Mitsui Sumitomo Insurance Group

The Second

Informational Meeting

in Fiscal 2004

December 2, 2004

Mitsui Sumitomo Insurance Co.,Ltd.

MSI's Basic Characteristics

2nd largest non-life insurance company in Japan

- 2nd place in consolidated net premiums written and net income in FY2003

Best merger model in Japanese financial sectors

- Increased revenues for 3 consecutive years
- Set a new record of net income for 2 consecutive years

Strengthening of group business under consolidation oriented management

- Focus on life insurance and overseas business
- FY2003 group-to-parent ratio expanded to 1.07

Maximizing shareholder value as management mission

- Repurchased own shares for 4 consecutive years (78 million shares in total)
- Raised cash dividend per share from 7.5 to 8.5 yen as of March 31, 2004

Summary: MS Wave II for the 1st half of the 2nd Year (1)

Goal:
No.1 in Growth

≪achievements≫

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

   1.1% marked on a non-consolidated basis
   ⇒ Highest among the major non-life insurers

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

   2nd with 712.7 bil yen in consolidated net premiums written
   (Top in increase compared to the 1st half, 2003)

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

   Amount in force at MS Kirameki Life:
   6,359.3 bil yen, 18.1% up from 1st half, 2003
   Narrowed the gap with the 2nd by 287.7 bil yen
   (from 490.6 bil yen at Mar 2004
   to 202.9 bil yen at Sep 2004)

Summary: MS Wave II for the 1st half of the 2nd Year (2)

Goal:
No.1 in Profitability

≪achievements≫

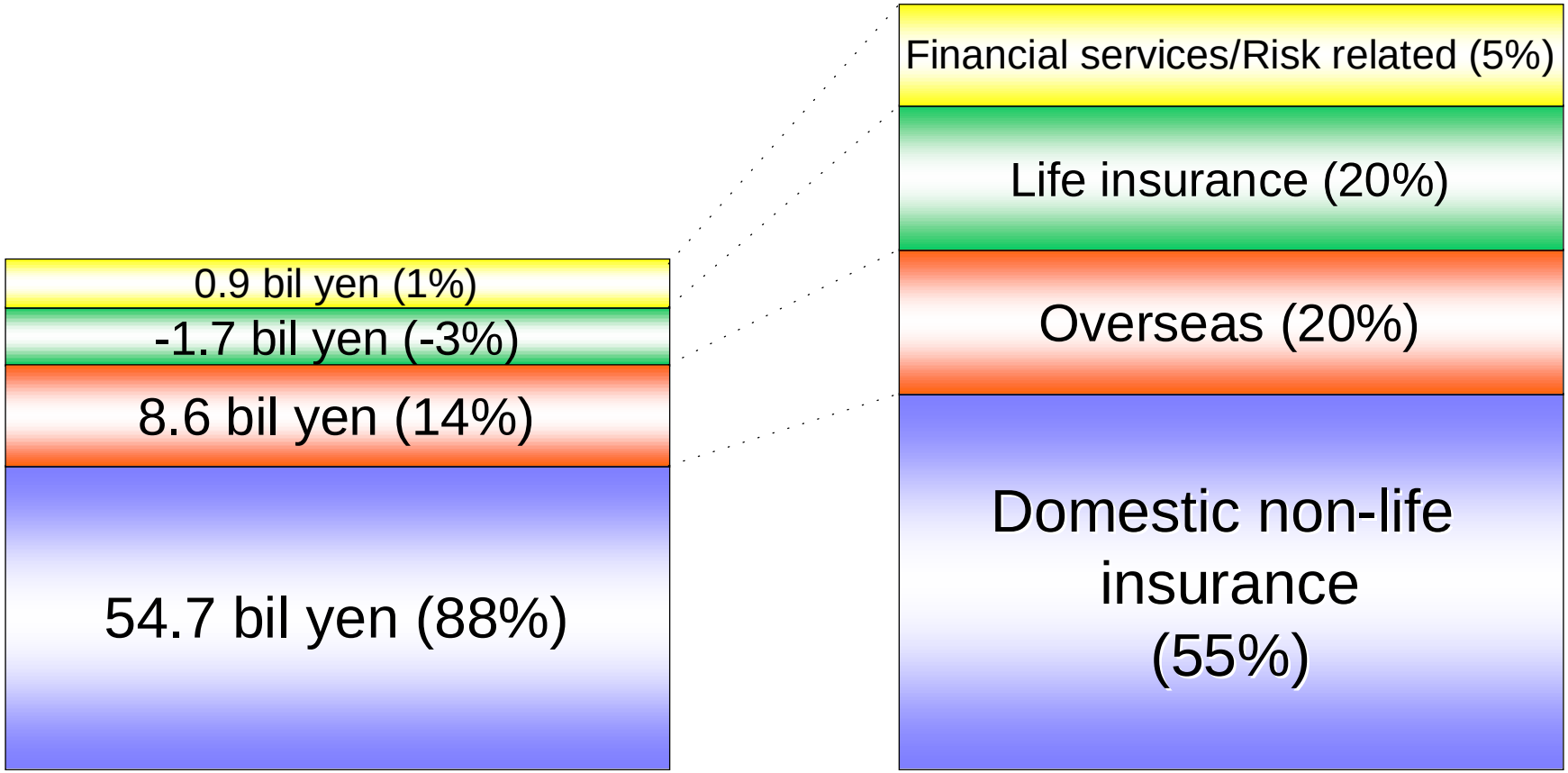
4. No.1 position for combined ratio	2nd with 88.7% in combined ratio, almost caught up with the top -Top with 33.5 %, cut 1.0 point, in net operating expense ratio -2nd with 55.2%, up 0.5 point, in net loss ratio
5. No.1 in the rate of investment return	2.13% p.a. scored in income yield a good start toward 10 consecutive years top position

