

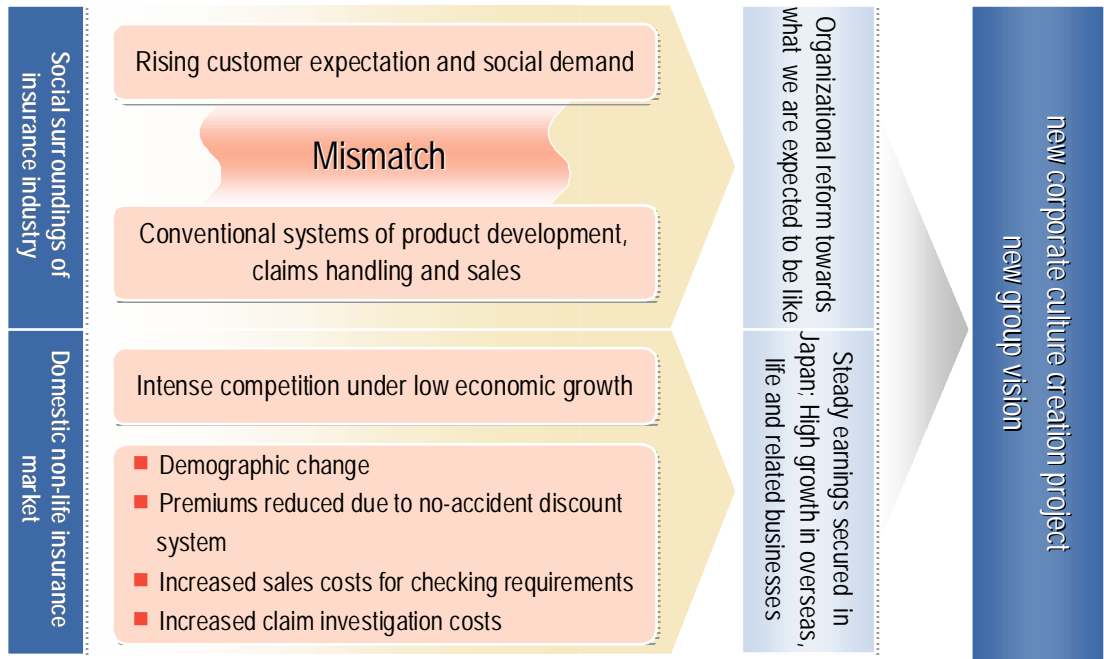


# Operation Overview and Strategy Summary

December 2006

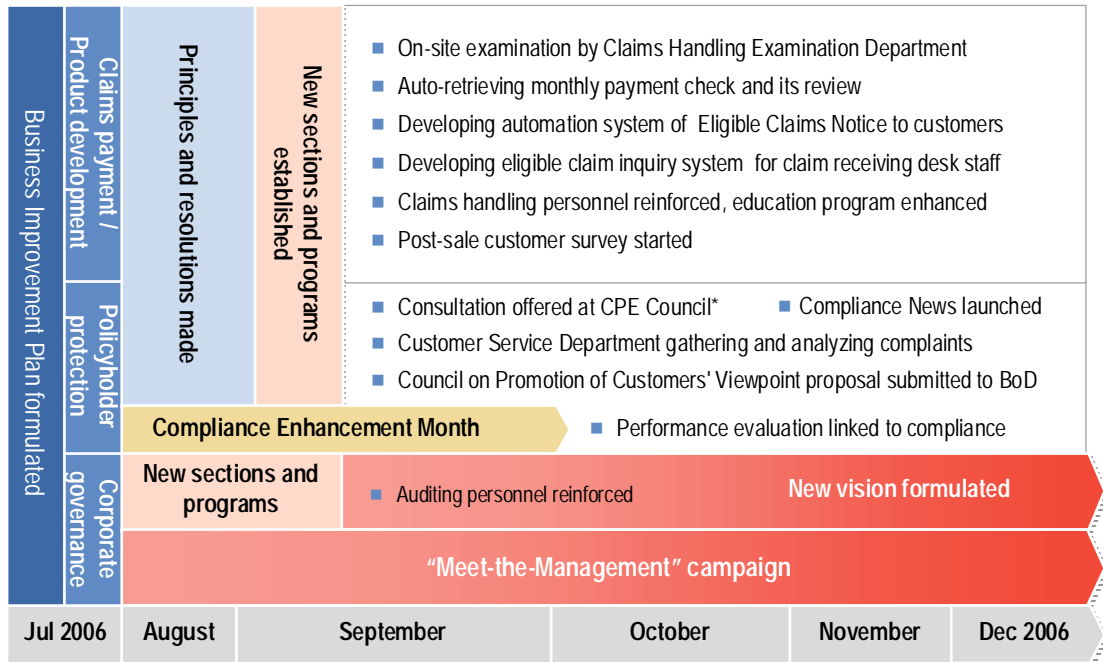
Mitsui Sumitomo Insurance Co.,Ltd.

