



Financial Situation and Business Strategies of Nissay Dowa General Insurance

June 4, 2007

Nissay Dowa General Insurance Co.,Ltd.

Apology

We would like to express our sincere apologies to our policyholders, investors and other stakeholders for the worry and inconvenience we have caused (for nonpayment of incidental claims, inappropriate handling of payments of tertiary insurance products, and miscalculation of premiums for fire insurance).

The Company is committed to regaining the trust of its customers, as a critical management issue. We will leave no stone unturned as we work to do this. To prevent a recurrence of the issues, we are united in our quest to raise quality standards in all areas, from providing insurance products to making insurance payments.

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

I. Financial Review of FY2006

II. Forecasts for FY2007

III. Medium-Term Management Plan - Revised

Financial Highlights



Net premiums written in FY2006 increased 1.4%. The expense ratio improved from the previous fiscal year, thanks to improved efficiency in making strategic investments. However, the underwriting balance declined with a rising loss ratio. As a result, current income was 9.6 billion yen and net income was 6.2 billion yen.

	FY2005	FY2006	Increase/ Decrease
Net premiums written (billion yen) (Growth rate (%))	321.7 (▲0.0)	326.3 (1.4)	+4.5 (+1.4)
Expense ratio (%P)	32.5	32.3	△0.2
Loss ratio (%P)	59.7	62.0	+2.3
Underwriting balance (%P)	7.8	5.7	▲2.1
Current income (billion yen)	11.7	9.6	▲2.1
Net income (billion yen)	7.3	6.2	▲1.0

Net Premiums Written by Class of Insurance

Net premiums written increased in voluntary automobile insurance, our main product line. In addition, miscellaneous categories and marine insurance also grew, reflecting improved corporate earnings. As a result, the Company achieved an overall growth rate of 1.4%. (2.0% excluding the effect of CALI.)

	FY 2004		FY 2005		FY 2006	
	Net premiums (Billion yen)	Growth rate (%)	Net premiums (Billion yen)	Growth rate (%)	Net premiums (Billion yen)	Growth rate (%)
Fire	47.8	▲3.3	48.9	2.3	47.8	▲2.4
Marine	4.8	6.8	4.6	▲3.7	5.0	7.6
Personal Accident	31.1	3.1	29.9	▲3.9	30.4	1.7
Voluntary Automobile	159.4	▲0.2	159.5	0.0	160.9	0.9
CALI	41.4	▲0.0	40.3	▲2.7	39.2	▲2.7
Miscellaneous	37.1	0.5	38.4	3.5	42.8	11.6
Total	321.8	▲0.2	321.7	▲0.0	326.3	1.4
Total (Excl.the effect of CALI)	280.4	▲0.2	281.4	0.4	287.0	2.0

Analysis of Net Premiums of Automobile Insurance



The downward trend in premiums per contract is mitigated by initiatives to reverse the trend. In addition, number of contracts increased 1.6%. These show steady growth.

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

	FY2004	FY2005	FY2006
Growth rate (%)	▲1.2	+0.6	+0.8
Change in number of contracts (%)	+1.1	+1.5	+1.6
Change in premiums per contracts (%)	▲2.3	▲0.9	▲0.8

<<Reference>>
 Long-term automobile insurance product "Long"
 Number of new contracts ⇒ 72,822
 - of which Nippon Life sales staff ⇒ 54,508

[Factors for the increase/decrease in premiums per contracts]

Increasing Factors

- Effect of the sales of products that include excellent coverage
 Raising the coverage of Personal Injury Insurance, Property Damage (unlimited) and insurance for legal expenses
- Effect of raising the coverage of Automobile Physical Damage Insurance

Decreasing Factors

- Escalation of grade and further discounts
- Measures to improve profitability
 - Shift to passenger insurance with predetermined payments depending on the part of body and injury sustained

Premiums by Channel



Sales figures for Nippon Life sales staff, professional agents and auto dealers increased steadily.

