



Financial Situation and Business Strategies of Nissay Dowa General Insurance

June 3, 2008

Nissay Dowa General Insurance Co.,Ltd.

The Company is committed to regaining the trust of our customers, as a critical management issue in FY2007. For that purpose, we are devoting our energies to a sweeping reform of management quality in every category from the viewpoint of customers, as the highest priority issue for management quality. These reforms are taking place through a policy checking activity for all contracts, training for agents and employees, revisions to products and business processes and action to strengthen administration. We believe that accelerating these measures, raising the level management quality high enough to meet customer expectations, and regaining the trust of our customers will be the cornerstone for future growth.

FY2008 is the final year of the medium-term management plan introduced in FY2006. We are united in our quest to complete these management reforms and improve performance and productivity, and to fully execute our plan.

As we embrace the challenges of the future, we ask for your continued support.

I. Financial Review of FY2007

II. Management Policies for FY2008 and Priority Measures

Financial Highlights



Net premiums written in FY2007 decreased 2.5%, influenced by the worsening market environment, such as decreasing unit sales of new vehicles and housing starts, and the policy checking activity. The underwriting balance also decreased because of rises in the expense ratio and loss ratio.

However, the company secured current income of 12.4 billion yen and net income of 6.4 billion yen, reflecting the contribution of asset management.

	FY2006	FY2007	Increase/ Decrease
Net premiums written (billion yen) (Growth rate (%))	326.3 (1.4)	318.2 (▲2.5)	▲8.0
Net claims paid (billion yen) (Percentage change (%))	186.7 (5.3)	194.7 (4.2)	7.9
Loss ratio (%/P)	62.0	66.4	+4.4
Expense ratio (%/P)	32.3	33.5	+1.2
Underwriting balance (%/P)	5.7	0.0	▲5.7
Current income (billion yen)	9.6	12.4	+2.8
Net income (billion yen)	6.2	6.4	+0.1

Net Premiums Written by Line of Business



Net premiums written decreased in voluntary automobile insurance and fire insurance, which was influenced by the worsening market environment, and rate revisions for personal accident insurance and CALI. Net premiums written continued to increase in marine insurance.

	FY2005		FY2006		FY2007	
	Net premiums (billion yen)	Growth rate (%)	Net premiums (billion yen)	Growth rate (%)	Net premiums (billion yen)	Growth rate (%)
Fire	48.9	2.3	47.8	▲2.4	44.2	▲7.5
Marine	4.6	▲3.7	5.0	7.6	5.4	9.5
Personal Accident	29.9	▲3.9	30.4	1.7	29.9	▲1.7
Voluntary Automobile	159.5	0.0	160.9	0.9	159.9	▲0.7
CALI	40.3	▲2.7	39.2	▲2.7	38.5	▲1.6
Miscellaneous	38.4	3.5	42.8	11.6	40.1	▲6.4
Total	321.7	▲0.0	326.3	1.4	318.2	▲2.5

Analysis of Loss Ratio of Automobile Insurance



Premiums per contract in FY2007 fell 1.6% with the decrease in the number of new high-premium contracts. The overall number of contracts increased 0.6%, suggesting steady growth.

[Premiums per contract and number of contracts for voluntary automobile insurance]

	FY2005	FY2006	FY2007
Growth rate (%)	+0.6	+0.8	▲1.0
Change in number of contracts (%)	+1.5	+1.6	+0.6
Change in premiums per contracts (%)	▲0.9	▲0.8	▲1.6

Factors for the Decline

- Slumping acquisition of new contracts (Number of new contracts ▲9.1% compared to FY2006)
- Influenced by a worsening market environment and policy checking activity
- Escalation of grade and further discounts

Premiums by Channel



All channels except the corporate channel decreased because of the worsening market environment influenced by the decrease of new vehicle sales and housing starts, and policy checking activity.

[Sales accounts]

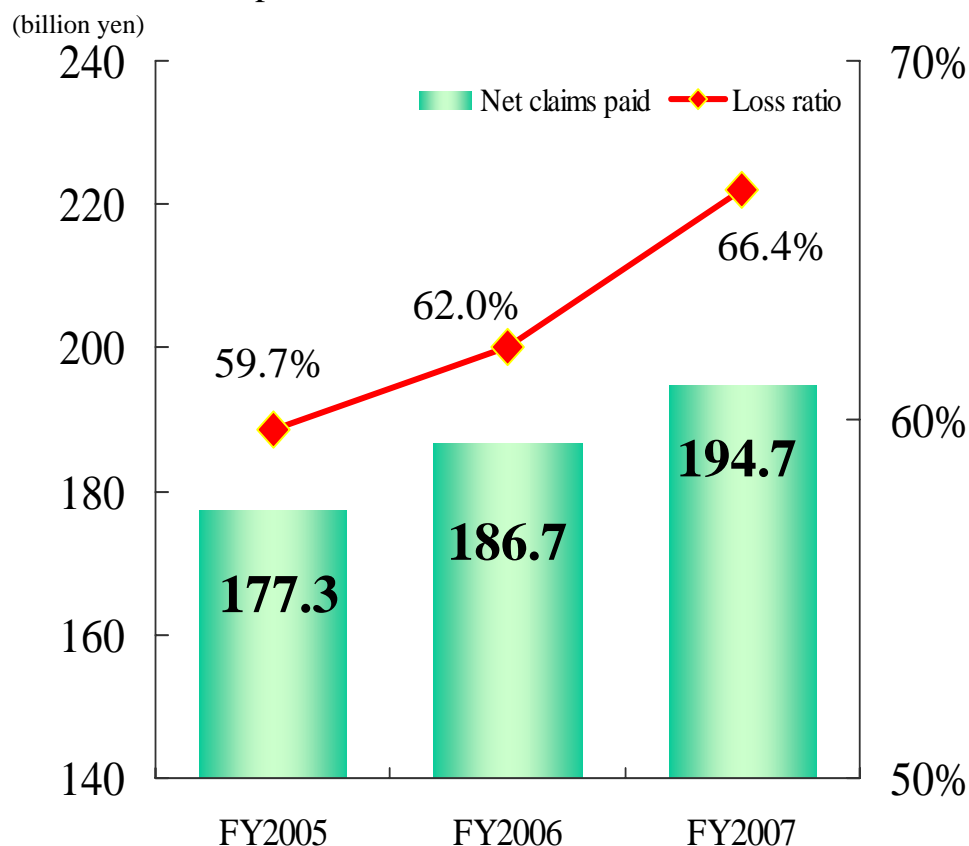
	FY2007 (billion yen)	Amount of increase (billion yen)	Growth rate (%)
Nippon Life sales staff	58.4	▲3.6	▲5.9
Professional agents	87.1	▲1.4	▲1.6
Corporate channel	73.6	2.0	2.8
Banks	17.8	▲2.5	▲12.4
Auto dealers	20.8	▲0.4	▲1.7
Auto repair shops	37.4	▲0.7	▲1.9
Miscellaneous	38.8	▲1.5	▲3.6
Total	339.1	▲8.0	▲2.3

Net Claims Paid and Loss Ratio



Net claims paid decreased in fire insurance because of decrease in natural disasters. Claims paid for voluntary automobile insurance and personal accident insurance increased substantially as a result of payment for nonpayment issues of incidental claims and accelerated payments. As a result, the loss ratio increased by 4.4 percentage points, to 66.4%.