# Non-life insurance market and environment in Japan



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

# Business Improvement Plan in Progress



\*Claims Payment Examination Council



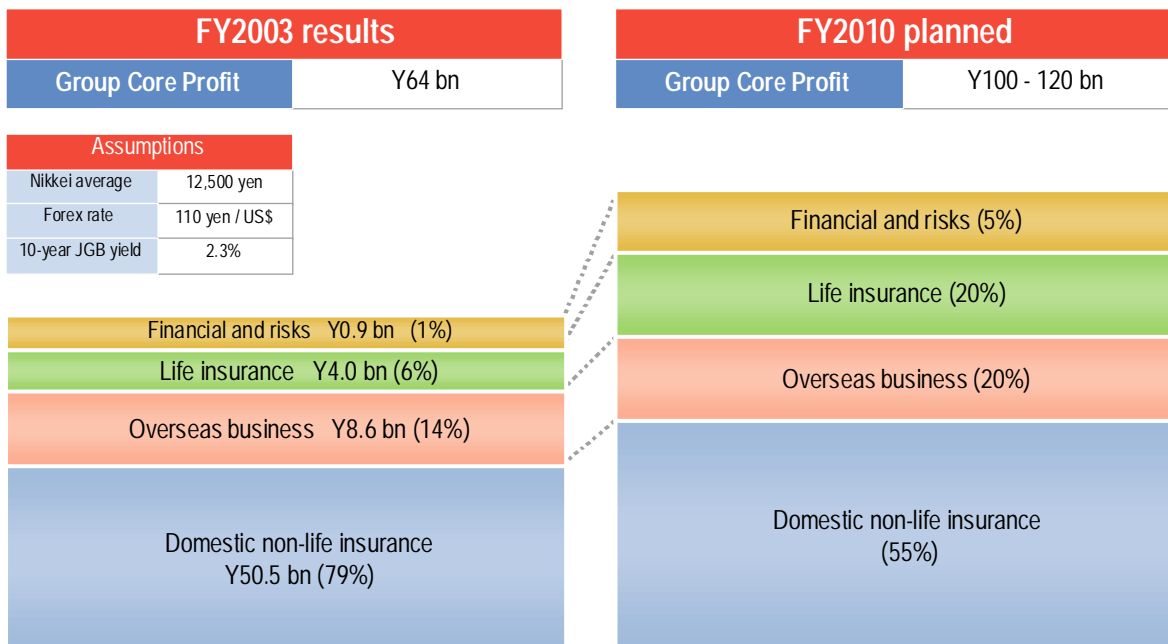
Appropriate claims handling	Claims payment administration	Principles	Principles on Upgrading Claims Handling System for Appropriate Payment formulated (Aug)
		New units and programs	<ul style="list-style-type: none"> <li>Claims Handling Examination ("CHE") Department established (Sep)</li> <li>Claims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

# Towards better corporate quality

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



## Long-term vision "Challenge 10"

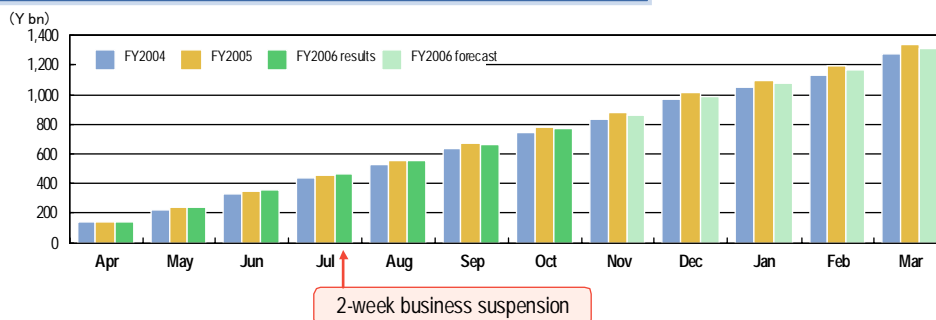


# Impact of administrative dispositions

## 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 until further notice	Unspecified
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 Jun 21, 2007	1 year
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



## 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
<b>Net premiums written forecast to drop 2.1% from Mar 2006</b>	

## 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
<b>Direct impact of disposition negligible</b>	

## 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
<b>Impact of disposition negligible vs top line, because of 5 Reforms' planned expenses</b>	

# Group performance in Stage I, Challenge 10

Stage I

## Fiscal 2006 management plan targets & results

Consolidation	(Y bn)		
	H1-2006 results	2006 plan	2006 forecast
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%

GCP by business segment	(Y bn)		
	H1-2006 results	2006 plan	2006 forecast
Domestic non-life	26.9 (70%)	58.2 (72%)	40.9 (66%)
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%)

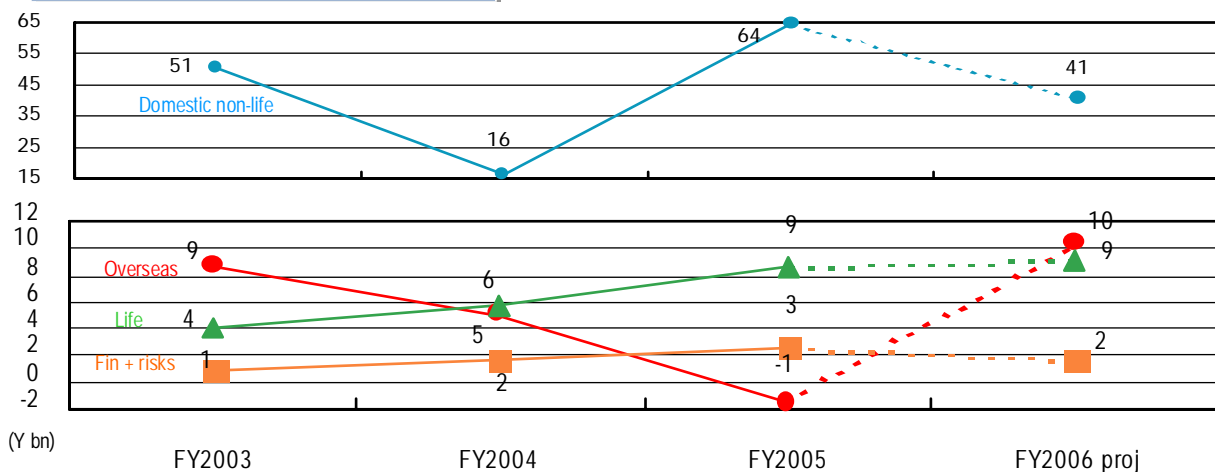
### Consolidated net premiums written

Domestic non-life	Decreased 2.1 %
Overseas business	Increasing 26.5% Lloyd's of London business, acquired subsidiaries and reinsurance subsidiaries performed well
<b>Overseas offsets shortfall in domestic non-life, forecasting a 0.4 % consolidated increase</b>	