[Sales accounts]

	FY2006 (Billion yen)	Amount of increase (Billion yen)	Growth rate (%)
Nippon Life sales staff	76.1	1.7	2.2
Professional agents	77.9	1.4	2.2
Corporate channel	70.4	1.0	1.5
Banks	19.2	0.1	0.4
Auto dealers	20.5	0.9	4.6
Auto repair shops	38.0	▲0.4	▲1.0
Miscellaneous	45.0	▲1.4	▲3.0
Total	347.1	3.3	1.0

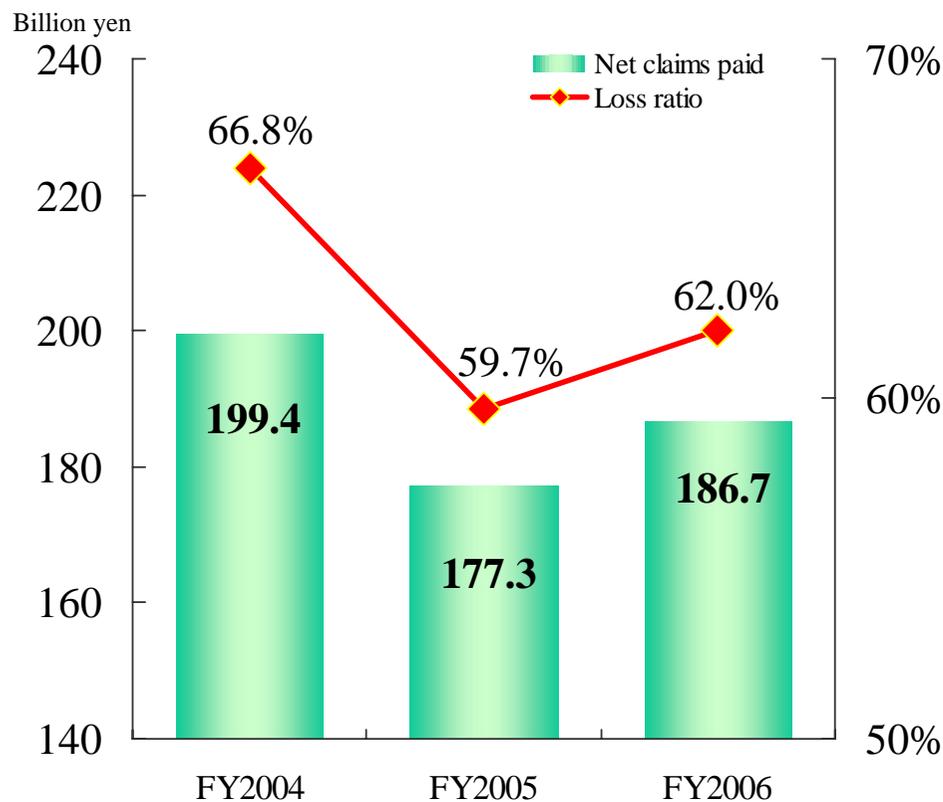
*Figures for Nippon Life sales staff include premiums made by other sales agents related to Nissay's market.

Loss Ratio



In this fiscal year, net claims paid for natural disasters increased in fire insurance and claims paid for voluntary automobile insurance also rose. As a result, the loss ratio increased by 2.3 percentage points, to 62.0%.

[Net claims paid, Loss ratio]