[Net claims paid, Loss ratio]



[Net claims paid and loss ratio by line of insurance]

	FY2006		FY2007	
	Net claims paid (¥bn) (Change (%))	Loss ratio(%) (Change (P))	Net claims paid (¥bn) (Change (%))	Loss ratio(%) (Change (P))
Fire	21.2 (+16.1)	45.9 (+7.1)	17.1 (Δ19.0)	40.6 (Δ5.3)
Marine	2.6 (Δ5.3)	55.3 (Δ7.3)	2.6 (Δ0.5)	50.5 (Δ4.8)
Personal Accident	12.2 (+4.4)	44.9 (+1.5)	16.5 (+35.1)	60.3 (+15.4)
Voluntary Automobile	101.7 (+5.0)	69.2 (+2.8)	108.9 (+7.1)	74.9 (+5.7)
CALI	28.1 (+3.0)	78.4 (+3.9)	28.0 (Δ0.5)	79.5 (+1.1)
Miscellaneous	20.7 (+1.9)	50.5 (Δ4.8)	21.3 (+2.9)	55.5 (+5.0)
Total	186.7 (+5.3)	62.0 (+2.3)	194.7 (+4.2)	66.4 (+4.4)

Reforming the Service Quality of Claims Payments



We are undertaking priority initiatives to improve the service quality of claims payment in areas such as the administrative quality of claims payment, organization and personnel, education, and systems. As a result of these initiatives, the payment system is improving.

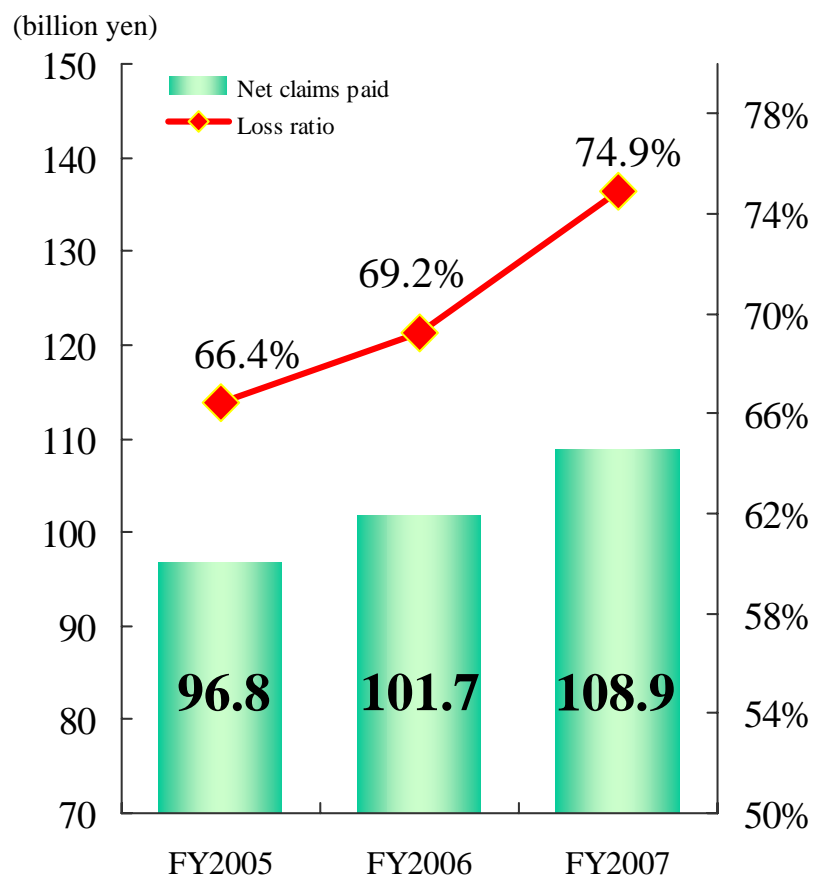


Analysis of Loss Ratio of Automobile Insurance



The loss ratio of automobile insurance increased by 5.7 points, to 74.9%, reflecting incidental claims payment and measures to accelerate payments.

[Net claims paid, Loss ratio]



	FY2006	FY2007
Net premiums written (Change(%))	160.9billion yen	159.9billion yen (▲0.7)
Net claims paid (Change(%))	101.7billion yen	108.9billion yen (+7.1)
Loss ratio (incl. claims expenses) (Change (P))	69.2%	74.9% (+5.7)

Factors of 5.7 points increase of loss ratio in automobile insurance

Special factors

Accelerating payments of long term cases
(6.7 billion yen, loss ratio 4.2%)
Increasing amount for incidental claims payment
(0.5 billion yen, loss ratio 0.3%)

Other factors

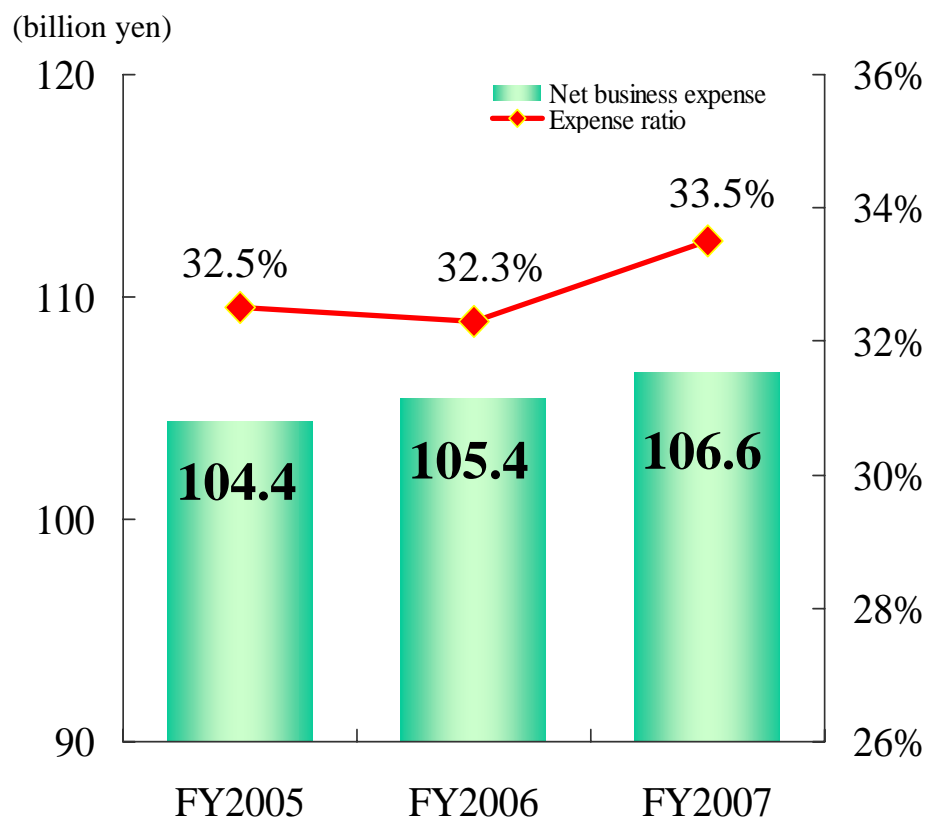
Increasing claims expenses
(1.1billion yen, loss ratio 0.7%)
Decreasing premiums
(▲1.0 billion yen, loss ratio 0.5%)

Expense Ratio



By investing aggressively in management quality innovation, net business expenses increased by 1.2 billion yen from the previous fiscal year. The expense ratio increased by 1.2 points, to 33.5%.