### 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
<b>Forecasting a composition of domestic non-life 66%, overseas 17%, life 15% and financial and risks 2%</b>	

### GCP trend by business segment



## Non-consolidated performance in Stage I, Challenge 10

### Stage I Fiscal 2006 management plan in targets & results

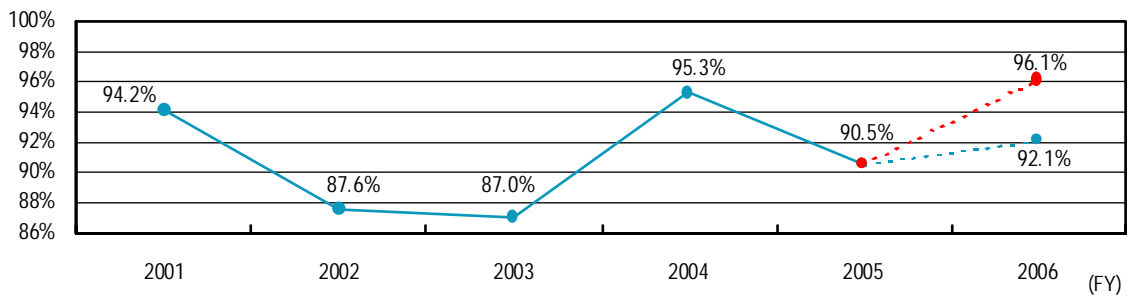
#### Non-consolidation

(Y bn)

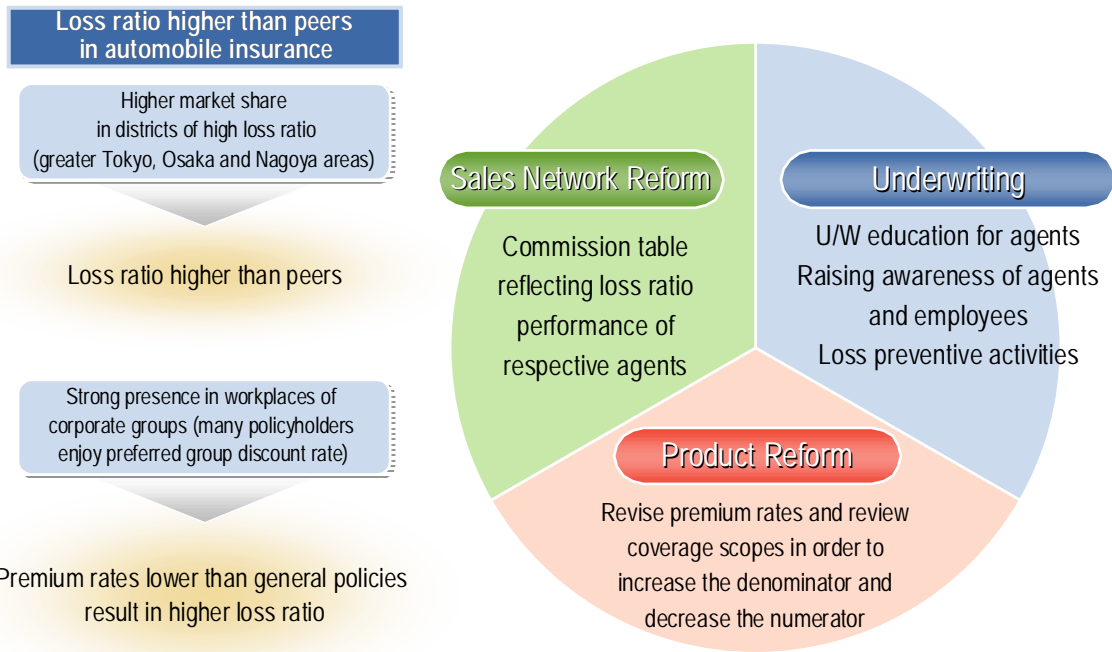
	H1-2006 results	2006 plan	2006 forecast
Net premiums written, Annual growth rate (%)	666.2 (-1.2%)	1,360.0 (+1.6%)	1,310.0 (-2.1%)
Combined ratio	91.0%	92.1%	96.1%
Net loss ratio	60.4%	61.2%	64.5%
Net expense ratio	30.6%	30.9%	31.6%
Interest and dividend income	37.0	75.0	85.2
Net income	33.8	70.0	55.0

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").