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

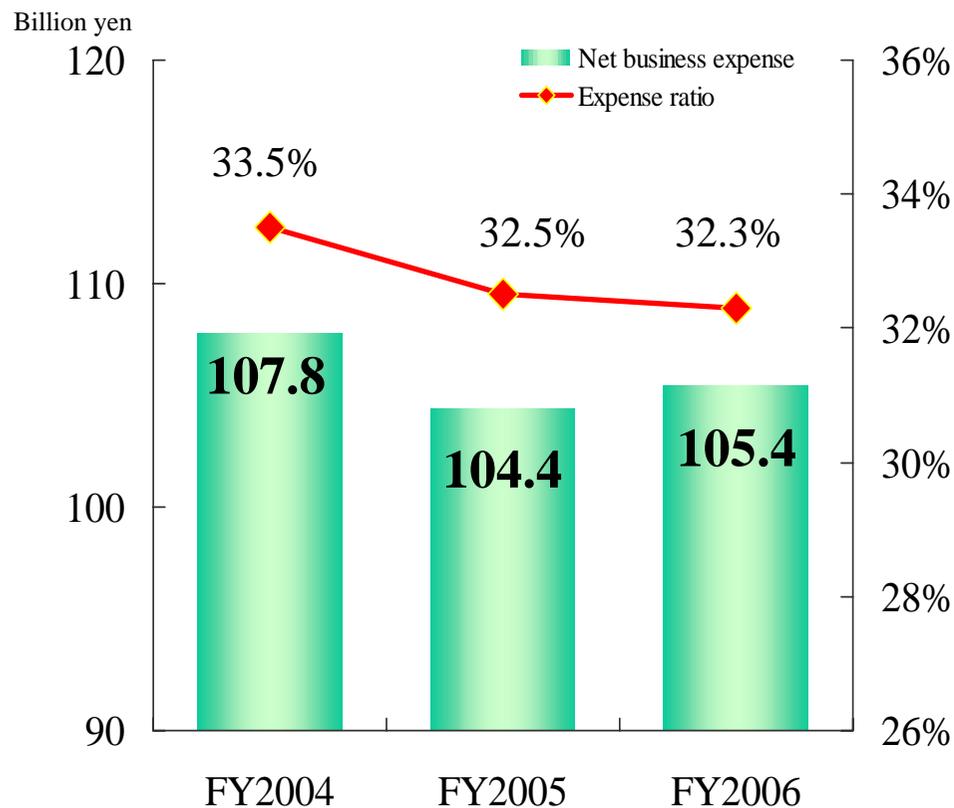
	FY2005		FY2006	
	Net claims paid (Billion yen)	Loss ratio (%) (Change(P))	Net claims paid (Billion yen)	Loss ratio (%) (Change(P))
Fire	18.2	38.8 (Δ44.9)	21.2	45.9 (+7.1)
Marine	2.7	62.6 (+2.3)	2.6	55.3 (Δ7.3)
Personal Accident	11.7	43.4 (+2.7)	12.2	44.9 (+1.5)
Voluntary Automobile	96.8	66.4 (Δ3.5)	101.7	69.2 (+2.8)
CALI	27.3	74.5 (+11.2)	28.1	78.4 (+3.9)
Miscellaneous	20.3	55.3 (Δ3.2)	20.7	50.5 (Δ4.8)
Total	177.3	59.7 (Δ7.1)	186.7	62.0 (+2.3)

Expense Ratio



By investing in management quality innovation and reducing business expenses aggressively in all quarters, net business expenses were kept to 105.4 billion yen, which rose 0.9 billion yen from the previous fiscal year. The expense ratio improved by 0.2 percentage points, to 32.3%.

[Net business expenses, Net expense ratio]



[Breakdown of net business expenses]

	FY2005 (Billion yen)	FY2006 (Billion yen)	Increase/ Decrease (Billion yen)
Personnel expense	22.1	21.9	Δ0.1
Non-personnel expense	24.6	25.7	+1.1
Taxes and others	2.4	2.3	Δ0.1
Net commissions and brokerage	55.1	55.3	+0.1
Total	104.4	105.4	+0.9

*Excluding claims expenses and investment expenses.

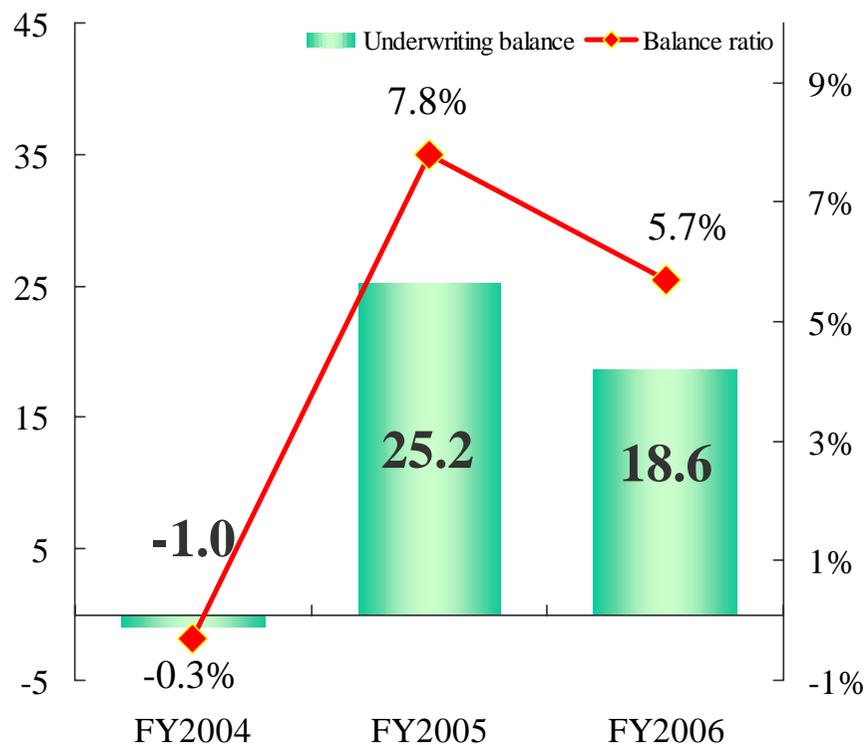
Underwriting Balance Ratio



The combined ratio (total of loss ratio and expense ratio) was 94.3%. The underwriting balance ratio therefore decreased by 2.1 percentage points, to 5.7%, reflecting the increase in the loss ratio.

