Presentation by President
November 27, 2008

Good afternoon. I am Toshiaki Egashira, president of MSI Group Holdings. First of all, let me thank you all for taking time out of your busy schedules to attend this meeting.

The upheaval in financial markets triggered by the sub-prime loan crisis in the United States last year has led to the collapse of Lehman Brothers and an unprecedented global financial crisis. We have not been able to escape the impact of these events. As a result, I have to report a decline in earnings for the first-half period. However, I would like to reassure all investors that the Group's financial position remains very sound.

Prospects for global financial markets offer no room for complacency. While closely monitoring future trends, we are preparing measures to cope fully with whatever challenges may arise.

■Summary of First-Half Results, MSI Group Holdings, Inc. (Consolidated)■

First, I would like to discuss the first-half results for fiscal 2008 and our forecasts for the full year.

This has been the first fiscal period since the establishment of MSI Group Holdings. Accordingly, MSI Group Holdings' "consolidated" year-on-year comparisons and comparisons with the previous period will actually be with fiscal 2007 consolidated results for MSI.

Let me now begin my summary of MSI Group Holdings' consolidated performance, as shown on Page 3 of the materials provided to you.

Net premiums written declined 4.5% or ¥35.8 billion year-on-year, chiefly reflecting a 3.6% or ¥24.0 billion decline at MSI non-consolidated due to lower CALI premium rates. Net premiums written at overseas subsidiaries also declined, by 11.4% or ¥13.2 billion, due mainly to the strength of the Japanese yen.

Mitsui Direct General Insurance posted double-digit growth in net premiums written during the first-half period.

First-half net income totalled ¥12.3 billion, down ¥18.1 billion year-on-year. A major factor in business performance was the impact of the financial crisis on subsidiaries in Japan and overseas.

Net income for the first-half period at each of our companies is shown in the bottom right of the slide. Net income at MSI non-consolidated rose on an improved underwriting profit performance. But our overseas subsidiaries were hit by major losses triggered by the collapse of financial institutions in the United States and Europe, and suffered significant decline at the bottom line.

■Summary of First-Half Results, MSI Non-consolidated■

Now, please turn to Page 4. Next, I will discuss highlights of earnings performance at MSI non-consolidated.

Net premiums written at MSI non-consolidated declined 3.6% to ¥642.4 billion year-on-year, a disappointing result for us. This was because of a steep drop in revenues in CALI operations, due to lower premium rates combined with the double blow of economic slowdown and slumping vehicle sales in Japan, and in other categories as well. Without the CALI insurance impact, the decline would only have been 1.7%.

Underwriting profit increased ¥24.8 billion year-on-year to ¥23.4 billion, with an increase of ¥9.4 billion in company expense more than offset by positives which I will explain now.

There were two main reasons for the rise in underwriting profit. Firstly, incurred losses were down year-on-year by ¥12.3 billion. A notable decrease, of ¥10.7 billion, was seen in the automobile line. Another factor was a ¥19.0 billion decrease in provisions to the catastrophe loss reserve for the automobile line, following a lowering of the reserve ratio from 8.5% to 3.2%.

We booked a ¥29.8 billion year-on-year decline in net investment income, to ¥14.3 billion. The main factor was an increase in appraisal losses on securities, due to the financial crisis.

As a result, ordinary profit for the first-half period fell ¥5.8 billion year-on-year to ¥35.2 billion.

Net income for the first-half period rose ¥22.7 billion year-on-year to ¥50.8 billion, due in part to an extraordinary gain from reversal of the price fluctuation reserve.

■Summary of First-Half Results, MSI Non-consolidated: Premiums and loss ratios by product line■

Now I would ask you to turn to Page 5. Next, I will discuss loss ratios, by category.

The net loss ratio improved 4.5 points year-on-year in fire lines, and 6.0 points in the marine line, but rose in other categories. The improvement in the loss ratio in fire operations was due to lower insurance payouts for disasters.

The net loss ratio in the automobile line, where we are aiming for a better balance of revenues and expenses, rose on a decline in premiums written. However, total payout has begun to decline now. I will say more about this point later.

