Presentation by President
May 29, 2008

Good afternoon, ladies and gentlemen. I am Toshiaki Egashira, President of the Company. First let me thank you for taking time out of your busy schedules to gather here today.

(Shift to a Holding Company Structure)

First I would like to discuss our upcoming shift to a holding company structure. Please look at page 3.

On April 1, we established MSI Group Holdings, Inc. and shifted to a holding company structure.

As you already know, on July 1, three companies—Kirameki Life, MSI MetLife and Mitsui Direct General—will be placed directly under the holding company.

The shift to a holding company structure was part of reinforcement of the base of business administration to ensure implementation of the strategies of the Group under the “New Challenge 10”, a medium-term management plan.

The holding company will have overall control of areas such as development of strategies, allocation of managerial resources and supervision of the group companies. The group companies will concentrate on conduct of business in their business domains. Under this structure, we will accelerate the growth of each of our five major businesses.

Next, I would like to discuss the three purposes behind the shift to a holding company structure.

The first purpose is reinforcement of business administration structure and pursuit of group synergies. By the overall control by the holding company from the viewpoint of optimization of the group as a whole, we will establish the group’s corporate governance structure where the holding company plays a central role.

We will also develop a strategic approach across the group companies by taking advantage of the customer bases and business know-how of the group companies, and redistribute managerial resources flexibly.

Second is realization of flexible response to market changes. After clarifying the strategic roles and responsibilities of the group companies, we will delegate authority to them, enabling them to focus on implementation within their respective business domains. This structure will enable the group companies to understand changes in the business environment correctly and to respond to market changes more flexibly based on prompt decision-making.

Third is development of human resources through diversified business structures and personnel management systems. By introducing a managerial and organizational structure and a personnel management system tailored in response to the business domains and market environments faced by each of the group companies, we will broaden the areas of activities of the officers and employees of the group and bring their potential into full play.

By bringing these functions of the holding company into play, redistributing managerial resources based on business environments and responding to market changes flexibly through exertion of the group companies' competitiveness, we will build up the corporate value of the entire group. The screen here shows the process of building corporate value.

In traditional markets, we will increase profits by boosting productivity through business process innovations and by bolstering profitability through product revision and rigorous underwriting.

By shifting managerial resources from traditional to new markets, we will also expand our profit base. We will strengthen marketing through new channels such as banks and Japan Post and accelerate growth by stepping up investment in growth businesses within the group and entering new businesses.

By these activities in traditional and new markets, we will build up corporate value and make stable returns to shareholders. At the same time, we will further build up corporate value by accelerating the strategy cycle and reinvesting.

(Mitsui Sumitomo Insurance Co., Ltd.: Outline of the Financial Results for FY2007)

Next, I would like to look briefly at the business performance of Mitsui Sumitomo Insurance in fiscal 2007.

First, I will briefly discuss net premiums written and net income, both on a consolidated basis.

We were unable to prevent a 1.3% drop in net premiums written by MSI only, but as a result of a 36.9% jump in revenues at subsidiaries, net premiums written totaled ¥44.3 billion on a consolidated basis, up 3.0%.

Higher revenues at subsidiaries reflected a strong performance by overseas businesses and the inclusion from the term under review of the business results of Mitsui Direct General, which became a subsidiary in the previous term.

Turning to the bottom line, consolidated net income came in at ¥40 billion, ¥20.7 billion less than in the previous term. The main reason for this was a ¥16.9 billion decline in profit for MSI alone, due chiefly to lower net investment income, and a ¥4.0 billion decline for subsidiaries taken as a whole.

Next, I would like to look more closely at the business performance of MSI alone.

Underwriting profit improved by ¥15.0 billion year-on-year.

In addition to a ¥17.5 billion decline in net premiums written, net expenses increased by ¥15.8 billion due to the cost of forward-looking investments to raise corporate quality. However incurred losses, for reasons I will turn to next, were down ¥58.3 billion year-on-year, enabling us to increase underwriting profit.

The main reasons for the decline in incurred losses were the infrequency of major natural disasters, a lower balance of outstanding claims denominated in foreign currencies—due to the strong yen—and lower provisions to the reserve for incurred-but-not-reported (IBNR) items.