Future Business Portfolio: Projection Fiscal 2010

Maximizing core profits through expansions in 5 business areas

< Results: fiscal 2003 >
62.5 bil yen in consolidated core profit (CCP)*

< Projection: fiscal 2010 >
100 to 120 bil yen in consolidated core profit



*CCP = consolidated net income – (capital gain/loss on securities + revaluation gain/loss on credit derivatives + extraordinary profit/loss) x (1 – tax rate)

5 Key Innovations in the MS Wave II

Product	MOST (Automobile ins.), ViV (Medical payment ins.), Pikaichi (Homeowners' ins.), L (Life ins.)
Channel	Full-fledge distribution channel restructuring
Cost	"Business Process Restructuring for Greater Customer Satisfaction" (BPRGCS)
Loss	"LK Conference" (meeting for loss reduction)
Investment	Alternative investment (AI) Individual loans

“Mobile MS1”: another step ahead in BPRGCS

(BPRGCS : Business Process Restructuring for Greater Customer Satisfaction)

Mobile MS1: portable agency system

application terminal

Application

Electronic signature on an application, without seal

settlement terminal

Settlement

With a registered bank card, cashless and seal-less settlement by direct debit and/or monthly check off from a bank account

Mobile MS1’s advantages

- **Speedy and reliable**
- **Paperless**
- **No family seal required**
- **Cashless**
- **High security**

Benefits from Mobile MS1 Introduction

- **Customer satisfaction increased:** No application form, seal, cash required ⇒ Policies are issued a day after application
- **Operational efficiency improved at agents:** Procedures are totally completed with an applicant on the spot
- **Operational expenses reduced:** Checking applications was abolished in the back office

5,000 units to be in use within a year after the introduction

Costs to be saved

1.2 bil yen in non-personnel, 0.5 bil yen in personnel expenses

Capital Policy (1):

Principles and Profit Return to Shareholders

< Boost CCP* to increase consolidated ROE >
⇒ Maximizing corporate value

- **Domestic non-life insurance** : (1) Increase top-line
  (2) Improve combined ratio
  (3) Constantly increase net interest and dividend income
- **Overseas, life insurance, etc.:**
  Proactively invest in promising businesses, including via M&As

Make efforts to return at least 40% of CCP to shareholders

- **Cash dividends**: Proactive towards continuously **increasing dividends**
- **Share buyback**: (1) **Buy back 10%** of shares outstanding as of the merger in Oct 2001** by Mar 2011
  ⇒ planning to buy back 100 mil shares to go
  (2) Move flexibly dependent on the share price

*CCP: consolidated core profit, see Slide 5

** 1,480 shares outstanding as of the merger on Oct 1, 2001 → 1,332 mil shares after the buyback plan implemented

Capital Policy (2):

Downsizing of Equity Portfolio

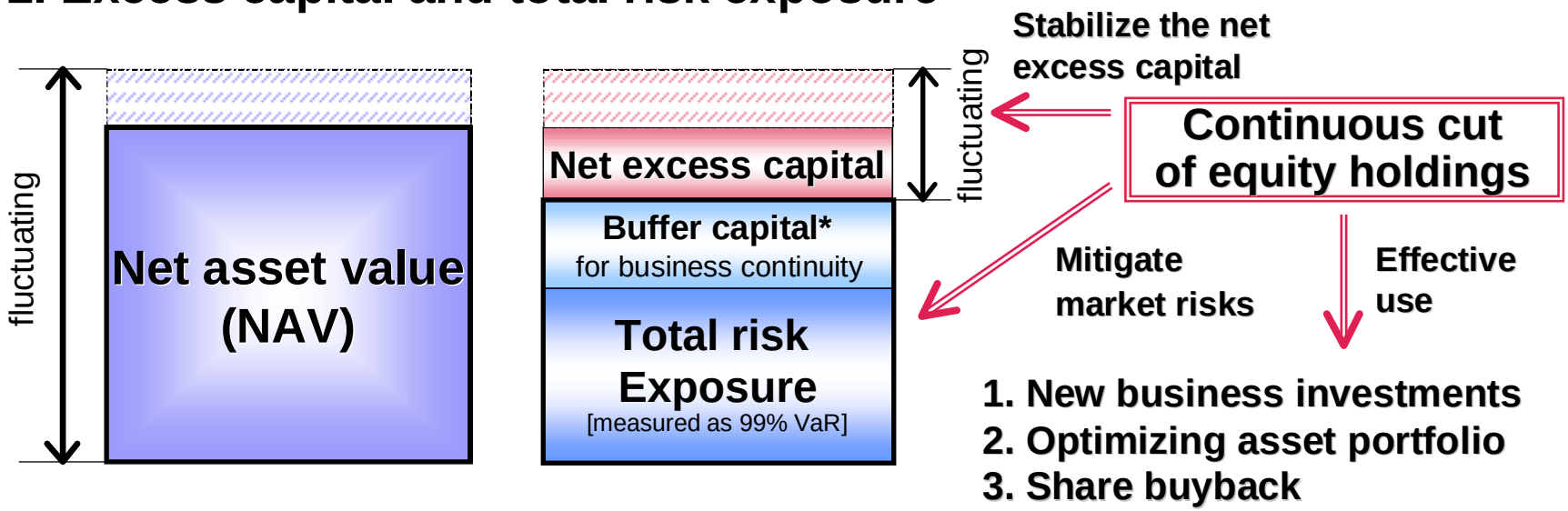
1. Stabilize capital and shift funds from equity portfolio to promising new businesses