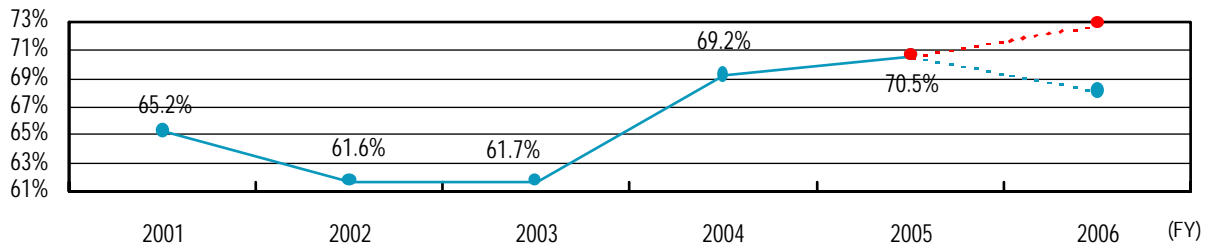
#### Combined ratio trend



## Domestic non-life: Rationalizing auto loss ratio



### I/E ratio of automobile insurance



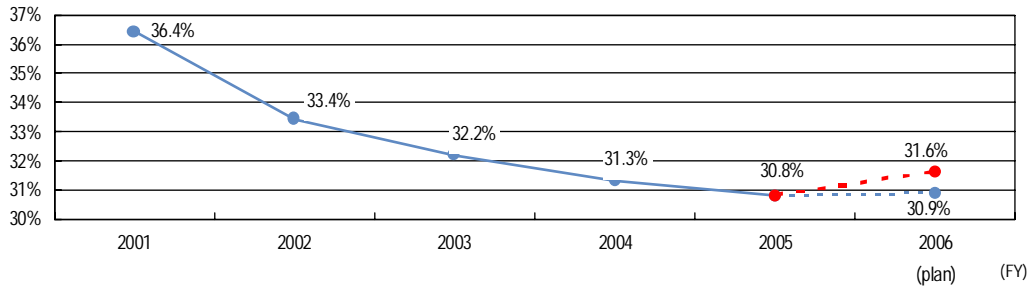
#### I/E ratio for fiscal 2006 (comparison with normalization targets)

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%

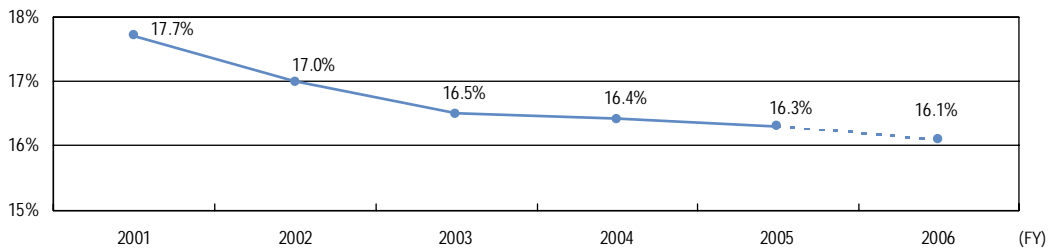


# Domestic non-life: net expense ratio

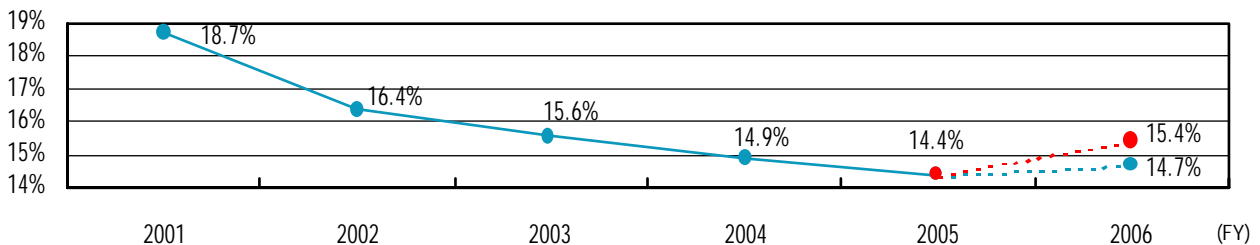
Net expense ratio



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

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

## Effects aimed at in Product Reform

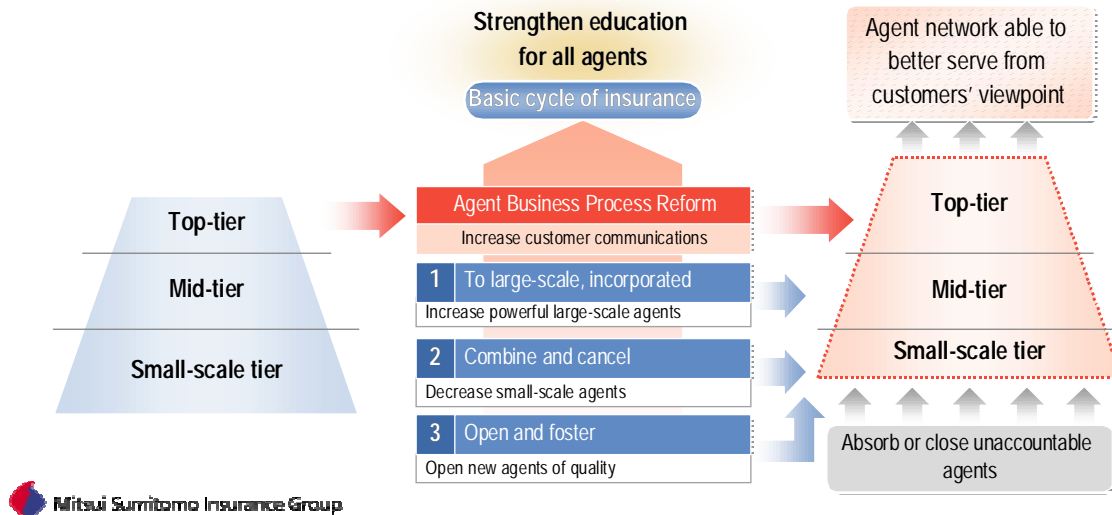
Customers	<ul style="list-style-type: none"> <li>Easy-to-understand products meeting customers' needs</li> <li>Uniform and proper claims handling services</li> <li>Policy form with coverage description easy to understand</li> </ul>	<ul style="list-style-type: none"> <li>To develop easy-to-understand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