However, investment income declined ¥38.6 billion year-on-year. This was due chiefly to a ¥22.5 billion year-on-year decline in net gains on derivative transactions due to falling market values of credit derivatives and an increased loss on devaluation of securities.

As a result, net income for the period declined by ¥16.9 billion.

Next, I would like to say a little about the revenue growth rate, loss ratio and expense ratio for MSI alone.

Although net premiums written in the marine line increased by 3.6% year-on-year, they declined in other lines including automobile and fire insurance, causing net premiums written to decline by 1.3% across all lines.

The loss ratio improved for the fire line as payouts for natural disasters declined, but rose in other lines. This was due chiefly to an increase in payouts for major accidents and an increase in loss adjustment expenses following a strengthening of our claims handling operations.

Turning to the automobile line, where achieving a better balance of revenues and expenses is a major issue, the loss ratio rose due to a decline in premiums, but total payout went into decline.

The diagram below summarizes expenses.

Total company expenses rose by ¥18.8 billion year-on-year, and total operating expenses increased by ¥15.7 billion, reflecting aggressive investment of management resources in improvement of corporate quality through measures such as improvement of insurance claims handling procedures and development of innovative new systems in various areas.

I will turn later to investment management, and non-life and life insurance subsidiaries.

(Mitsui Sumitomo Insurance Group Holdings, Inc.: Result Forecast for FY2008)

Next, I will turn to our full-year business forecasts for fiscal 2008. Please look at page 15.

First, I would like to say something about consolidated net premiums written.

We expect net premiums written to decline 2.7% to ¥1,495 billion in fiscal 2008.
We see the main reason for this being an estimated ¥37.0 billion drop of premiums written of MSI alone due to lowered premium rates for compulsory automobile liability.
At overseas subsidiaries too, we expect net premiums written denominated in Japanese yen to show some decline. However, since we have already factored a high yen into our targets, we expect foreign currency-denominated net premiums written to increase.

Meanwhile, we expect net income to come in at ¥52.0 billion, a rise of ¥12.0 billion from last year.

The main factor here is likely to be a ¥11.6 billion increase in net income of MSI alone from recovery in investment income, which declined in the previous term.
Turning to subsidiaries, we expect results at overseas units to continue to improve, while we foresee a reduction in red ink at MSI MetLife and Mitsui Direct General.

Now I will turn to our forecasts for the full year for MSI alone.

As just mentioned, net premiums written are likely to decline due to a reduction in premium rates for compulsory automobile liability, but would increase by 0.3% when this factor is stripped out.

Due to the impact of lower premium rates for compulsory automobile liability, the loss ratio, expense and other ratios are likely to rise.

However, because compulsory automobile liability is offered on a so-called “no loss, no profit” basis, the decline in premium revenues due to lower rates does not impact the bottom line.

We expect an underwriting profit of ¥37.0 billion in the negative, a ¥17.4 billion decline from the previous year. We have factored in a ¥20.0 billion loss from natural disasters, and in addition expect a ¥16.0 billion year-on-year increase in company expense due to continuing aggressive investments to improve corporate quality.

We expect net investment income to increase ¥34.7 billion year-on-year to ¥112.5 billion. We have factored into this forecast a likely decline in interest and dividends received from investment trusts, offset by recovered gains on derivatives.

As a result, we forecast ordinary profit of ¥72.0 billion and net income of ¥50.0 billion, an increase of approximately 30% year-on-year.

(Medium-term Management Plan: New Challenge 10)

Now I would like to look at progress and future measures in the New Challenge 10 mid-term management plan. Please turn to page 21.

The bar chart shows the transition forecast for Group Core Profit from fiscal 2007 through 2008.

As you see, Group Core Profit is a target benchmark unique to MSI Group that indicates ordinary profitability of the whole Group. We also use it as a baseline figure for calculating volume of return to shareholders.

To appropriately express the Group’s ordinary profitability, such factors as “capital gains on stocks held” or “evaluation gains and losses on credit derivatives” are supposed to be excluded from calculation.