<goal for the period from Apr 2004 to Mar 2011>

Cut 1/4 of the equities ⇒ **Market value of equity portfolio** < (smaller than) **Consolidated shareholders' equity**

*Market valuation of the listed shares held as of Mar 31, 2004: 1,842 bil yen

2. Excess capital and total risk exposure



***Buffer capital**: Minimum capital to be reserved for business continuity even after an event of incurring a damage equivalent to total risk amounts

Capital Policy (3):

Background of Issuing the Straight Bonds

1. Capital policy on strategic investments is unchanged

(principle) **Continuously decrease the equity holdings and re-allocate the proceeds to profitable businesses**

2. Background of the straight bonds (S.B.) issued Nov 2004

1) **Strategic investments** underway requiring **to act quickly** have increased to over 100 bil yen
2) Equities held waiting for a selling chance, particular to this year only
3) Issuing S.B. at a lower cost is more favorable than liquidating asset portfolio

⇒ First, invest the fund raised in the businesses as planned
⇒ Later, invest proceeds from equity selling (equivalent to S.B.) in ALM assets
→ appropriate for S.B. redemption

3. Major investments

1) Capital injections to the subsidiaries
   a. MSI CitiInsurance …… 9.5 bil yen
   b. MS Kirameki Life …… 25.0 bil yen
   c. overseas reinsurance subsidiaries …… 16.2 bil yen
2) Domestic strategic investment: Tokai Tokyo Securities …… 7.7 bil yen
3) M&A: AVIVA Asian operation …… 50.0 bil yen
4) Capital expenditure: Osaka Building …… 25.0 bil yen

Natural Disaster Risks (1):

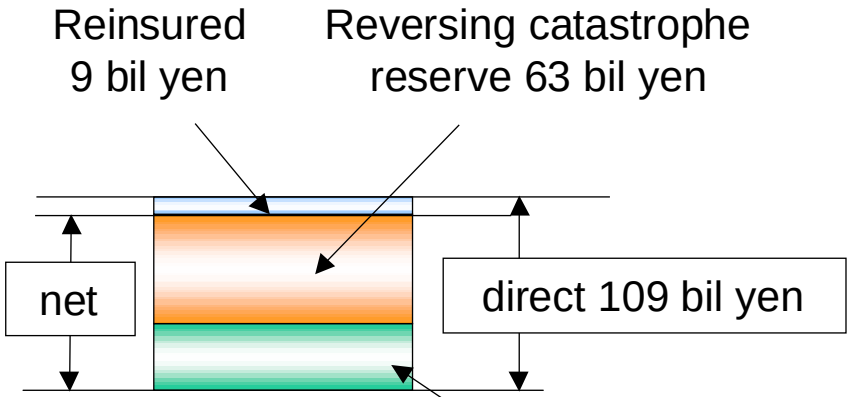
Exposure and Reserves

Catastrophe reserve	
As of Mar 31, 2004	440 bil yen
Expected Mar 31, 2005	400 bil yen

