lines and higher non-personal expenses.
- Net interest and dividend income is forecast to increase by Y6.0bn from a year earlier to Y85.2 bn. mainly due to more dividends received from the equities held.
- Ordinary profit is forecast to fall by Y30.5 bn. from a year earlier to Y85.0 bn. due to decreasing underwriting profit and less gain on sale of equities held for customer relationship purpose despite more net interest and dividend income.
- Net income is forecast to drop by Y9.8 bn. from a year earlier to Y55.0 bn., including extraordinary loss decreasing due to lack of such additional provision for catastrophe loss reserves of the fire line as made in the previous year.

Result forecast for FY 2006

◆ Major lines of property and casualty insurance

Net Premiums Written

	2005	2006(Est.)	
		2006(Est.)	Change
Fire	183.1	177.4	-3.2%
Marine	66.0	68.8	4.1%
Personal accident	138.7	131.8	-5.0%
Voluntary Automobile	570.6	559.7	-1.9%
CALI	193.4	191.9	-0.8%
Others	186.3	180.5	-3.2%
Total	1,338.4	1,310.0	-2.1%
Total except CALI	1,145.0	1,118.1	-2.4%

- Decrease in all lines except Marine

Net loss Ratio

	2005	2006(Est.)	
		2006(Est.)	Change
Fire	44.4%	50.4%	6.0pt
Marine	48.4%	45.8%	-2.6pt
Personal accident	42.1%	51.0%	8.9pt
Voluntary Automobile	67.2%	70.6%	3.4pt
CALI	73.3%	77.3%	4.0pt
Others	54.5%	62.7%	8.2pt
Total	59.7%	64.5%	4.8pt
Total except CALI	57.3%	62.3%	5.0pt

- Rose by 4.8pt, due to the payment for the claims which was provided for outstanding claims past year, increase of the number of claims, and decrease of premiums
- Rose by 3.4pt in Voluntary Automobile

- Net premiums written are forecast to fall in all lines except the marine one. Particularly, the personal accident line is expected to decrease 5.0% from a year earlier, affected by the suspension of underwriting new medical policies
- Excluding the compulsory automobile liability insurance ("CALI")

Net premiums written	Y1,118.1 bn. (down Y27.0 bn. from H1 2005)
Net loss ratio	62.3% (up 5.0pt from H1 2005)

- Net loss ratio (excluding natural disasters)

		Annual change
Fire	40.3%	+4.9pt
Marine:	45.8%	-1.2pt
Personal accident	51.0%	+8.9pt
Automobile	70.3%	+3.3pt
CALI	77.3%	+4.0pt
Others	62.5%	+9.7pt
Total	63.0%	+5.0pt

- Natural disaster losses are expected Y20.0 bn. on a paid basis, consisting of the followings:

Fire: Y17.9 bn. Automobile: Y1.7 bn. Others: Y0.4 bn.

Result forecast for summary of incurred losses

Incurred Losses

(bil yen)

	2005	2006 (Est.)	
			Change
Incurred losses	787.2	807.8	20.5
Natural Disaster	12.0	20.0	8.0
IBNR	25.1	12.6	-12.6
Others	750.0	775.1	25.1
(Motor)	(357.1)	(371.3)	(14.1)

* Incurred losses = Net claims paid + Provision for outstanding claims including IBNR

* Excluding Loss adjustment expenses

■ Incurred losses are forecast to rise by ¥20.5 bn. from a year earlier to ¥807.8 bn. Excluding CALI policies, they will increase by ¥12.5 bn. from a year earlier to ¥668.6 bn.

■ Natural disaster losses

Forecast ¥20.0 bn. as incurred during fiscal 2006, consisting of the followings:

Fire: ¥17.9 bn. Automobile: ¥1.7 bn. Others: ¥0.4 bn. in this forecast.