[Underwriting balance, Balance ratio]

Billion yen



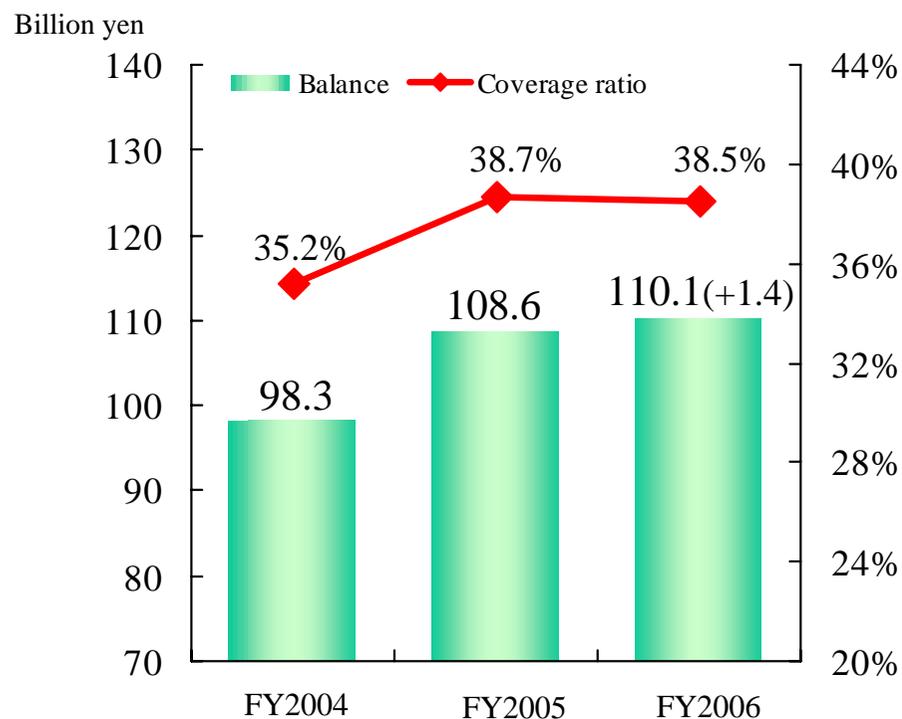
	FY2005	FY2006	Change (P)
Loss ratio (%)	59.7	62.0	2.3
Expense ratio (%)	32.5	32.3	△0.2
Combined ratio (%)	92.2	94.3	2.1
Underwriting balance ratio (%)	7.8	5.7	▲2.1