■Summary of First-Half Results, MSI Non-consolidated: Company expenses and expense ratio■

Turning now to Page 6, I will touch on operating expenses at MSI non-consolidated.

The net expense ratio increased 2.2 points year-on-year to 33.0%, due to higher company expense and a decline in premium revenues.

Total company expense rose ¥9.4 billion year-on-year to ¥149.2 billion. The main factors were a ¥3.2 billion increase in personnel expenses and a ¥7.6 billion surge in nonpersonnel expenses. These included system development and other investment expenses aimed at improving corporate quality.

■Forecast for the full year: MSI Group Holdings (Consolidated)■

Now I will look at our earnings forecasts for full-year fiscal 2008. Please turn to Page 11.

Firstly, we expect consolidated net premiums written to decline 4.1% to ¥1,473 billion.

This reflects our belief that the difficult operating conditions faced by subsidiaries in Japan and overseas will continue in the near term.

Turning to earnings, we expect Group consolidated ordinary profit to fall ¥51.9 billion year-on-year to ¥9.0 billion, and net income to fall ¥20.0 billion to ¥20.0 billion.

■Forecast for the full year: MSI (Non-consolidated)■

Please turn to Page 12. Next, I will discuss earnings forecasts for MSI non-consolidated.

We expect net premiums written to fall ¥50.8 billion year-on-year to ¥1,256 billion, due to the CALI premium rate revision and the worsening economic environment in Japan.

We see underwriting profit rising ¥34.1 billion year-on-year to ¥14.5 billion, chiefly on declines in incurred losses in the automobile line and lower provisions to the catastrophe reserve.

However, net investment income is expected to decline ¥33.8 billion year-on-year to ¥44.0 billion, weighed down by a ¥71.4 billion appraisal loss on securities, assuming the financial crisis continues.

As a result of the above, ordinary profit is expected to be nearly unchanged year-on-year, at ¥55.0 billion. We see net income increasing ¥27.6 billion year-on-year to ¥66.0 billion, due partly to reversal of the price fluctuation reserve.

■ Forecasts for the full term, MSI Non-consolidated: Company expenses and expense ratios■

Now I would like to discuss our forecast for expenses at MSI non-consolidated. Please turn to Page 14.

We expect the net expense ratio to increase 2.4 points year-on-year to 34.2%, reflecting further investments during this fiscal year in improvement of corporate quality, and an expected decline in insurance premiums.

■Special Note: Effects of the current financial crisis on the Company's financial results■

Now please look at the diagram in the lower part of Page 18. I would like to say a few words now about the loss at our European insurance subsidiary.

The conceptual diagram shows the structuring of each credit insurance item at Mitsui Sumitomo Insurance (London) Ltd., our European subsidiary.

Underwritten with pooling of credit risk for multiple companies, this insurance is designed to provide coverage for those companies in the pool that go bankrupt. It compensates the policyholder for aggregated loss claims in excess of a certain attachment point.

Since the collapse of Lehman Brothers in September, there have been multiple failures at financial institutions, including those insured by us, due to turmoil in financial markets. As a result of this, we have seen insurance accidents affecting multiple contracts.

Of total expected payouts, $355 million are reflected in first-half results. In light of the current environment in the financial sector, we expect a full-year loss at this subsidiary of $433 million, or ¥45.0 billion, due to additional booking in the second half of outstanding claims up to the coverage limits for amount in force. Since these payouts are at the limits set in policies in force, there is no question of new burdens arising in the coming fiscal year and beyond.

We have strengthened the capital position of the subsidiary in question without delay.

The Group has sincerely taken on board the lessons of these events, and has begun improving its risk management posture. I will say more about this later, with a different slide.

That brings to an end our discussion of first-half results and full-year forecasts. Now I would like to turn to Group strategy. Please see Page 21 of your materials.