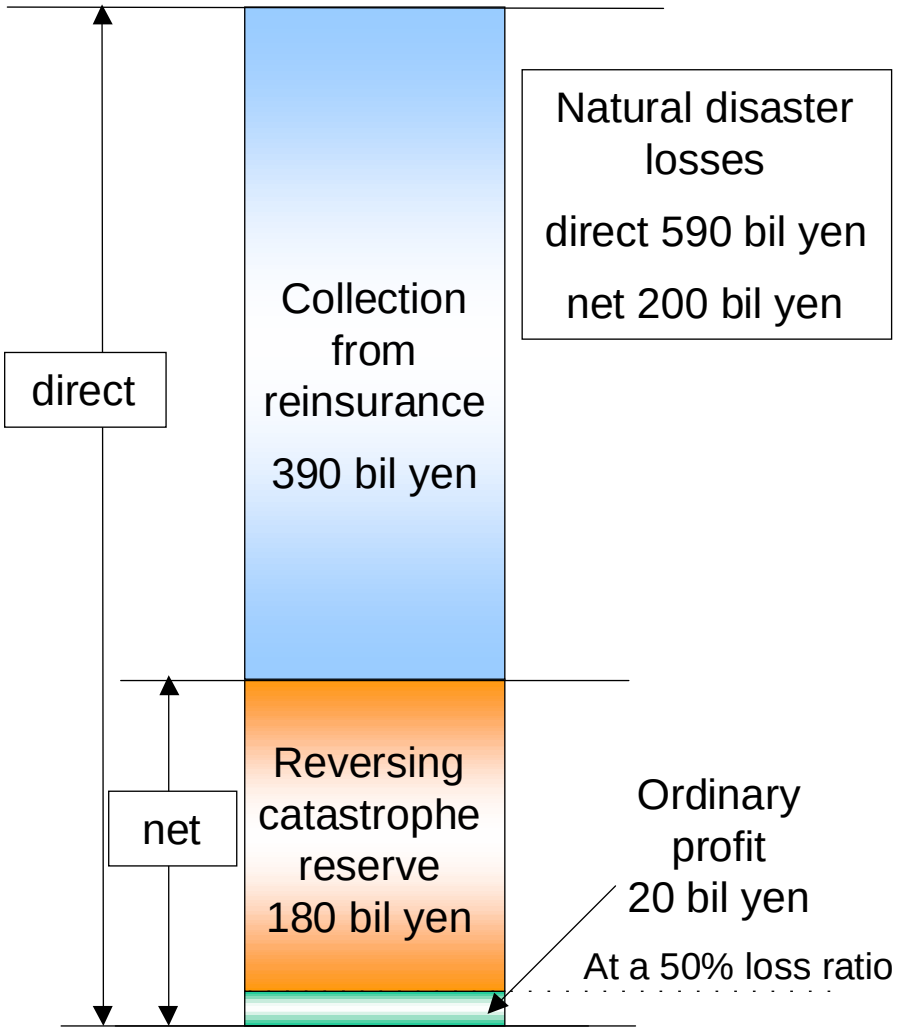
Natural disaster losses

direct 109 bil yen

net 100 bil yen



Fiscal 2004 expected Natural disaster losses



Assumption of a co-occurrence in a year

of large-scale typhoon and earthquake of a 1% PML, respectively

Natural Disaster Risks (2):

Preparation for the New Reserve Standards

Effective from fiscal 2005 ⇒ **Though the details not yet announced, no significant impact expected on profit/loss**

Unearned premium reserve

1. Verify the rates of unearned premium for natural disaster risks
2. Increase the reserve by the amount corresponding to the variance between current and theoretically required premiums, if any

= For us, years' efforts made to maintain adequate premium rates =

Catastrophe reserve

1. Review the ceiling of the reserve
   ⇒ Possible loss in case of an Isewan*-class typhoon

= no significant difference from the current ceiling =

2. Review the amount of annual minimum provision
   ⇒ provision = expected loss x possibility

= Almost same level as the current provision =

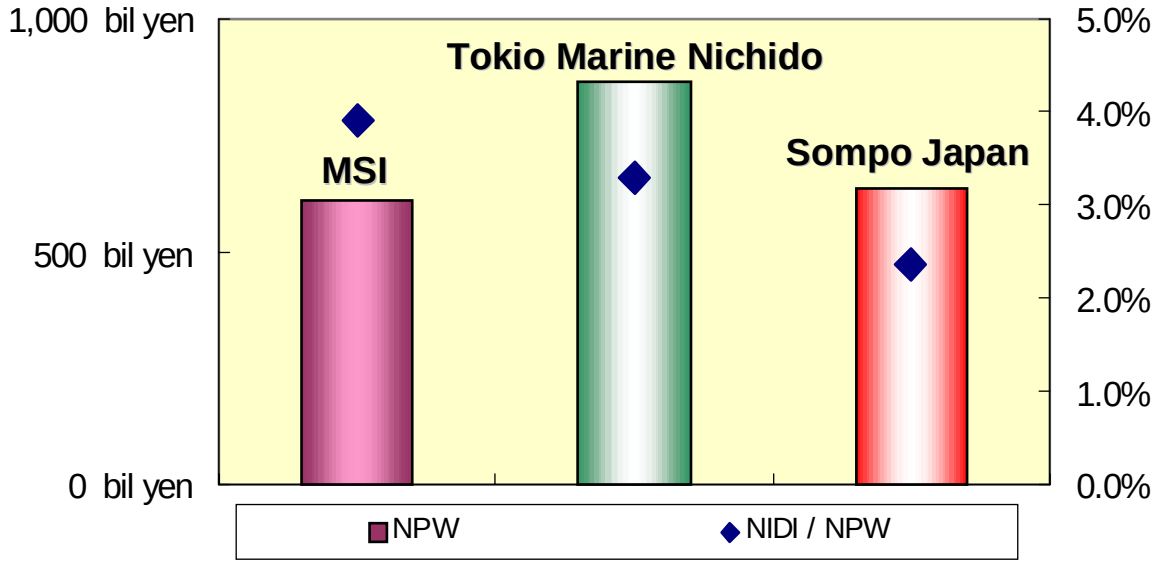
*Isewan Typhoon attacked Japan Sep 1959, with tolls of more than 5,000, often referred to as one of the worst postwar disaster.