[Net business expenses, Net expense ratio]



[Breakdown of net business expenses]

	FY2006 (billin yen)	FY2007 (billion yen)	Increase/ Decrease (billion yen)
Personnel expense	21.9	21.5	△0.3
Non-personnel expense	25.7	29.5	+3.8
Taxes and others	2.3	2.2	△0.1
Net commissions and brokerage	55.3	53.2	△2.1
Total	105.4	106.6	+1.2

*Excluding claims expenses and investment expenses.

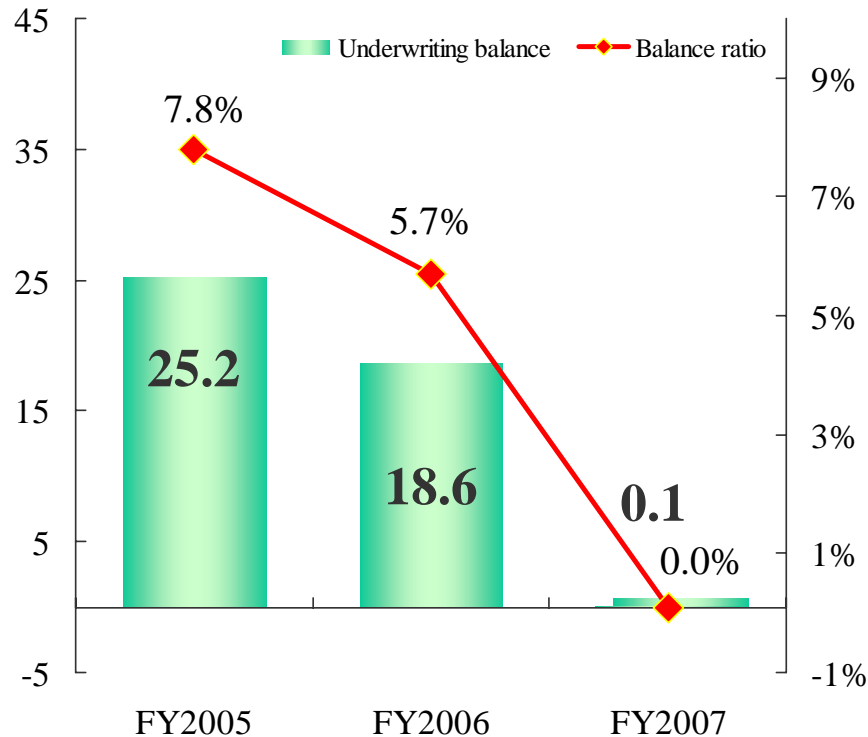
Underwriting Balance Ratio



The combined ratio (total of loss ratio and expense ratio) was 100.0%. The underwriting balance ratio therefore decreased by 5.7 percentage points, to 0.0% from FY2006.

[Underwriting balance, Balance ratio]

(billion yen)



	FY2006	FY2007	Change (P)
Loss ratio (%)	62.0	66.4	4.4
Expense ratio (%)	32.3	33.5	1.2
Combined ratio (%)	94.3	100.0	5.7
Underwriting balance ratio (%)	5.7	0.0	▲5.7

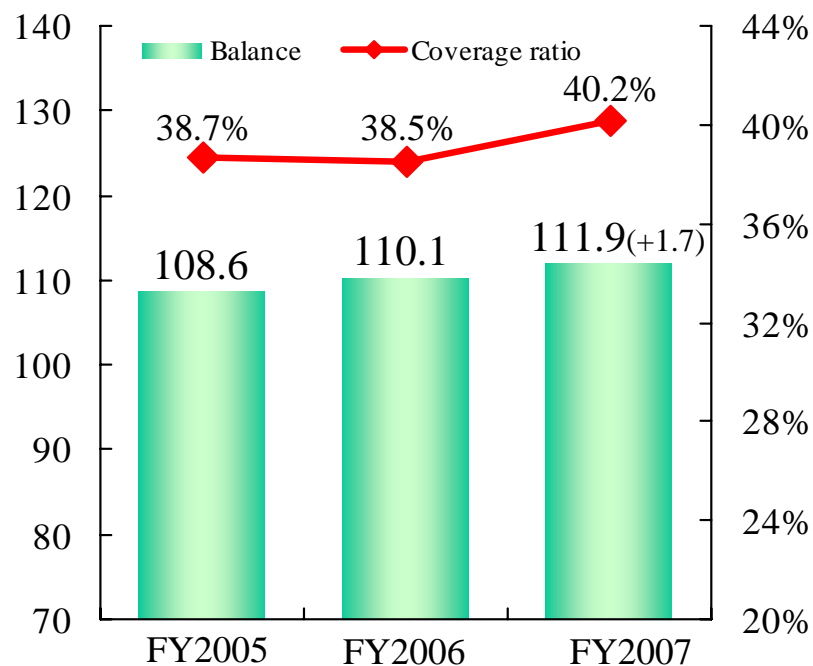
Catastrophe Loss Reserves



The total balance was 111.9 billion yen and the coverage ratio increased by 1.7 points, to 40.2%, from the previous fiscal year. For fire insurance, the Company made a planned transfer of catastrophe loss reserves in response to the change in the law, and the balance increased by 7.5 billion yen, to 51.0 billion yen, with the coverage ratio rising to 117.8%.