Catastrophe Loss Reserves

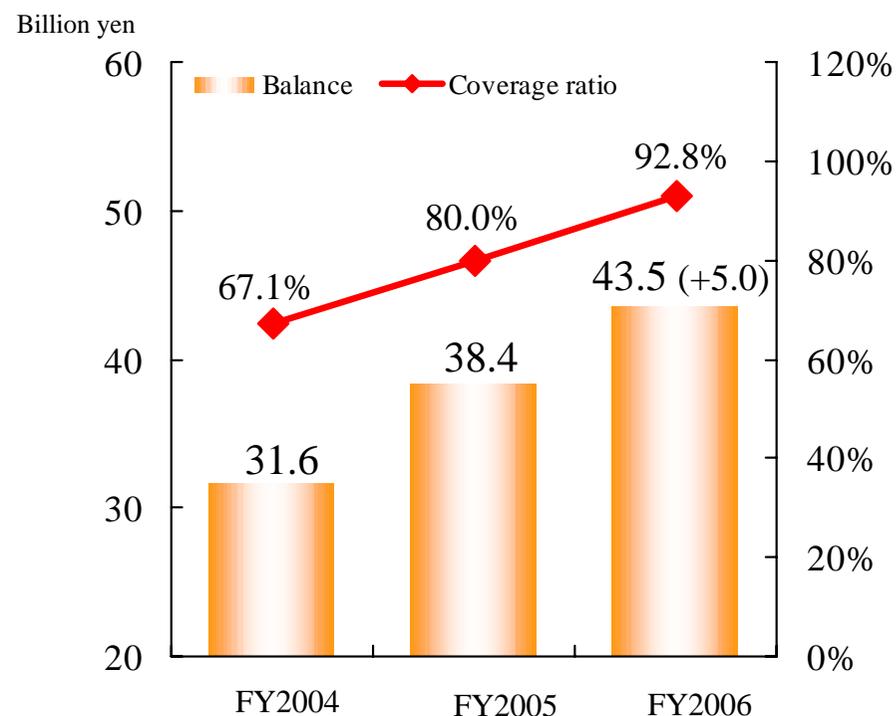


The balance in total was 110.1 billion yen and the coverage ratio was 38.5%, the same level as in the previous fiscal year. For fire insurance, the Company carried out a planned transfer of catastrophe loss reserves in response to the change in the law, then the balance increased by 5.0 billion yen, to 43.5 billion yen, with the coverage ratio rising to 92.8%.

[Catastrophe loss reserves - Total]



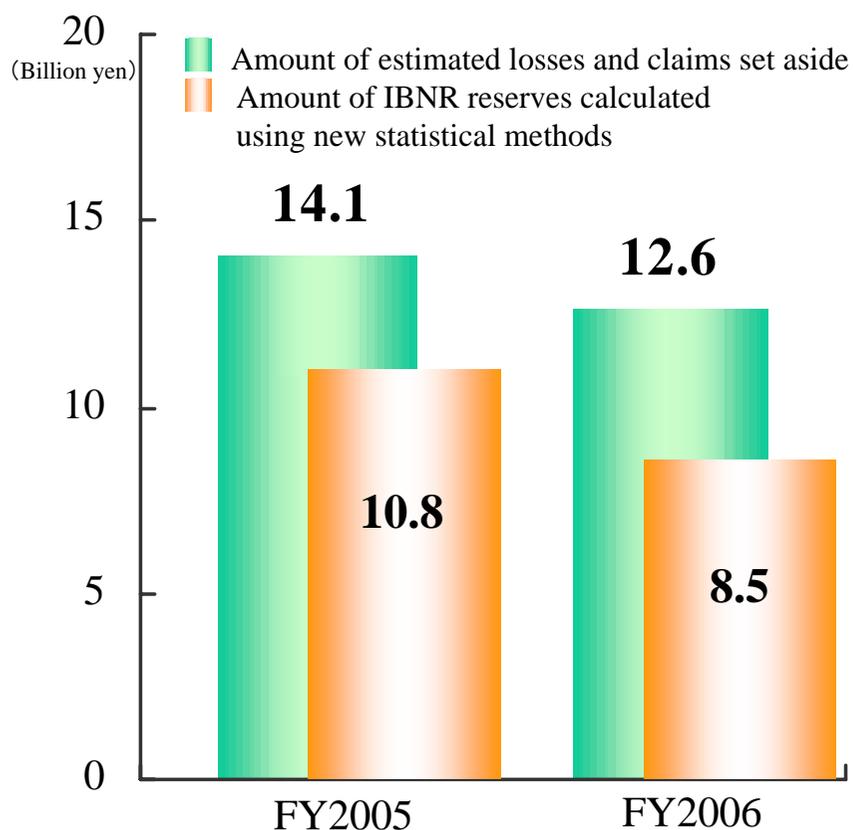
[Catastrophe loss reserves - Fire insurance]



Influences of Statistical IBNR Reserves

From FY2006, we will be obliged to set aside IBNR reserves calculated using statistical methods. The Company set aside 8.5 billion yen in total for all lines of business in this period, after doing so for automobile insurance in the previous fiscal year in advance.

[Breakdown of transferred amount (Total)]



[Measures for FY2005]

- The Company calculated the amount of IBNR reserves using statistical methods and transferred an additional 10.8 billion yen for voluntary automobile insurance. (Brought forward by one year)

[Measures for FY2006]

- The Company completed the shift to statistical IBNR reserves by transferring an additional 8.5 billion yen in total.