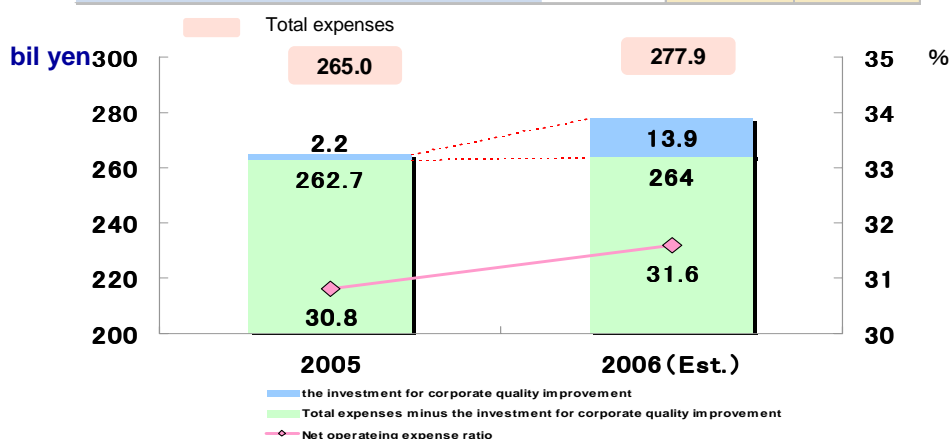
■ IBNR reserves

Despite the additional items subject to IBNR reserves entailed by the introduction of statistical IBNR estimation, we already adopted the IBNR reserve estimation for the automobile and damage liability lines in the previous year, and therefore this provision is forecast to decrease by ¥12.6 bn. from a year earlier to ¥12.6 bn for fiscal 2006.

■ Excluding natural disaster losses and IBNR reserve provision, incurred losses are forecast to increase by ¥25.1bn. from a year earlier to ¥775.1 bn. This forecast includes incurred losses of ¥371.3 bn. in the automobile line, ¥14.1 bn. higher than a year earlier, factoring more accidents in it.

Result forecast for FY 2006 ◆ Net operating expense ratio

	2005	2006(Est.)	
			Change
①Total expenses	265.0	277.9	13.0
②the investment for corporate quality improvement	2.2	13.9	11.7
①minus②	262.7	264.0	1.3
Net operating expense ratio	30.8%	31.6%	0.8pt
Net operating expense ratio (excluding the investment for corporate quality improvement)	30.7%	30.8%	0.1pt



- Total operating expenses are expected to increase by ¥13.0 bn. from a year earlier to ¥277.9 bn., factoring investment of management resources in the corporate quality improvement tasks in it.
- Breakdown of the investment for the corporate quality improvement as follows:
 Personnel expenses: ¥3.0 bn.
 Non-personnel expenses incl. depreciation: ¥10.9 bn. (incl. ¥7.0 bn. for system-related expenses)
- Operating expense ratio is forecast to rise by 0.8 percentage points to 31.6%.
- Breakdown of net operating expense ratio

Net commission ratio	16.1% (-0.2pt vs. H1 05)
U/W expense ratio	15.4% (+1.0pt vs. H1 05)

Consisting of
 +0.3pt due to less premium income
 +0.7pt due to more operating expenses

- Excluding CALI policies
 - Net operating expense ratio 34.0% (up 0.3pt from H1 2005)
 - Combined ratio 96.3% (up 5.9pt from H1 2005)
- Operating expense ratio is forecast to rise by 0.1 percentage points from a year earlier, excluding the investment for the corporate quality improvement.
 - Fiscal 2005 results 30.7%
 - Fiscal 2006 forecast 30.8% (up 0.1pt from H1 2005)

FY2006 ◆ Influence of administrative measures

	FY2006 Interim result	FY2006 Result Forecast
Non-consolidated		
Net premium written	Estimated -Y17 bn	Estimated -Y50 bn
Underwriting Profit (excluding expense for corporate quality)	Small influence	Estimated -Y3 bn
Direct cost influence	Extraordinary Losses 2.1 bn	Extraordinary Losses 2.6 bn
Consolidated		
Life insurance	(Kirameki Life) Reduced new policy small influence for profit	(Kirameki Life) Reduced new policy small influence for profit
Overseas subsidiary	No influence	No influence

< MSI only >

■ Net premiums written

While it is difficult to tell exactly how much the impact of the administrative dispositions costs, our estimation is roughly Y17.0 bn., including the negative effects of compliance enhancement efforts, for the ended interim and Y50.0 bn. for fiscal 2006 (by the definition that a variance of this forecast from the pre-year one is the impact because there was (and will likely be) no significant change in the economic environment).

■ Underwriting profit (excluding the impact on operating expenses)

The negative impact on it is deemed negligible due to lower net premiums written which also resulted in less selling commissions, insurance payouts and policy reserve provision for the ended interim.

It is estimated Y3.0 bn. for fiscal 2006.

■ Increase in expenses

- Direct costs: Unusual costs pertaining to the business suspension such as expenses for apologies sent to customers by mail were booked to extraordinary loss account. (Y2.1 bn. paid for the ended interim and Y2.6 bn. estimated for fiscal 2006)
- Indirect costs: About Y5.0 bn. is planned to be invested for the corporate quality improvement in addition to the pre-year plan.

< Group companies >

■ MS Kirameki Life, life insurance subsidiary

New policy amount fell sharply due to the administrative dispositions given to MSI. However, the negative impact on net income for fiscal 2006 is deemed negligible.

■ Overseas subsidiaries

They are not affected almost at all.