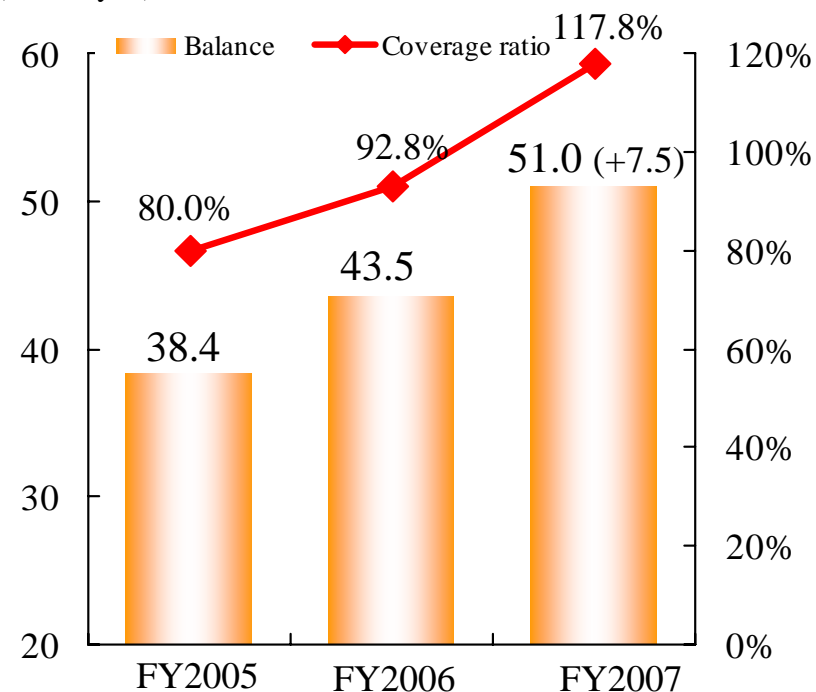
[Catastrophe loss reserves –Total]

(billion yen)



[Catastrophe loss reserves –Fire insurance]

(billion yen)

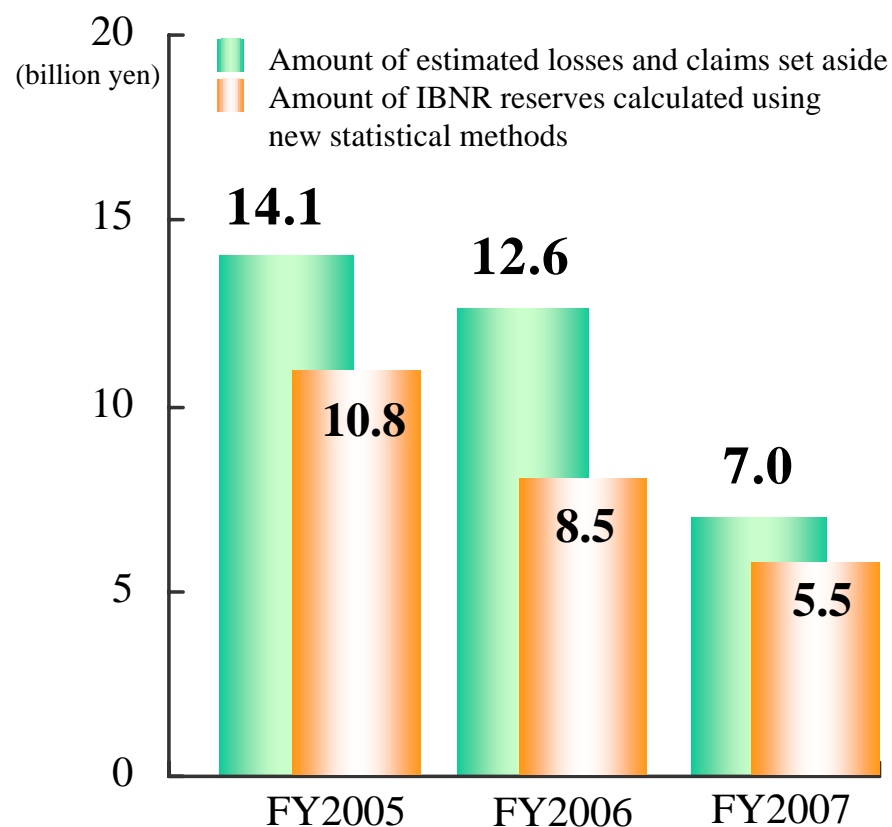


Influences of Statistical IBNR Reserves



The Company transferred 5.5 billion yen for statistical IBNR reserves due to increasing claims payments in automobile insurance. The amount of estimated losses and claims set aside was 7.0 billion yen in total.

[Breakdown of transferred amount –Total]



[Measures for FY2006]

- The Company calculated the IBNR reserves using a statistical method for subject categories other than automobile insurance and transferred an additional 8.5 billion yen in total.

[Measures for FY2007]

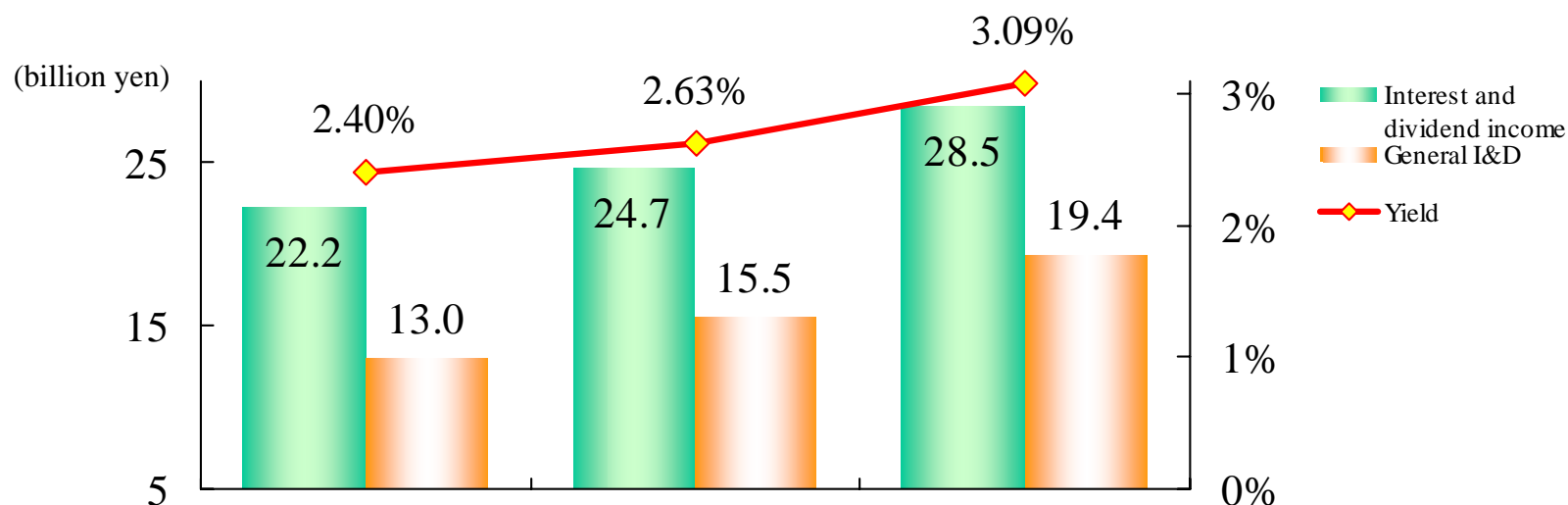
- The Company transferred 5.5 billion yen in total for all categories, applying statistical IBNR reserves.
- The transferred amount increased this FY with an increase in claims paid for automobile insurance by accelerating payments.

Interest and Dividend Income



Interest and dividend income increased by 3.8 billion yen, to 28.5 billion yen, and the yield rose to 3.09%. General I&D, or interest and dividend income after deducting investment profit from the maturity refund, which influences net income directly, increased to 19.4 billion yen.