- Reference: Line of business, statistical IBNR reserves applied

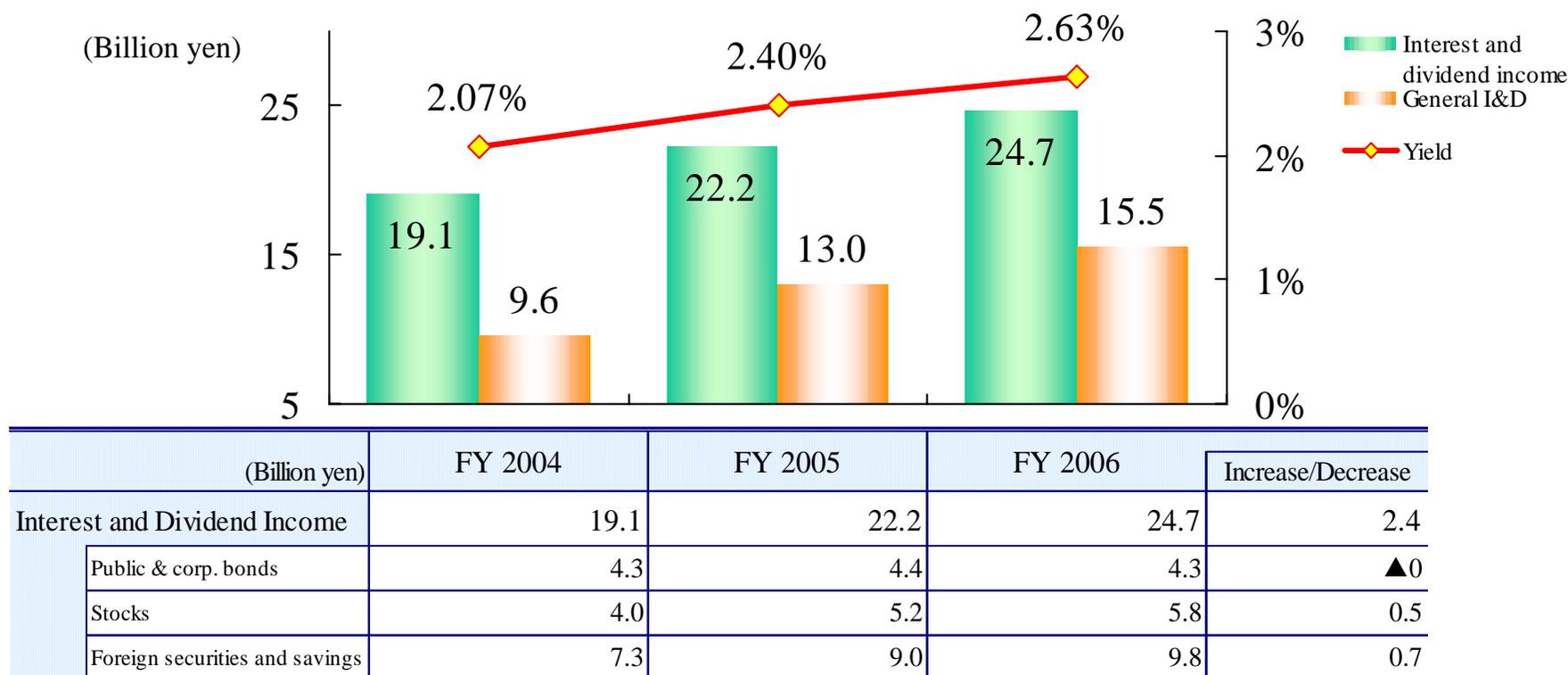
- Underwriting of domestic policy: Automobile, liability, workmen's compensation
- Underwriting of reinsurance: Fire, aviation, liability, workmen's compensation

Interest and Dividend Income



Interest and dividend income increased by 2.4 billion yen, to 24.7 billion yen, and the yield rose to 2.63%. General I&D, or interest and dividend income after deducting investment profit from the maturity refund, which influences net income directly, increased to 15.5 billion yen.

[Interest and dividend income, Yield]



(Billion yen)	FY 2004	FY 2005	FY 2006	Increase/Decrease
Interest and Dividend Income	19.1	22.2	24.7	2.4
Public & corp. bonds	4.3	4.4	4.3	▲0
Stocks	4.0	5.2	5.8	0.5
Foreign securities and savings	7.3	9.0	9.8	0.7

Investment Results



Capital gains decreased by 5.7 billion yen. As a result, the investment profit decreased by 6.1 billion yen, to 22.7 billion yen. The unrealized capital gain on marketable securities increased by 4.2 billion yen, to 322.0 billion yen.