In this regard, Group Core Profit was more or less in line with our target of ¥66.0 billion even in fiscal 2007, when an evaluation loss booked on credit derivatives weighed down net income.

However, in fiscal 2008, despite an expected rebound in net income, we see Group Core Profit declining to ¥44.1 billion, due chiefly to reduced Core Profit in the domestic non-life insurance business.

Please see the notes in your information pack for more details on the decline in core profit in the domestic non-life insurance business. As you see, we expect declines of approximately ¥11.2 billion in underwriting profit and ¥11.6 billion in investment income.

The bar chart shows how we plan to reach Group Core Profit targets for fiscal 2010.

With regard to numerical targets for 2010, we expect minor revisions for net premiums written in light of changes in the business environment after the launch of New Challenge 10 due to factors such as lower premium rates for compulsory automobile liability, but we have made no change to key targets such as Group Core Profit.

As I mentioned before, we expect some decline in Group Core Profit in fiscal 2008, but as the chart shows, we target major increases between then and fiscal 2010.

For us to meet our Group Core Profit target in fiscal 2010, that is ¥100.0 billion or more, a key factor will be increasing profit in domestic non-life insurance business. To do this, we are determined to improve the loss ratio, cut company expense and increase investment income.

Please look now at our measures for improving individual profit categories. I will go into more detail for each category.

The first thing is improvement of the earned-incurred loss ratio. In this regard, we intend to step up measures to secure a better balance of revenues and expenses for our automobile insurance line, and extend them to other lines. A further contribution to improvement of the loss ratio will be an increase in premiums on new automobile insurance products launched this year.

The second point is reduction of company expense. We expect general expenses from forward-looking investments to date in quality improvement to show signs of decline from fiscal 2009.

Thirdly, we need to increase investment income. In addition to improving profitability through rearrangement and reallocation of assets, we expect moderate rises in interest rates and stock prices.

Through these initiatives, we aim to increase Core Profit in domestic non-life insurance business, positioning us to meet our target of Group Core Profit in fiscal 2010: ¥100.0 billion or more.

Moving on, I would like to explain the measures for achieving a better revenue-expense balance in automobile line.

This term, we have added two measures to those of fiscal 2007: revision of products and premium rates, and stepping up sales of policies with favorable loss ratios in the non-fleet sector.

Turning first to revisions of products and premium rates, we have already launched new products in May for policies going into effect from July 2008. Insurance premiums have been raised on these new products, and we expect them to make full contributions to improvement of the loss ratio by fiscal 2010.

In measures to sell policies with better loss ratios in the non-fleet sector, in new products we have introduced or expanded discounts for policyholders with good long-term safety records, and for customer segments of younger drivers with favorable loss ratios. This drive to win new policyholders through new products will further spur loss ratio improvement.

As the loss ratio graph shows, we expect the above measures to greatly improve the loss ratio between fiscal 2008 and fiscal 2010.

Page 25 shows our business process innovation, measures aimed at improving quality in our domestic non-life insurance business.

I believe the quality improvements we aim to achieve through the business process innovation program will spur greater operational efficiency and expansion of premium revenues.

In pages 26 to 28 you can track our progress to date in areas such as products, marketing and claims handling, and read details of future initiatives. Unfortunately, time restrictions prevent me from saying more on this subject.

Please look now at page 29.

Supported by its proprietary business model focused on the internet, Mitsui Direct General has achieved double-digit revenue growth year after year. Although we expect this company to post another net loss for the current term, we anticipate it can emerge from red ink on a single-year basis in fiscal 2010.

Now I would like to say a little about marketing through banks and Japan Post channels.

It is said that the non-life and life insurance markets in Japan are mature. However, banks and Japan Post represent new distribution channels with high growth potential. At the moment, integrating the capabilities of our group companies, our Group is making exertions to get results from these channels.

It has already been decided that MSI MetLife shall supply variable annuity insurance products and Kirameki Life corporate insurance products to Japan Post Group. We expect marketing of these products to begin soon. Along with compulsory automobile liability and automobile insurance, which have already been distributed in the Japan Post Group, we expect to see some concrete results during the current fiscal year.