[Interest and dividend income, Yield]



(billion yen)	FY2005	FY2006	FY2007	Increase/Decrease
Interest and Dividend Income	22.2	24.7	28.5	3.8
Public & corp. bonds	4.4	4.3	4.3	▲0.0
Stocks	5.2	5.8	6.8	0.9
Foreign securities and savings	9	9.8	12.6	2.7

Investment Results



Investment profit increased 7.3 billion yen, to 30.1 billion yen due to increases of interest and dividends and capital gains. The unrealized capital gain on marketable securities decreased to 167.5 billion yen due to a decline of the stock market.

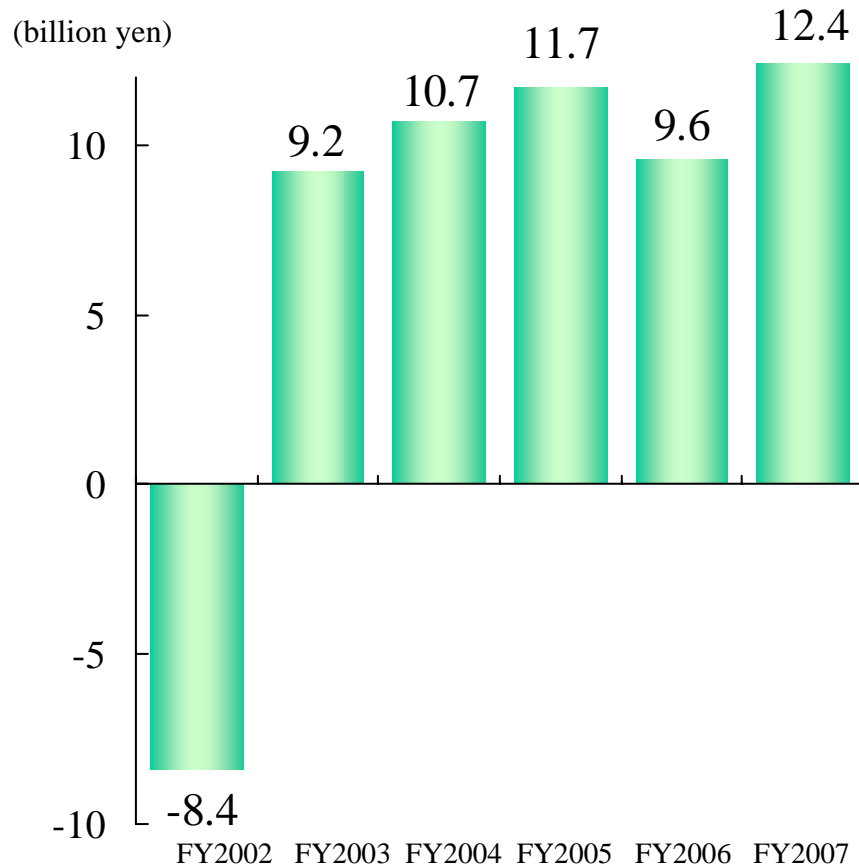
(billion yen)		FY2005	FY2006	FY2007	Increase/ Decrease
(Net) Interest and dividend		13.0	15.5	19.4	3.9
Capital gains		20.5	14.8	28.1	13.3
Other investment income		1.6	0.0	0.0	▲0.0
Investment Income -Total		35.1	30.4	47.6	17.2
Capital loss		2.9	2.6	9.9	7.3
Loss from revaluation of securities		0.0	0.2	0.7	0.4
Other investment cost		3.2	4.7	6.7	2.0
Investment Cost -Total		6.2	7.6	17.4	9.8
Investment Profit		28.9	22.7	30.1	7.3
Unrealized capital gain on marketable securities		317.8	322.0	167.5	▲154.4

Current Income and Net Income

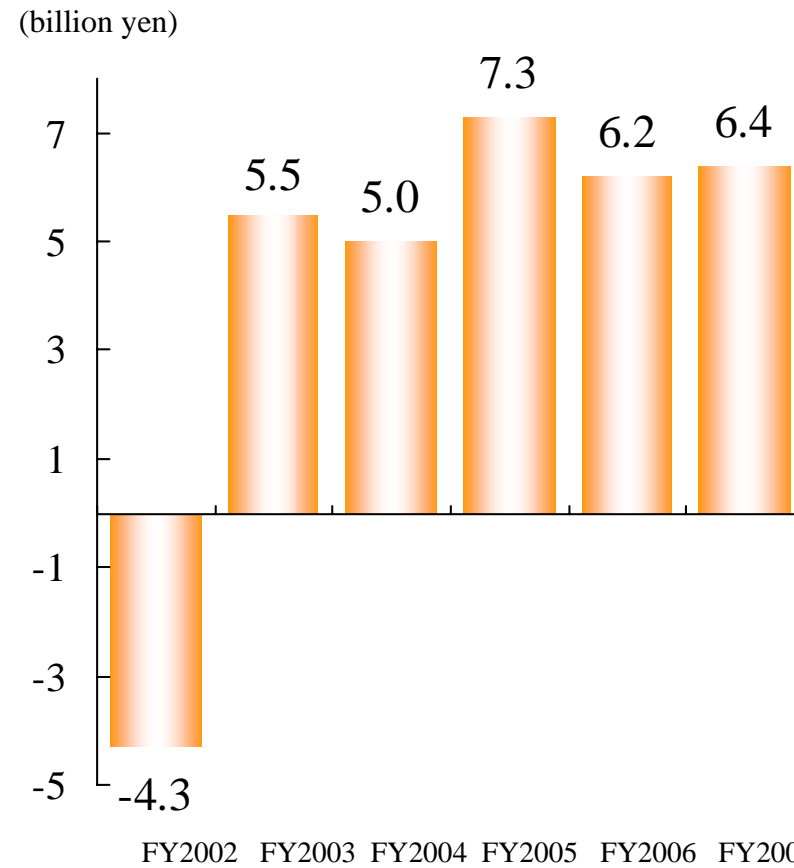


Current income was 12.4 billion yen. Net income was consequently 6.4 billion yen.

[Current income]



[Net income]

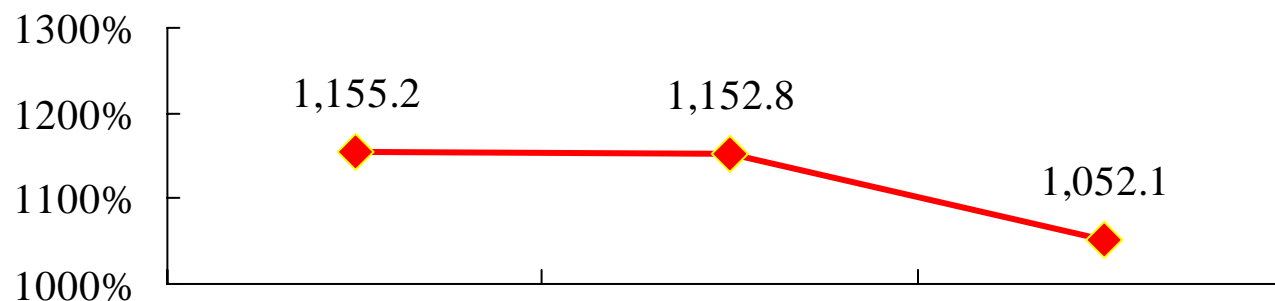


Solvency Margin Ratio



The solvency margin ratio decreased 100 points, to 1,052.1%, on a fall in the unrealized capital gains on marketable securities. The ratio continues to exceed 1,000%, making it one of the highest in the industry.