(Billion yen)	FY 2004	FY 2005	FY 2006	Increase /Decrease
(Net) Interest and dividend	9.6	13.0	15.5	2.5
Capital gains	27.8	20.5	14.8	▲ 5.7
Other investment income	0.4	1.6	0	▲ 1.5
Investment Income -Total	37.8	35.1	30.4	▲ 4.7
Capital loss	2.6	2.9	2.6	△ 0.2
Loss from revaluation of securities	0.1	0	0.2	0.2
Other investment cost	2.9	3.2	4.7	1.4
Investment Cost -Total	5.7	6.2	7.6	1.4
Investment Profit	32.0	28.9	22.7	▲ 6.1
Unrealized capital gain on marketable securities	190.4	317.8	322.0	4.2

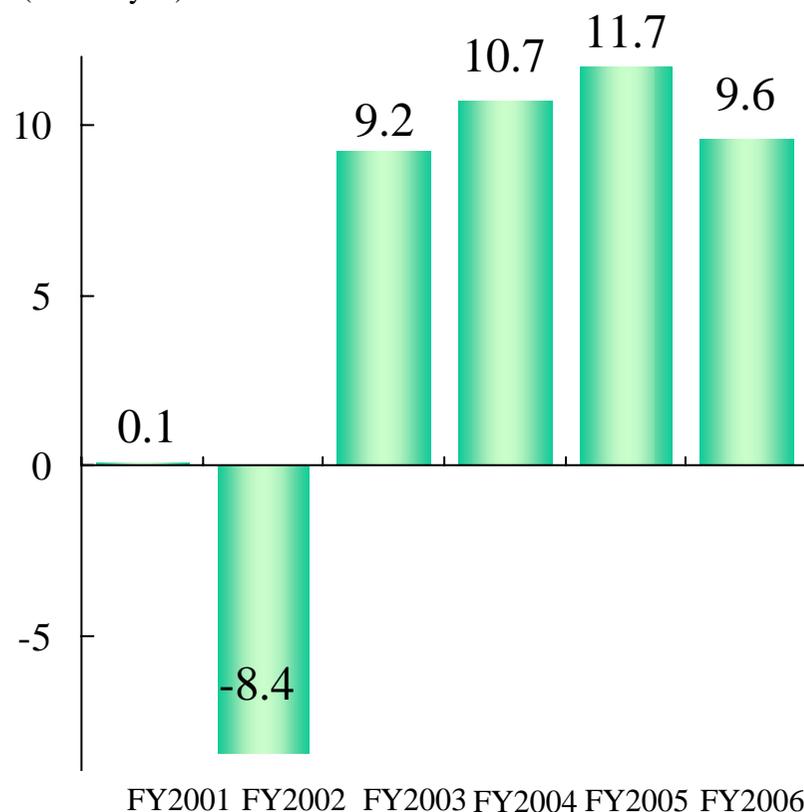
Current Income & Net Income



Current income was 9.6 billion yen. Net income was consequently 6.2 billion yen.

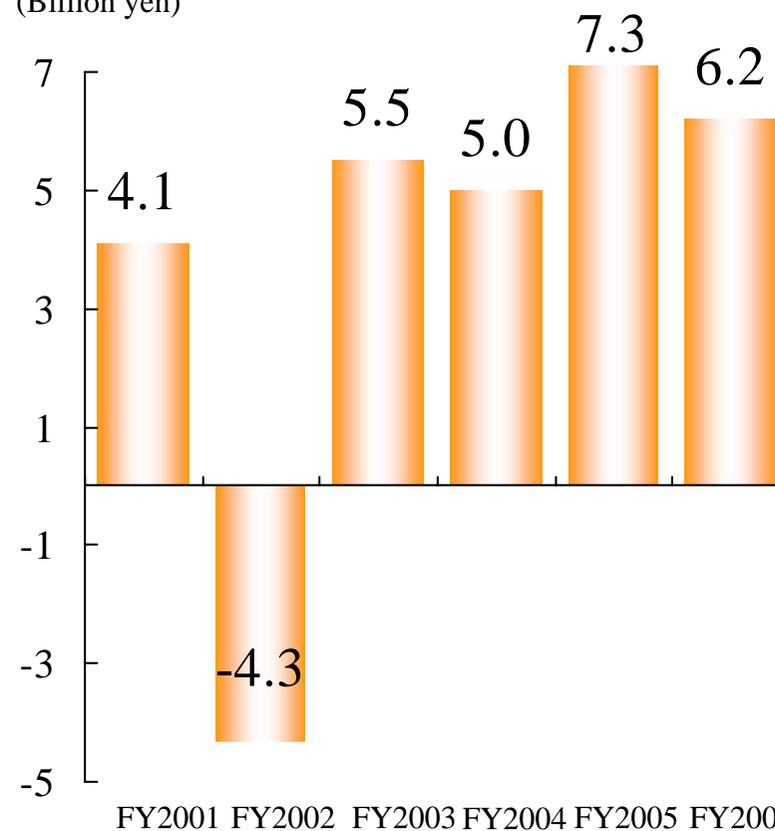
[Current income]