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

## Promotion of Sales Network- and Agent Business Process- Reforms

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

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



Mitsui Sumitomo Insurance Group

11

## 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

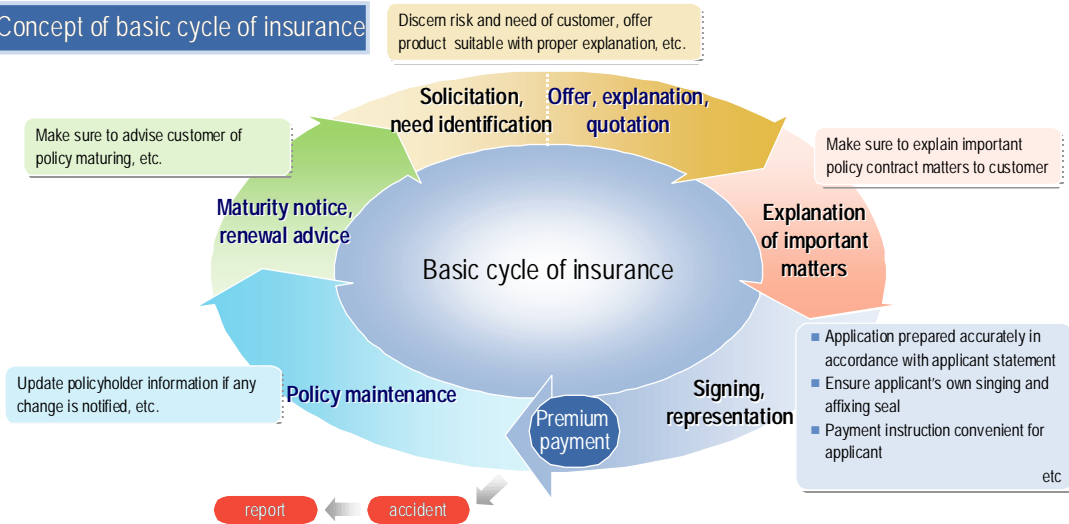
\*as of September 30, 2006

# Domestic non-life: Strengthening of agent education

## Strengthening of agent education: basic cycle of insurance at agent

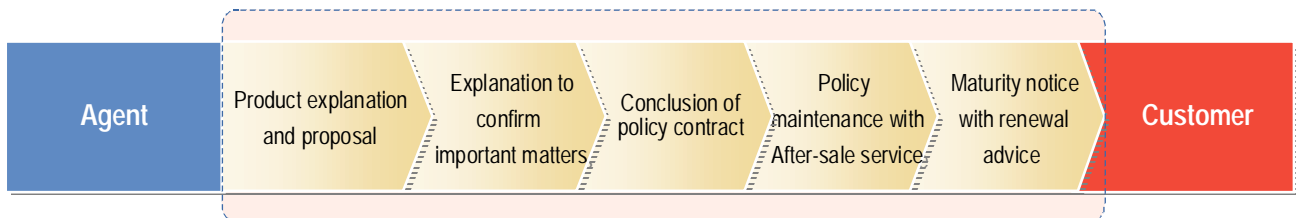
Education program for all agents, which aims to ensure that a chain of essential customer services ("basic cycle of insurance") is followed by each agent, is implemented to be finished by March 2007.

### Concept of basic cycle of insurance

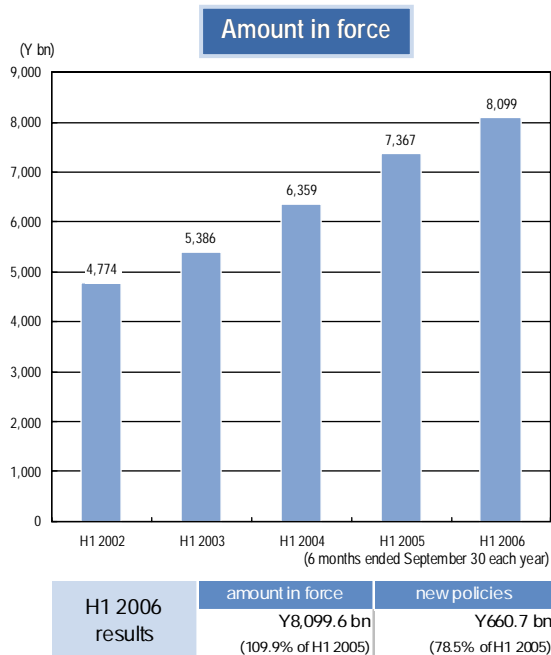


## Strengthening of agent education

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



### 10<sup>th</sup> 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

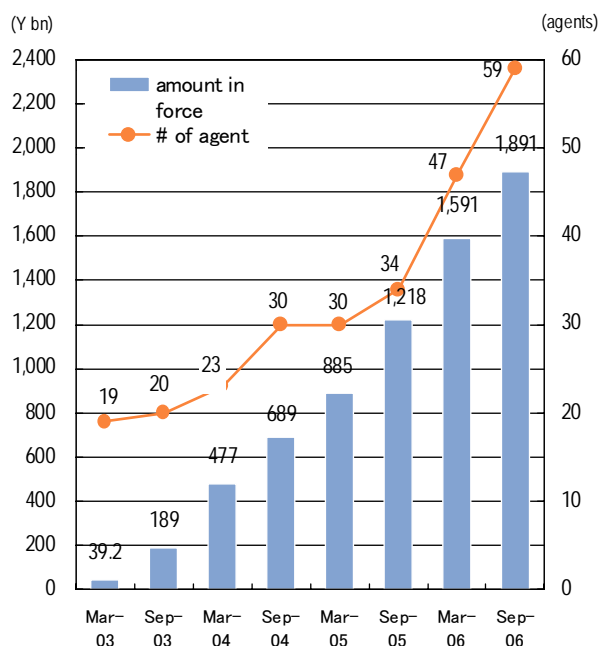
effective net income	FY 2005	H1 2006
	Y 4.5 bn	Y 3.5 bn

- 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)