[Change in solvency margin ratio]



	FY2005	FY2006	FY2007
(A) Total amount of solvency margin	620.6	632.8	509.1
Catastrophe loss reserves	127.0	129.5	132.2
Unrealized capital gains	285.8	289.6	150.6
Unrealized profit and loss	4.7	5.0	13.0
(B) Total risk volume	107.4	109.7	96.7
Asset management risk	55.6	56.3	43.7
Disaster risk	45.7	46.9	45.4
(C) Solvency margin ratio [(A)/{(B)×1/2}]×100 (%)	1155.2	1152.8	1052.1

I. Financial Review of FY2007

II. Management Policies for FY2008 and Priority Measures

Fundamental Policies for FY2008



Capping measures for mid-term management plan

- Establish a solid status as the nonlife insurance arm of the Nippon Life Group.
- Institute policy checking activities and quality innovations, to improve performance and productivity.

Growth

- Strengthening the specialized channel in which the Company has advantage: Nippon Life sales staff and professional agents
 - Reconstructing a system of cross selling by Nippon Life sales staff
 - Further developing a market for small and medium businesses
 - Promoting a collaborative approach with NLI for large companies

Profitability

Loss ratio

- Decreasing claims payments by concluding special factors
- Ramping up efforts to pay claims fairly

Expense ratio

- Trimming expenses without exception and investing in quality

Soundness

- Transferring amounts for reserves deliberately

Properly deploying and training employees

Strengthening the ability to develop products

Improving clerical operations and infrastructure

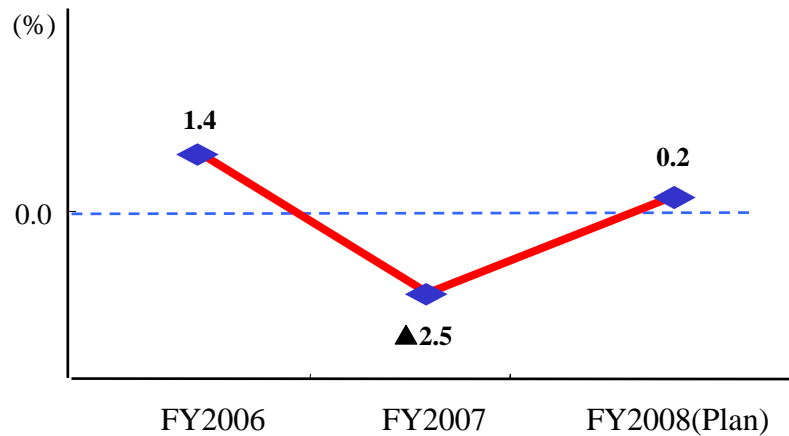
Incorporating incentives in the evaluation system

Practiced PDCA from the perspectives of customers and agents

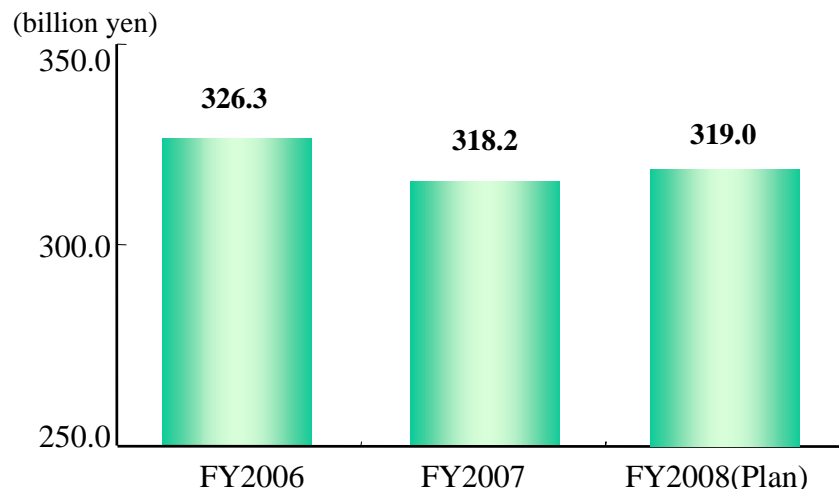
Getting Back on Track for Growth



[Net premiums written –Growth rate]



[Net premiums written –amount]



Growing factors	I. Strengthening to develop Nissay market	
	Individual	Have a medium-term goal of increasing ratio of selling both life and non-life insurance to 10%. <i>Strengthening</i>
	Small and medium-sized companies	Enter a large untapped market with NLI. <i>New</i>
	Large companies	Develop collaboration with NLI with staff seconded to NLI as the core. <i>Strengthening</i>
Control factors	II. Improving productivity through quality innovations for 16 thousand agents <i>Continuing</i>	
	III. Revising prices and coverage of automobile and fire insurance products <i>New</i>	
	<ul style="list-style-type: none"> • A worsening market environment • A substantially declining CALI insurance rate • Selecting non-self-sustaining agents 	

Developing Nissay Market (Retail market)



Nippon Life sales staff channel
(also called the “TS channel”)
New start-up

**Have a medium-term goal of increasing the ratio of selling both life and non-life insurance to 10%.
Include an activity to propose nonlife products in policy details checking activity by Nippon Life sales staff.**

Products and services

- Expand sales of automobile insurance product “Long”.
- Revise automobile insurance and simplified products.
- Offer “safety call” as an accident response.

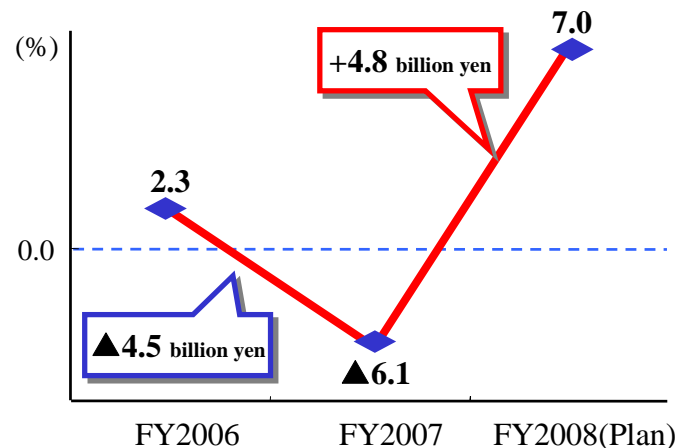
Infrastructure

- Bolster the customer service center functions.
- Introduce a new scheme of payments using mobile devices.