Portfolio Investment (1) :

Advantages and Income Boosting (1)

1. MSI's competitive edges

(1) Net interest and dividend income: foundation of the profitable structure



interim 2004	NIDI	NPW	NIDI / NPW
MSI	23.8 bil yen	611.8 bil yen	3.9%
Tokio Marine Nichido	28.4 bil yen	864.8 bil yen	3.3%
Sompo Japan	15.3 bil yen	633.5 bil yen	2.4%

NIDI: net interest and dividend income
NPW: net premiums written

(2) Income yield: highest in the industry

fiscal year	2001	(gap)	2002	(gap)	2003	(gap)
MSI	2.54%	–	2.37%	–	2.33%	–
Tokio Marine	2.24%	-0.30pt	1.78%	-0.59pt	1.78%	-0.55pt
Sompo Japan	2.04%	-0.50pt	1.90%	-0.47pt	1.96%	-0.37pt

Tokio Marine: former The Tokio Marine and Fire Insurance Co., Ltd.

Portfolio Investment (2) :

Advantages and Income Boosting (2)

(3) Strict risk control: lowest bad loan ratio among the major non-life insurers

Bad loans

fiscal period	fiscal year 2003		interim 2004	
	balance	BL ratio	balance	BL ratio
MSI	28.2 bil yen	3.8%	19.9 bil yen	2.7%
Tokio Marine Nichido	31.2 bil yen	4.7%	25.2 bil yen	3.9%
Sompo Japan	22.5 bil yen	4.3%	17.8 bil yen	3.6%

BL ratio: ratio of bad loans to total loans

2. Towards boosting income

(1) ALM as principle → stick to asset allocation matching to liability

(2) Ensure to retain proper credit spreads on assets

(3) Compress total risk exposure: reduce equity price risk and interest rate risk
→ Increase individual loans and heap up alternative investment by steps

balance (bil yen) as of	Mar 2004	Sep 2004	Mar 2005, expected
(1) Individual loans	294.1	308.2	330.0
(2) Alternative investment	59.3	63.3	80.0

Overseas Business (1):

Aviva's Asian Operations (1)

Jumped up in Asian business with the excellent portfolio acquired

	Asian operations, fiscal 2003		
	MSI	Aviva	Total
Portfolio	major Japanese coporate names	Local personal and mid / small corporates	
Net premiums	26.3 bil yen	23.8 bil yen	50.1 bil yen
Net income	3.5 bil yen	2.1 bil yen	5.6 bil yen

Acquisition

Fiscal 2010
New Asian operations at MSI (incl. Aviva Asia)
Japanese and local Personal and corporate
102 bil yen
12.2 bil yen

< purchase amount $450 mil >

Present value of future cash flows from Aviva's Asian operations* — Over $400 mil

Present value of cost effects* — $50 mil

*DCFs calculated at a 6.85 % discount rate

< advanced to a leading insurer in Asian markets >

market	ranking	after acquisition
Malaysia	13th	2nd
Singapore	8th	3rd
Philippines	3rd	2nd
Indonesia	9th	8th
Thailand	12th	4th
Hong Kong	41st	5th

Overseas Business (2):

Aviva's Asian Operations (2)

Reasonably priced at $450 mil compared to the expected future profits

Projection of the purchased Aviva's operation for the next ten years

(bil yen)

Fiscal year	2003	2004	2005	2006	2007	2008	2009	2010	• • •	2014
Net premiums written	23.8	24.3	Expected to grow at 7- 8% p.a.					38.0	• • •	46.0
Combined ratio (%)	91.4	89.0	Expected to be at a 92% - 93% level each year					92.0	• • •	91.0
Investment income	0.8	0.8	Expected to increase gradually along with investment assets expansion					1.2	• • •	1.4
Net income before goodwill amortization	2.1	2.3	Expected to creep up from 1.7 to 2.4 bil yen					2.4	• • •	3.3
+ cost effects	–	–	Expected to be 0.1 - 0.4 bil yen annually					0.4	• • •	0.4

Overseas Business (3):

Operations in China

Office network expansion	Shanghai Branch and 9 representative offices	posted 1.1 bil yen in gross premiums fiscal 2003, swept off the accumulated deficits and turned black ink
	A wholly owned subsidiary	Waiting for an approval on application
Underwriting increase	Personal accident insurance permitted	Newly developed insurance for workers' compensation
	Sale to locals permitted	Entered into local markets
Entry into life market	High potentiality and rapid growth	One of the management's top issues
Strategic partnership	Strategic comprehensive tie-up with China Pacific Insurance group	Enables insurance services extended across China
		Their claim handling network available
		Access and tap their know-how on local markets

Overseas Business (4):