### Rapid business growth

Amount in force	Y1,891.7 bn as of Sep 06
# of agents	59 agents as of Sep 06

### Excellent product development

#### Early payment whole-life pension plan (LG type)

As of Sep 2006					
# of New policies	15,038				
Bank channels	42 banks				
premium income	<table border="1"> <tr> <th>Sep-06</th> <th>FY 2006 plan</th> </tr> <tr> <td>Y 132.7 bn</td> <td>Y 370.0 bn</td> </tr> </table>	Sep-06	FY 2006 plan	Y 132.7 bn	Y 370.0 bn
Sep-06	FY 2006 plan				
Y 132.7 bn	Y 370.0 bn				

### Steady growth of core profit

Equity in earnings, US GAAP	<table border="1"> <tr> <th>fiscal 2005</th> <th>H1, 2006</th> </tr> <tr> <td>Y 3.9 bn</td> <td>Y 2.0 bn</td> </tr> </table>	fiscal 2005	H1, 2006	Y 3.9 bn	Y 2.0 bn
fiscal 2005	H1, 2006				
Y 3.9 bn	Y 2.0 bn				



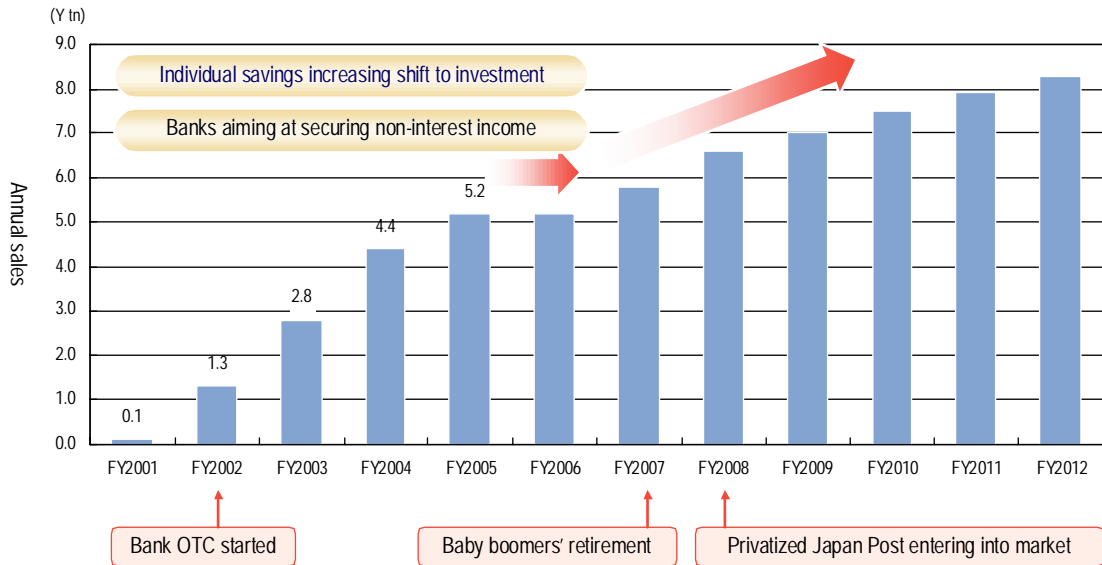
- Amount in force grew constantly to Y1,891.7 bn as of September 30, 2006
- A new product (Lifetime Guarantee type) was launched in cooperation with MetLife, Inc. from the U.S., and sold well. MS MetLife intends to increase sales through newly explored bank channels as well as existing agents.

### 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)

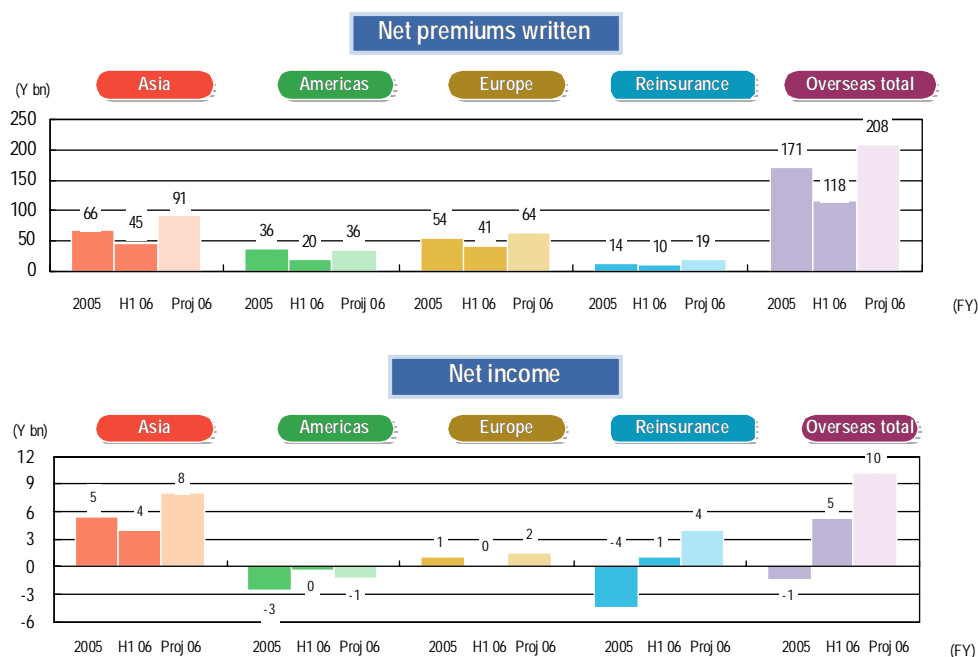
### Outlook of individual variable annuity market



(source: Mitsui Sumitomo MetLife Insurance)

- 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.