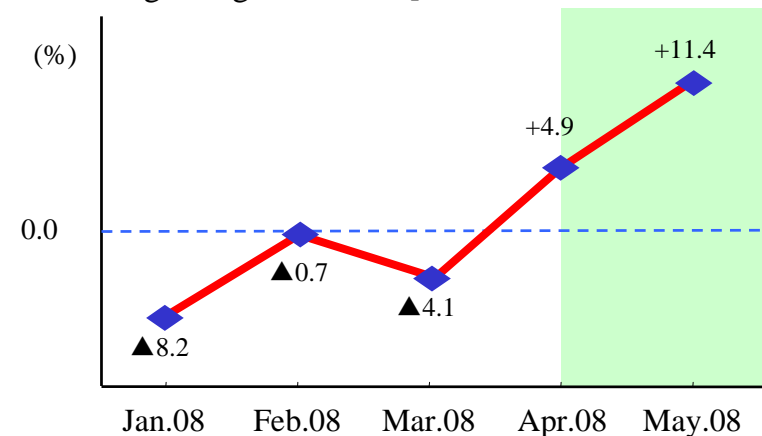
Evaluation

- Take the following items into consideration:
- Sell both life insurance and non-life insurance products.
 - Visit policyholders of “Long” annually.

[Ratio of increasing sales in Nippon life sales staff channel]



[Ratio of increasing in Nippon Life sales staff channel at the beginning of FY2008]

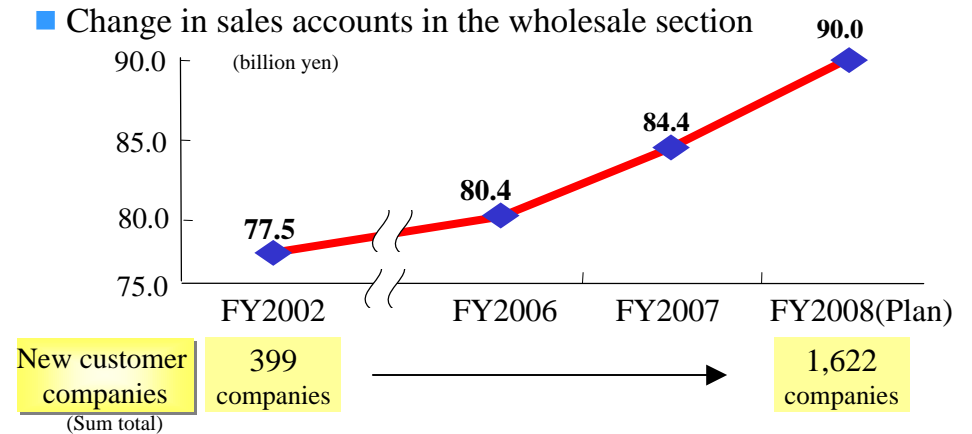


Developing Nissay Market (Wholesale Market)



Large companies

- **Developing cooperative relations with Corporate Relations Management Dept. of Nippon life (NLI)**
 - Developing business based on consulting proposals
 - Transferring our staff to NLI strategically



Using those techniques to develop

Small and medium companies

- **Developing cooperative relations with NLI branches**
 - Stationed staff at NLI
 - Developing the market with collaborative agents
- **Launching to develop a market with Metropolitan Area Corporate & Worksite Sales Office of NLI in Tokyo.** New
 - 250 staff in Metropolitan Area Corporate & Worksite Sales Office for developing
 - Strategic placement of our staff to NLI

- **Stepping up efforts to secure business from companies in the city center**
 - Approaching an abundant untapped market
- **Providing comprehensive risk consulting to companies and those employees**
 - ⇒ Developing the small and medium administrative market
 - ⇒ Supporting M&A for corporate agents

Expanding to Osaka and Nagoya subsequently (Planned)

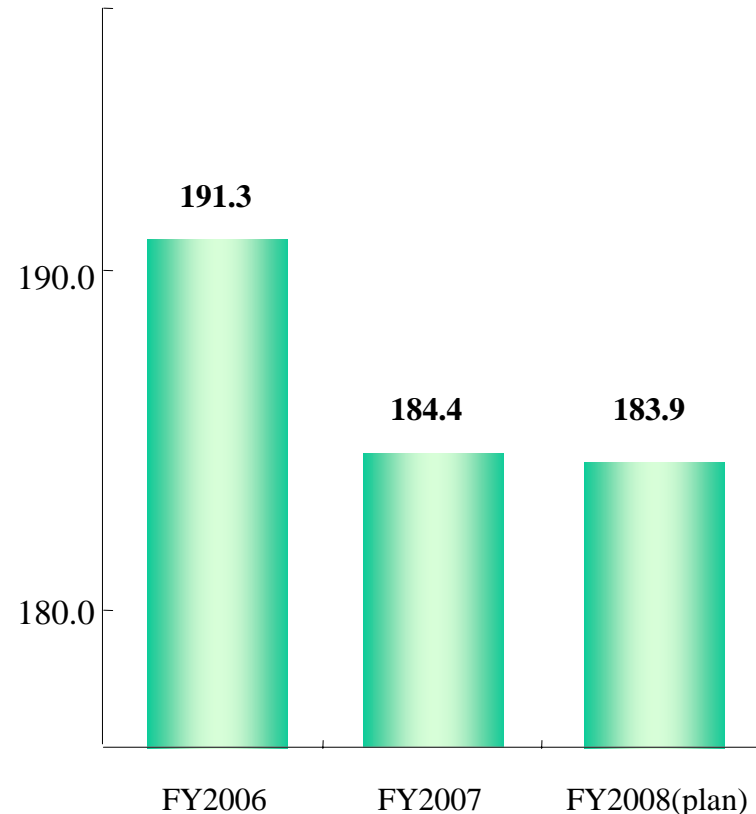
Strengthening the Retail Market



Expanding the network of high quality agents

[Sales account of retail market]

(billion yen)



Adding and Nurturing

■ Adding new excellent pro-agents

	FY2006	FY2007	FY2008(plan)
Number of new agents	214	122	250

Number of all agents	17,270 (Mar.06)	16,656 (Mar. 07)	15,886 (Mar.08)
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■ Nurturing core agents

Product

■ Revising products and introducing new products

- Concept: “Understandable” for customers and “easy to explain” for agents
- Automobile insurance (Apr.) , Fire insurance (Oct.)

■ Expanding sales of main automobile insurance product “Pitatto kun”

Teaching and Training

■ Establishing Sales Training Dept.