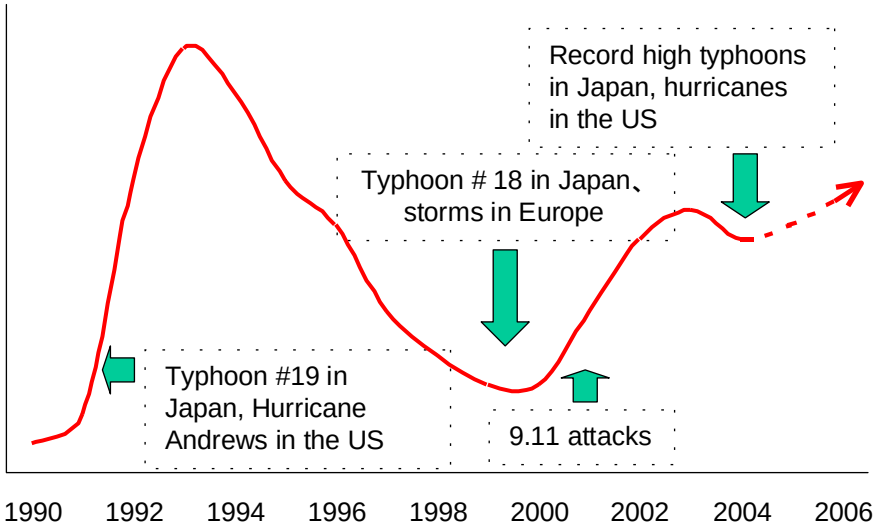
Overseas Reinsurance Subsidiaries

- market reputation established
- high insurers' financial strength rating
- maintain hard reinsurance markets due high-record natural disasters in the US and Japan

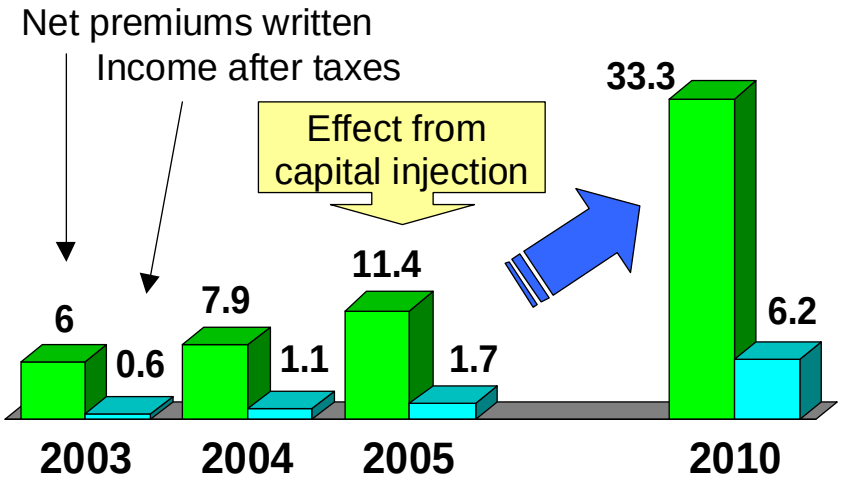
Capital injected Dec 2004 to increase underwriting capacity

- Mitsui Sumitomo Re (in Dublin)
  EUR40 mil → EUR80 mil
- MS Frontier Re (in Bermuda)
  $100 mil → $200 mil