■Strategy of MSIG following the rise of the financial crisis■

As I mentioned before, the sudden, unprecedented financial crisis has had a considerable impact on Group operations. However, our financial position remains very sound, even under current circumstances, due to our strengthened capital and risk management. Accordingly, we have made no changes to New Challenge 10 and other med-term planning and strategy.

Looking ahead, we will continue steady implementation of policies under our new holding company structure. I will turn to some of these policies now.

Firstly, redeployment of human resources within the Group.　From fiscal 2009, we plan to shift some 500 people from traditional operations to growth fields.

Secondly, promotion of Group shared services. We plan to strengthen our infrastructure for shared services.

And thirdly, steady investment in new businesses.

However, uncertainty clouds the future of financial markets. While monitoring key indicators, we will review and revise our plans whenever necessary. I will give more detail about this in the next information briefing.

■Risk management structure developed in response to the financial crisis■

Now please turn to Page 22. As you will see on the lower part of the page, we are taking measures, centered on the holding company, to position the Group to better manage risk.

However, in light of the financial crisis, we will undertake additional measures, as shown on the right-hand side of the slide, strengthening early-warning mechanisms including those relating to the current market turmoil.

■Measures to balance revenues and expenses in voluntary auto■

Now I would like to say a few words about achieving a better balance of revenues and expenses in the automobile line, a priority for us, and investment management.

Please turn now out to Page 24, which deals with our policies for achieving a better balance of revenues and expenses for the automobile line. As the diagram shows, we are undertaking three main initiatives: revision of product lineup, measures to attract high-quality policyholders, and measures to reduce accidents.

As a result of these initiatives, the first-half earned-incurred loss ratio has improved greatly, by 3.4 points year-on-year to 60.1%, excluding loss adjustment expenses and other items. The loss ratio has improved steadily year-on-year from its fiscal 2006 peak. The main reason for the loss ratio improvement is lower incidence of accidents, but we believe we are also seeing the fruits of a Groupwide effort to achieve a better balance of revenues and expenses.

Looking ahead, we expect to see further benefits from higher premium rates on new products launched in July, meaning that the improvement in the full-year loss ratio is also likely to surpass initial expectations.

■Investment management (1)■

Now I would like to look at investment management. I would ask you to turn to Page 25.

As of September 30, 2008, the balance of our investment portfolio stood at around ¥6.1 trillion, a decline of around ¥500 billion from March 31, 2008, due in part to the global financial crisis.

In our first-half results, we booked a ¥42.4 billion appraisal loss on securities, for which a breakdown can be found in the lower part of the slide. In addition to falling share prices, we were hit badly by dramatically shrinking valuations of bonds of US and European financial institutions following the collapse of Lehman Brothers.

In the lower part of the page, you will find details of portfolio balances by bond rating. Most of these bond ratings, for both Japanese and foreign securities, range from Triple A to Single A.

■Investment management (2)■

Please turn to Page 26. I now want to look at future directions for our investment policy.

As you can see from the section titled “Approaches to Investment Management” in the second half of the materials, MSI can broadly be said to hold two kinds of asset. One comes under the reserve account, comprising deposits by customers who have bought our savings-type products; the total amount in this account is around ¥2 trillion. This portion, mainly comprising bonds, is managed based on ALM (asset-liability management) principles.

The other portion comes under the general account, with a balance of around ¥4 trillion.

Our policy here is to expand returns through investment diversification in Japan and abroad, while controlling interest-rate risk.

We have made no changes to our basic approach to portfolio management.

However, in light of market upheaval triggered by the collapse of a string of financial institutions in the US and Europe, we have partially revised general account policy. I will turn to that now.

First of all, risk assets have tended to move more in lockstep than would be expected in normal times, meaning that diversification has had little effect in preventing values from falling. In light of this phenomenon, and of liquidity issues, we will consider reviewing our asset allocation.

Next, I would like to say a little about policy for each category of assets.

To alleviate foreign-exchange risk, we are reducing our balance of foreign-currency-denominated bonds to some extent and increasing funding for hedging against forex risk, as part of our reallocation of assets.