- Improving the teaching skills of staff instructing agents

■ Utilizing a Web-based training course for agents

■ Re-signing beforehand, properly controlling matured insurance contracts

Infrastructure and Institution

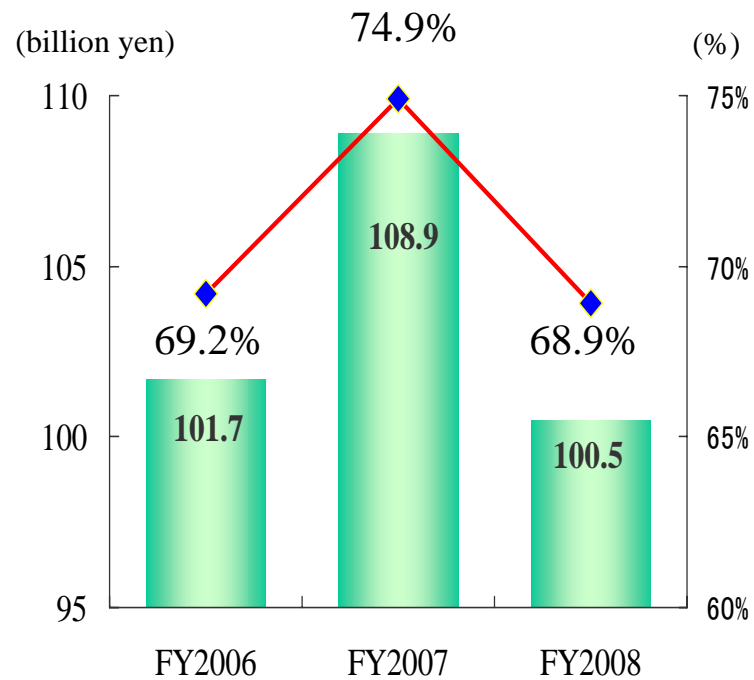
■ Enriching the function of the Web-based agent system

■ Establishing institutions: Renewing the license of non-life insurance agents and training insurance products for agents

Scenario for Improving the Loss Ratio of Auto Insurance



[Net claims paid, net loss ratio –Automobile insurance]

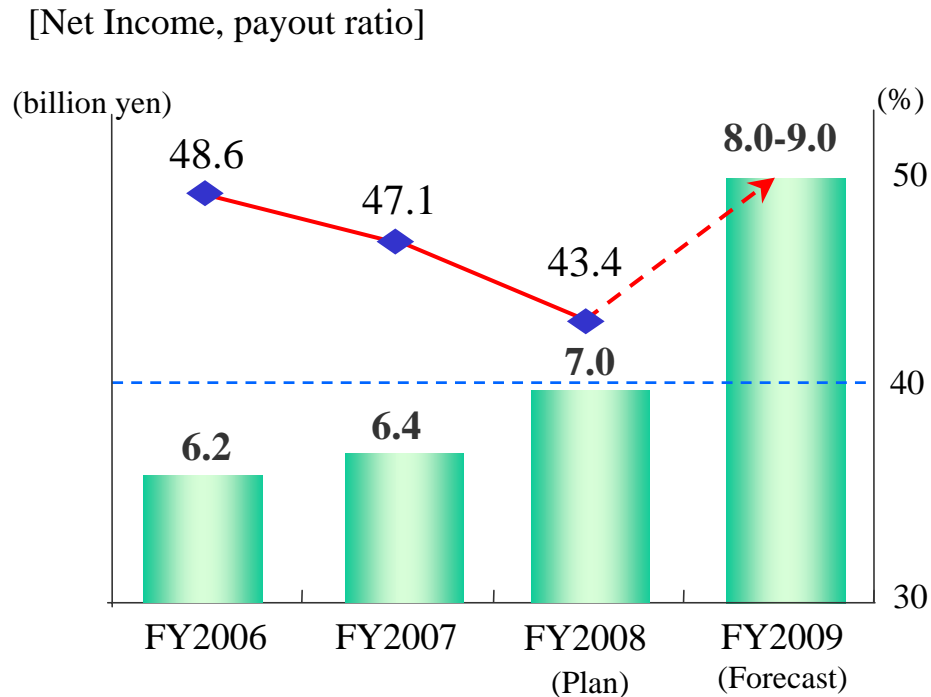


Loss ratio in total	FY2006	FY2007	FY2008
	62.0%	66.4%	63.8%

Factors in improving the loss ratio 6.0 points in FY2008

Special factors concluded in FY2007	<ul style="list-style-type: none"> ■ Accelerating payments of long-term cases Δ3.6% ■ Payment for nonpayment of incidental claims Δ0.7%
Key initiatives	<ul style="list-style-type: none"> ■ Improving administrative insurance claim payment services and assessment quality <ul style="list-style-type: none"> ▪ Significantly increasing staff numbers ▪ Strengthening assessment capabilities with systematic education ▪ Contacting customers by phone once a month ■ Revising products and more <ul style="list-style-type: none"> ▪ Increasing the attendance ratio ▪ Streamlining the assessment by simplifying products ▪ Increasing the ratio for full and property insurance and revising the discount ratio ▪ Enriching the necessary coverage ▪ Increasing the unit price with the launch of passenger insurance “Tosho wide” and insured personal injuries ▪ Launching the original automobile insurance product “Pitatto kun” ▪ Improving understandability and easy explaining by simplifying products

Capital Policies



Completed

Transferring catastrophe loss reserves for fire insurance

Transferring statistical IBNR reserves

Policy of divide up profits and result

- Keep the dividend payout ratio over 40%
 - Paying a dividend of 8 yen per share (in FY2007)

- March 31, 2008
 - Retiring 10 million treasury stocks

- Strengthening tolerance for risk for future growth
- Investing in continuous management quality innovation

Numerical Targets Key Performance Targets



		FY2006		FY2007		FY2008 (Plan)	
			Change		Change		Change
Sales	Net premiums written (billion yen,%)	326.3	+ 1.4	318.2	▲2.5	319.0	+ 0.2
	Expense ratio (%、P)	32.3	△0.2	33.5	+ 1.2	34.5	+ 1.0
Improving business efficiency	Loss ratio (%、P)	62.0	+ 2.3	66.4	+ 4.4	63.8	△2.6
	Automobile loss ratio (%、P)	69.2	+ 2.8	74.9	+ 5.7	68.9	△6.0
	Combined ratio (%、P)	94.3	+ 2.1	100.0	+ 5.7	98.4	△1.6
	Underwriting balance (%、P)	5.7	▲2.1	0.0	▲5.7	1.6	+ 1.6
Bolstering business soundness	Catastrophe loss reserve (billion yen)	110.1	+ 1.4	111.9	1.7	122.2	+ 10.3
	Fire disaster (billion yen)	43.5	+ 5.0	51.0	7.5	58.5	+ 7.5
	Solvency margin ratio (%、P)	1,152.8	▲ 2.4	1,052.1		Approx.1,100	
Earnings, capital	Net income (billion yen)	6.2	▲ 1.0	6.4	+ 0.1	7.0	+0.5
	ROE (revised) (%、P)	3.9	▲ 0.7	3.9	0.0	4.2	+ 0.3
	Payout ratio (%)	48.6		47.1		over 40.0	

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Forward- Looking Statements

This document contains forward- looking statements, including information about business plans, earning forecasts, and strategies. Such statements are based on the assumptions and conclusions of Nissay Dowa management at the time this document was written. Due to changing circumstances, actual results and achievements may differ from those anticipated in these statements.