16

- 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

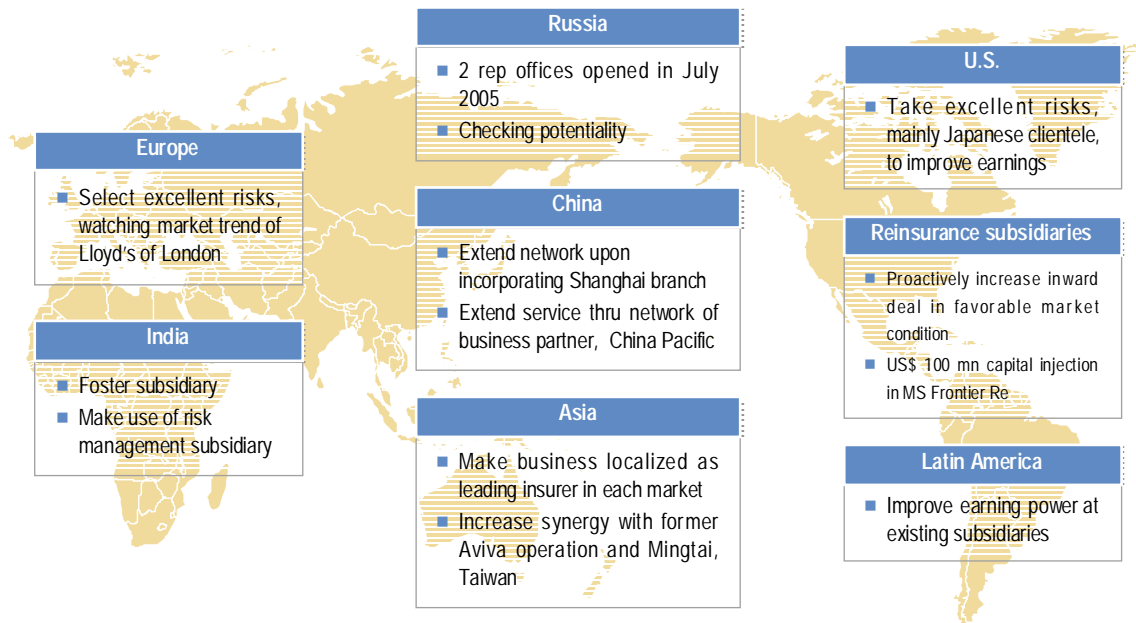
H1 2005 includes results at Aviva (Singapore) and Aviva (Hong Kong) for the period from March to June and Aviva Thailand's from January to June. Aviva (Malaysia), Aviva (Indonesia) and Mingtai have been included in consolidation since H2 2005.

(\*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

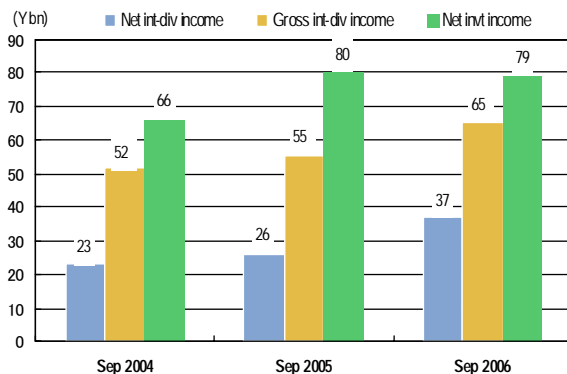
(Y bn, %)

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	<b>Total</b>	<b>220</b>	<b>12</b>	<b>5.5</b>

<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

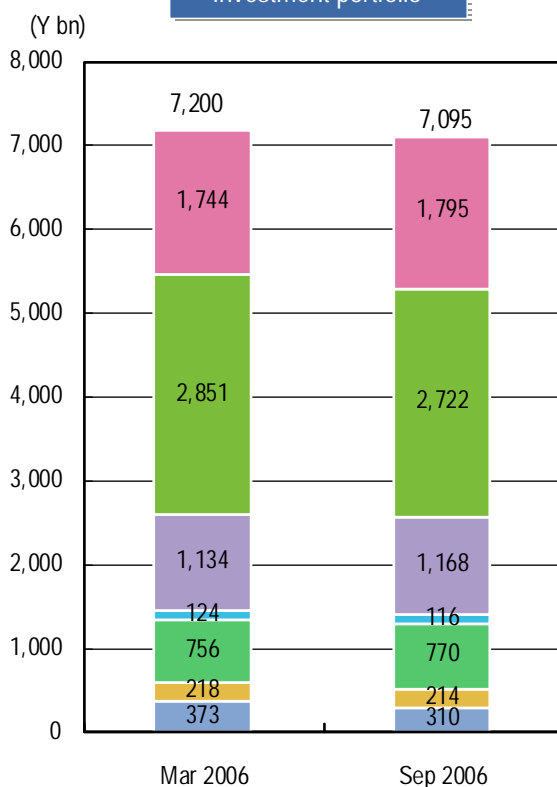
Y 79.0 bn (Y1.2 bn less than Sep 2005)

**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

	(Y bn)	
	Mar 2006	Sep 2006
Total assets	7,537	7,411
Investment	7,200	7,095
Other assets	337	316

### Interest and dividend income

	(Y bn)		
	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

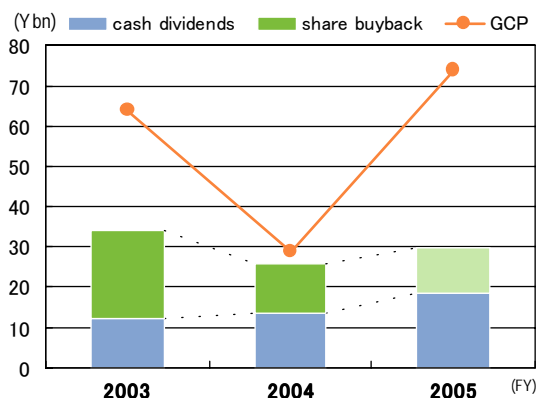
Personal loans (Y bn)			Alternative investments (Y bn)		
Mar-05	Mar-06	Sep-06	Mar-05	Mar-06	Sep-06
327	347	367	78	107	110