Now I would like to say a little about our life insurance business.

Getting back onto a recovery track during fiscal 2007, Kirameki Life increased its amount-in-force steadily. The amount-in-force of Kirameki Life at the year end exceeded ¥8,600 billion. Kirameki Life has also steadily expanded the number of policies of the new medical insurance products launched in November 2006.

The pro forma net income, that is, the income before provision to the standard underwriting reserve was ¥4.3 billion, down ¥2.5 billion year-on-year, due to changes to the method of provision to the underwriting reserve.

In addition, MSI MetLife posted a total year-end amount in force of over ¥2,500 billion. We saw a steady growth in new policyholders, though the pace was a little cooled down in a slumping market for personal annuity products due to weak conditions in the asset management market in general. The net income under US accounting standards exceeded ¥10 billion, showing that steady profit growth continues.

Based on the twin management plan goals of strengthening marketing and product development capabilities, and improving corporate quality, I believe the two life companies will build their businesses on the strength of a growing reputation for reliability. They should account for 20% of Group Core Profit in fiscal 2010.

For details regarding the embedded value of each company at the end of the term, please see your booklets later.

Next, I would like to say something about our overseas businesses.

European businesses posted a loss in fiscal 2007 due to unprecedented flood damage in the United Kingdom. However, steady earnings growth in Asian and reinsurance businesses, and a return by American operations to positive territory on an improved revenue-expense balance, yielded overall net income of ¥14.9 billion for overseas businesses. This was ¥3.2 billion more than in the previous year.

I am convinced we can overshoot our fiscal 2010 core profit target of ¥20 billion by expanding our scale of operations and strengthening the profitability of established businesses, and by aggressively investing in new areas.

Turning to investment in new businesses, Asian markets are our main candidate areas, including new life-insurance businesses. Within the holding company, we have established a dedicated department for stepping up investment in new businesses.

With the establishment in January 2008 of a regional holding company for European operations, we have created a three-region holding company structure, the other two corners being Asia and America. As we pursue global business development, this enables us to decide and implement regional business strategy in closer contact with local markets and enables us to move more quickly. We aim to further step up the pace of business development.

Now, I will turn to investment management.

Our basic investment policy is to expand net asset value by building up added value after deduction of all costs from returns.

In implementing this basic policy, our first priority is risk control based on asset liability management. Specifically, this means sound reserve account management with neutralized yen-denominated interest rate risk, and, in general accounts, diversified investment including investment in new forms.

Asset allocation targets under this basic policy are expressed as our “basic portfolio” to be completed at the end of fiscal 2010.

The left-hand arrows on the screen show upward and downward trends in major assets ahead of the compilation of the “basic portfolio.” In yen-based interest-rate assets such as bonds and loans, we are shifting to long-term assets. We will continue to reduce stockholdings, and will gradually increase our investments in alternative products.

Please see the notes in the materials provided to you for details of investment asset sensitivity to interest rates and forex movements.

Now I would like to say a few words about investment strategy for fiscal 2008.

In fiscal 2008, we will continue to take measures to reduce interest-rate risk by shifting into longer-term yen-denominated bonds, while steadily reducing risk exposure from stockholdings.

We will continue our steady reduction of stockholdings, working on selection of stocks to hold on to and to offload, under our policy of stock reduction totaling ¥500 billion by fiscal 2010.

We aim to continue business on credit risk through commitment to corporate bond investment and loans to individuals, thereby improving profitability.

With regard to alternative investments, which have little correlation with traditional assets, we will continue to increase investment focusing on funds of funds and private equity.

Turning to credit markets, we now face a lingering credit crunch triggered by the sub-prime crisis in the United States. But we are achieving solid results, while keeping a cautious stance, through investments in corporate bonds based on a “fundamentals” approach of analysis of issuers’ financial standing, and diversified investments in alternative instruments.

Next I would like to say a little about credit derivatives and inward reinsurance, which are handled as our financial services business.

Turning first to credit derivatives, this business has underwritten a total notional amount of ¥604.2 billion. Of this total, the exposure to CDSs, where credit risks of companies have been underwritten, is ¥195.6 billion. The exposure amount of CDO tranches underwritten is ¥408.6 billion. Both amounts and proportions are almost unchanged from September 30, 2007.