Bonds are pivotal to our portfolio. We have pursued rigorous credit risk management to date. In the future, we plan deeper portfolio diversification among different sectors. In addition to relying on external ratings, we will give more priority in our credit-risk management to issuer share-price movements and other factors.

Our exposure to hedge funds is relatively small, accounting for just 1.7% of our portfolio, in line with our principle of selective investment. However, only the strongest hedge funds are likely to survive the current turmoil in financial markets. We are suspending new investments in these funds for the near term while strengthening monitoring of existing investments.

■Investment management (3)■

Page 27 contains details of our strategic stock-holdings.

Stocks strategically held for customer relations are literally “strategic” investment assets for the Company. They enable us to maintain stable, longer-term relationships within the insurance sector and develop new marketing channels such as over-the-counter sales at banks. This is why we call them “strategic stock-holdings.”

Under our strategic stock management policy, we will review rates of return and adjust our existing portfolio of stocks as necessary. At the moment, listed stocks alone in our portfolio total around 1,000. In the five-and-a-half years since 2002, we have sold off or otherwise disposed of shares of around 500 of these stockholdings under a portfolio revamp. At the same time, around 180 new stocks were purchased in a drive to increase stock purchases.

As a result of these sustained measures to improve returns, over the past three years we have achieved an average return of around 1.3% in domestic insurance premiums, against strategic stockholdings at market value. In addition, investment gains on shares have become a source of returns for us. Portfolio performance has wilted during the current fiscal year due to the plunge in stock prices, but stocks of premium customers in which the Group has shareholdings can be expected to deliver good returns over the mid-to-long-term.

■Credit derivatives■

Now I would like to say a few words about credit derivatives and inward reinsurance operations, which come under our financial services business. Please turn to Page 33 for more details.

Turning first to credit derivatives, the total notional amount underwritten in this business ended the half at ¥597.7 billion, on a par with the total at March 31, 2008.

Ratings for credit risk underwritten by MSI remain at a high level, with 64% of a total portfolio underwritten of ¥173.8 billion rated at “Double A” or higher, and 96% at “Single A” or higher.

We have likewise maintained “Triple A” ratings on 98% of CDO tranches on a notional amount basis. As of September 30, 2008, the average subordinated proportion stood at 18%.

CDOs underwritten include ¥11.1 billion tranche that includes US sub-prime, but actual exposure to sub-prime is effectively zero because the total subordinated proportion is set at a higher level than the sub-prime total.

For fiscal 2008, we booked an first-half appraisal gain on credit derivatives of ¥6.0 billion. In the first-half period, we have expanded the scope of application of our in-house model for fair-value appraisal.

The outlook for the credit derivatives markets remains unclear. At the moment, we have suspended all new underwriting of credit derivatives, and are considering future measures while watching market movements.

■Inward reinsurance from US monolines■

Now I would like to look at inward reinsurance from US monolines. You can find details on the next page.

The balance of guarantees stood at ¥710.5 billion at September 30, 2008. Of this total, real exposure to US sub-prime assets stood at ¥1.8 billion.

Turning to underwriting portfolio balances by rating, 74% of assets were “Single A” or higher, and 96% were “Triple B” or higher, showing that the portfolio overall remains very sound.

A total of ¥1.7 billion in total payout and outstanding claims was booked for the first-half period, including losses from RMBS.

Currently, major restructuring is underway in US monoline businesses. Underwriting has been suspended except for public finance like municipal bonds.

■Capital policy■

Capital policy is discussed on Page 35. As I mentioned before, the Group still has a sound financial position despite the financial crisis. Accordingly, we have made no changes to our basic capital policy.

We have created a special team within the holding company to handle M&A matters. While carefully reviewing our investments, we will continue to tap good investment opportunities.

■Shareholder return: policy and track record■

As you will see from Page 36, we have likewise made no change to our policy on return to shareholders, to whom we aim to deliver around 40% of Group Core Profit.

No change is planned in dividend policy, either. A stable dividend remains our policy, with a basic trend of increase over the longer term. We expect dividend payments for the current term to be in line with initial forecasts.

That the end of my presentation. Thank you very much.

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