### Average life of bonds lengthened

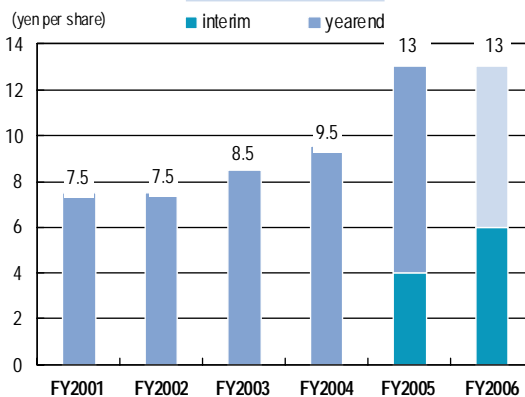
Remaining life distribution	(Y bn)					
	1 year or less	Over 1 year to 3 years	Over 3 to 5 years	Over 5 to 7 years	Over 7 to 10 years	Over 10 years and unspecified
Mar-05	245	308	402	314	332	109
Mar-06	160	296	395	283	333	278
Sep-06	117	316	390	350	248	374

## 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

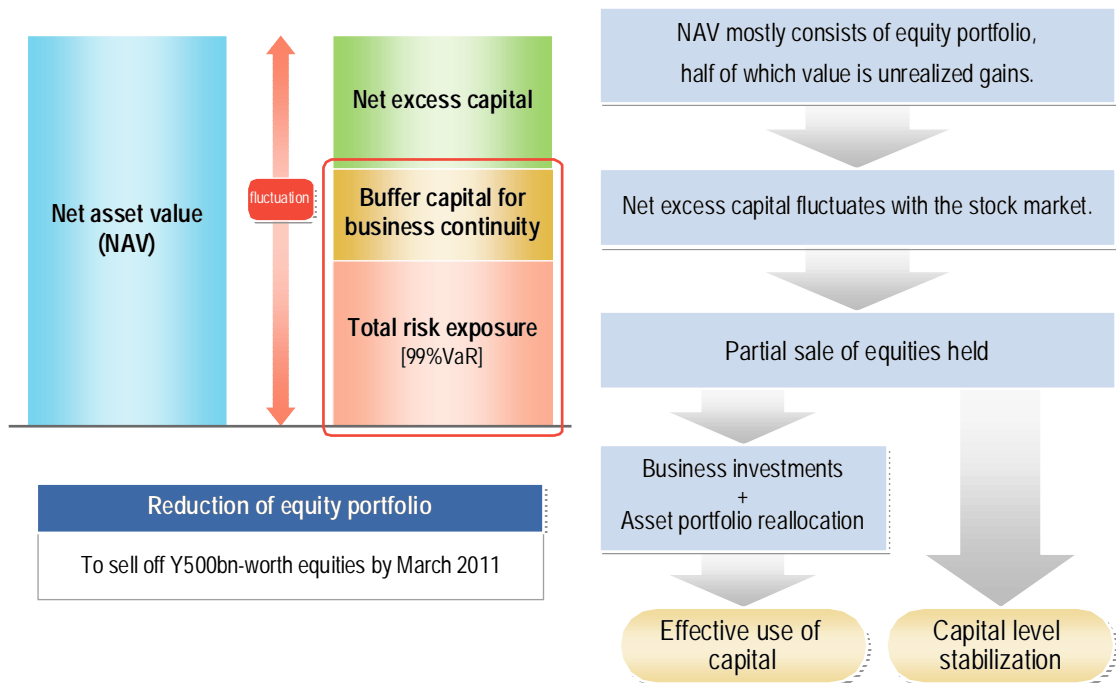
Period	# of shares (thousand shares)	amount bought (Y mn)
Mar-Dec 02	25,895	14,570
Oct-Dec 03	29,381	25,999
Aug-Oct 04	23,073	21,485
Sep 2005	10,000	11,992
Oct 2006	1,143	1,689
<b>Total</b>	<b>89,492</b>	<b>75,737</b>

### 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
<b>Total</b>	<b>150</b>

### 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)	¥1,338.4bn	¥666.2bn	¥1,360.0bn	¥1,310.0bn
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	¥79.1bn	¥37.0bn	¥75.0bn	¥85.2bn
Net income	¥64.8bn	¥33.8bn	¥70.0bn	¥55.0bn

## Consolidation targets

	FY 2005 results	H1 2006 results	FY 2006 plan	FY 2006 full year projection
Consolidated net premiums written	¥1,469.7bn	¥762.7bn	¥1,518.0bn	¥1,476.0bn
Group Core Profit ("GCP")	¥73.9bn	¥38.4bn	¥80.5bn	¥61.7bn
ROE (on a GCP basis)	4.2%	-	3.9%	3.0%

## Core Profit by business

	FY 2005 results	H1 2006 results	FY 2006 plan	FY 2006 full year projection
Domestic non-life insurance	¥64.2bn	¥26.9bn	¥58.2bn	¥40.9bn
Overseas business	-¥1.4bn	¥5.2bn	¥11.0bn	¥10.2bn
Life insurance (*2)	¥8.5bn	¥5.5bn	¥9.5bn	¥9.0bn
Financial services	¥2.6bn	¥0.8bn	¥1.7bn	¥1.6bn
Risk-related business	¥0.0bn	¥0.0bn	¥0.1bn	¥0.0bn
Total	¥73.9bn	¥38.4bn	¥80.5bn	¥61.7bn

\*1. "Net premiums written" exclude those of *Madonich* 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.