Turning out to levels of credit risk underwritten, 65% of the CDS portfolio is rated Double A or higher, and 97% is Single A or higher; remaining at high levels. All CDO tranches underwritten are Triple A or higher, again maintaining a still higher level.

CDOs underwritten include US sub-prime exposures totaling ¥11.8 billion. However, the underlying exposure to sub-prime loans is effectively zero, due to the subordinated tranche in excess of the total of sub-prime loans included here.

As you see, ratings for our portfolio of credit derivative exposures remain high. We do not anticipate any realized losses, but due to the credit crunch that began around July 2007 guarantee rates have soared in the market, and for fiscal 2007 we have booked a credit derivative evaluation loss of ¥26.1 billion.

Market guarantee rates peaked in March 2008, and now are continuing to decline.

Moving on, I would like to say something about reinsurance ceded from US monolines.

At the end of March 2008, the balance of guarantees stood at ¥701.0 billion. The risks underwritten are the credit risks of US municipal bonds, ABSs and the like.

Of the portfolio balance, 73% is rated Single A or higher, and 98% Triple B or higher, maintaining strong levels.

In the ceded balance of ¥701.0 billion, our underlying exposure to US sub-prime loans is ¥2.1 billion.

Now I would like to say a little about our net asset value status and capital deployment.

The two columns on the left of the screen compare Group net asset value with total risk exposure.

The left-hand column shows our proprietary calculation of net asset value on a Group basis. At March 31, 2008, by this calculation, the total amount is approximately ¥2,700 billion.

From the right-hand column, our total risk exposure calculated by value at risk of 99.5% is ¥1,400 billion. Risk exposure grows to approximately ¥2,300 billion after a simulation test with such stresses as the trough reached by the Nikkei Stock Index as of March 31, 2003 after Japan’s economic “bubble” burst, and natural disaster damages equivalent to those experienced in fiscal 2004, the worst year in the post-war period.

We percieve the capital amount needed to cover this total risk exposure and continue our business as our minimum capital requirement. The approximately ¥200 billion representing the excess of net asset value over our minimum capital requirement will be invested in business fields with high growth potential or in profitable investment targets.

Investment in businesses with high potential forms part of the Group's growth strategy. We continue to aggressively identify and rapidly exploit attractive investment opportunities.

At the beginning of this presentation, I mentioned our shift to a holding company structure. I touched on our goal of reallocating management resources in a way more reflective of our business environment. We plan to accelerate these initiatives going forward, rapidly identifying and exploiting growth fields, including established businesses.

Next, I would like to discuss our policy for returns to shareholders.

MSIG has a basic policy of returning to shareholders, through dividend payments and share buybacks, approximately 40% of Group Core Profit earned for the year. We also aim to keep the dividend-per-share on a growth track. This policy remains unchanged.

In the left-hand graph on the screen, you will see total amount distributed to shareholders and total distribution ratio over the last four years. In the years between fiscal 2003 and fiscal 2006, distribution ratios have maintained levels above 40%.

The right-hand graph shows dividend payments over the last seven years. You will note the trend has been upwards.

In the notes to your materials are details of share buybacks. We cancelled all repurchased shares at the end of March 2008.

Lastly, I would like to discuss our index, “ROE based on Group core profit”.

“ROE based on Group Core Profit” is calculated by dividing Group Core Profit by consolidated shareholders’ equity. Group Core Profit, the numerator, does not include capital gains on stocks and so on. The reason for exclusion is that we believe an index which indicates ordinary profitability is adequate for Group profitability targets under the mid-term management plan.

I trust I can count on your understanding that we use different elements for calculating ROE than is usually the case.

If we factor 5.5% into the numerator calculation as expected return on the stock portfolio, “ROE based on Group Core Profit” rises slightly by more than 3 %. Accordingly, the 5% figure for “ROE based on Group Core Profit” under the New Challenge 10 plan actually corresponds to a figure higher than 8% of ROE.

That is all I have to explain to you today.

Thank you all for your patient attention.

(End of the presentation)