< trend of reinsurance rate of natural disasters >



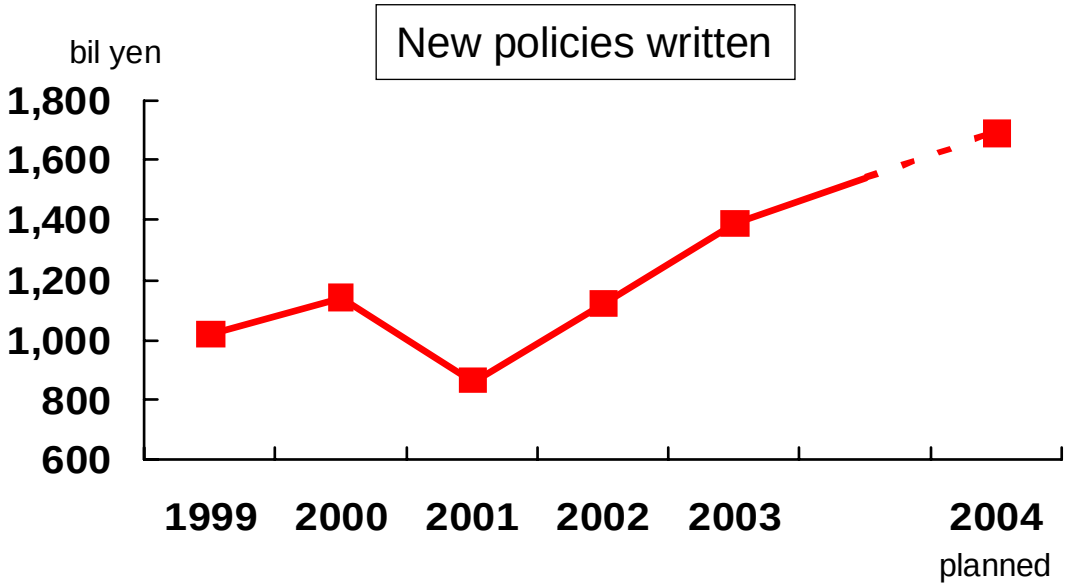
< projection of subsidiaries >

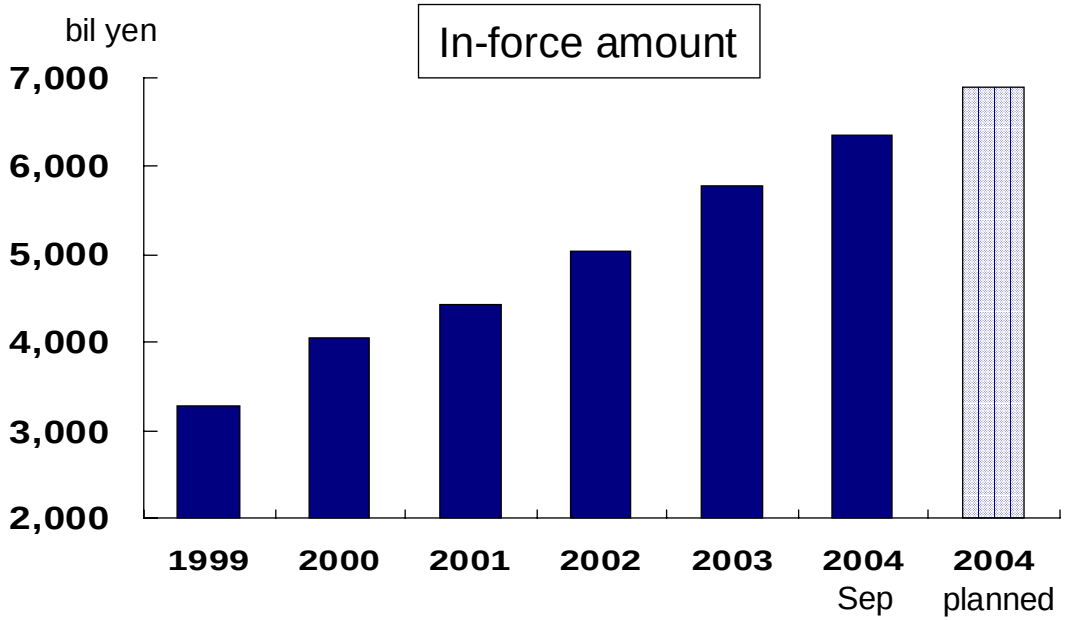


(two subsidiaries in aggregate, bil yen)

Life Insurance (1):

Medium-term Projection at MS Kirameki Life





(1) Highest growth among subsidiaries of non-life insurers

(2) Increasing in-force amount
expected 6.9 tri yen Mar 2005
approx. 13 tri yen Mar 2011

(3) Increasing proforma net income*

(4) Goal of 10 bil yen and over in net income for fiscal 2010

*net income before provision of extra reserve for net level premium method of valuation

Life Insurance (2):

Competitiveness at MS Kirameki Life

Cooperative supports given across the MSI group

1. Powerful brand equity of the MSI group
2. MSI's individual clientele of 19 mil people in 15 mil household
3. Strong sales force of the MSI group: non-life insurance agents, sales staff, and life insurance experts

Distinctive advantages of MS Kirameki Life

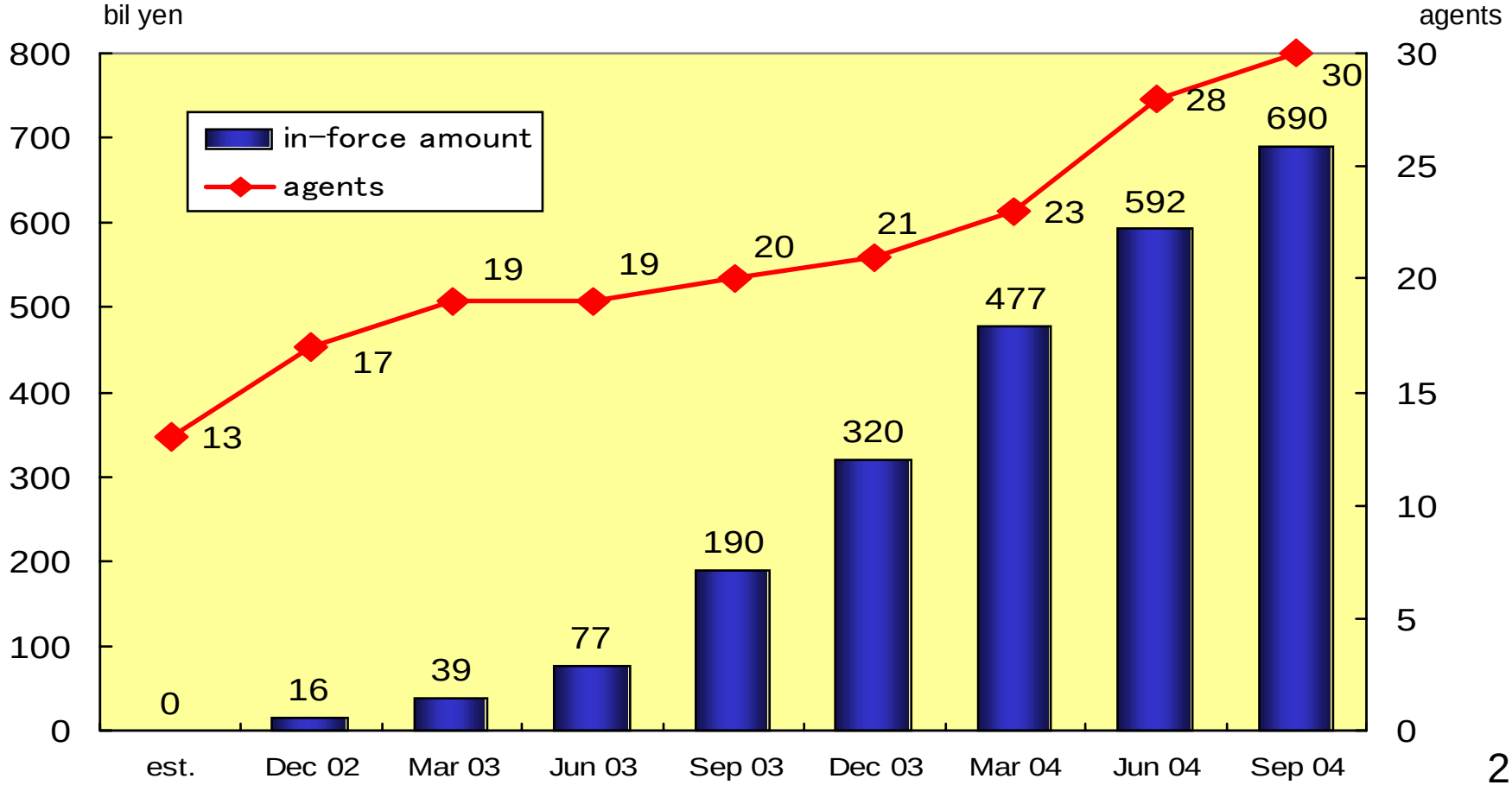
1. Unique marketing force of its own establishing:
   the Loyal Member System of agents comprised of 1,400 recognized agents as of Nov 30, 2004
2. High development capability: launch new products which contributes to high growth
3. Financially sound basement: high credit rate and solvency margin ratio

Life Insurance (3):

MSI CitiInsurance

2nd largest in the variable annuity insurance category only **2 years** after its establishment

Additional capital injected in line with the expansion, looking forward to a 10 bil level net income for the long span



Life Insurance (4):

Risk Control on Variable Annuities

Risk inherent in the guarantee of refunding the principal

Conservative risk control

- Analyze with the Monte Carlo simulation
- Endurable against a once-in-two-century worst case

Actual actions

- Risks hedged by reinsurance
- Review annuity scheme designing
- Prepare to launch foreign currency fixed annuities

FSAJ's new rules	**New liability reserve standards** **Risk recognition by solvency margin ratio**

Final decision to be made, awaiting FSAJ's proclaiming guidelines

Appendix

5-year Financial Highlights Mitsui Sumitomo Insurance Co. Ltd.

(Non-consolidated results / projections)

		FY2000	FY2001	FY2002	FY2003	FY2004 revised projection
Net premiums written[1]	[bil yen]	1,161.7	1,175.7	1,184.5	1,202.6	1,216.0
Net loss ratio		58.4%	57.8%	57.2%	57.2%	65.2%
Net expense ratio		37.3%	36.4%	35.3%	34.6%	33.9%
Combined ratio		95.7%	94.2%	92.5%	91.8%	99.1%
Net underwriting income	[bil yen]	3.3	10.2	37.0	45.3	8.5
Net interest and dividend income	[bil yen]	54.3	58.0	51.4	54.5	47.2
Net income	[bil yen]	27.1	23.6	32.4	73.0	50.0
R O E		1.7%	1.7%	2.8%	6.0%	3.6%

(Consolidated results / projections)

Consolidated net premiums written[1]	[bil yen]	1,185.7	1,223.3	1,253.2	1,292.1	1,312.0
Consolidated net income	[bil yen]	29.9	19.0	32.8	77.5	52.0
Consolidated R O E		1.9%	1.4%	2.8%	6.3%	3.7%

(Net income from segments other than domestic non-life insurance business[2])

Life insurance business (Proforma net income)	[bil yen]	0.3	0.5	1.1	1.9	-1.0
Overseas business	[bil yen]	-0.9	-4.8	-0.7	8.6	7.8
Financial services business[3]	[bil yen]	0.5	-0.9	-4.3	0.9	1.0
Risk-related business	[bil yen]	0.1	0.1	0.1	0.0	0.1
Total	[bil yen]	-0.0	-5.1	-3.9	11.4	7.8

1. The effects of our original automobile insurance "Modo-rich" and abolished reinsurance of CALI (=Compulsory Automobile Liability Insurance) are neutralized.
2. Certain portion of figures stated in the matrix are also included in net income under the non-consolidated results and projections.
   The scope of the matrix includes non-consolidated subsidiaries and affiliates, too.
3. Gains and losses on revaluation of credit derivatives are eliminated.

Mitsui Sumitomo Insurance

Cautionary Statements

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

 December 2, 2004