(Billion yen)



[Net income]

(Billion yen)

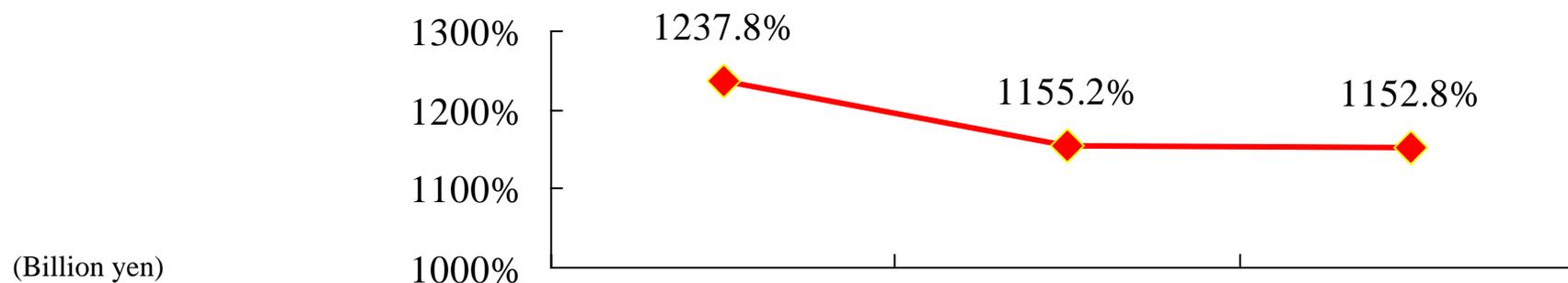


Solvency Margin Ratio



The solvency margin ratio remained 1,152.8%. The ratio continues to be one of the highest in the industry.

[Change in solvency margin ratio]



	FY 2004	FY 2005	FY 2006
(A) Total amount of solvency margin	489.0	620.6	632.8
Catastrophe loss reserves	115.6	127.0	129.5
Unrealized capital gains	171.2	285.8	289.6
Unrealized profit and loss	4.6	4.7	5.0
(B) Total risk volume	79.0	107.4	109.7
Asset management risk	42.9	55.6	56.3
Disaster risk	30.1	45.7	46.9
(C) Solvency margin ratio $[(A)/\{(B) \times 1/2\}] \times 100$	1237.8%	1155.2%	1152.8%

I. Financial Review of FY2006

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Targets and Forecasts for FY2007



In FY2007, net premiums written will increase 2.0%. The Company expects its underwriting balance will be 5.1%, given a rise in the expense ratio associated with investment in business quality reforms. As a result, the Company will achieve current income of 12.5 billion yen and net income of 8.0 billion yen.

	FY 2006	FY 2007 (Forecast)	Increase/Decrease
Net premiums written (Billion yen) (Growth rate (%))	326.3 (1.4)	333.0 (2.0)	+6.6 (+0.6)
Expense ratio (% ,P)	32.3	33.1	+0.8
Loss ratio (% ,P)	62.0	61.8	△0.2
Underwriting balance (% ,P)	5.7	5.1	▲0.6
Current income (Billion yen)	9.6	12.5	+2.8
Net income (Billion yen)	6.2	8.0	+1.7
ROE (%/P)	3.9	4.9	+1.0

*ROE is adjusted by deducting the net increase in unrealized gains on available-for-sale securities from the equity section of the balance sheet.

Forecasts of Net Premiums Written



In FY2007, the Company will increase its net premiums for fire insurance 5.0%, based on the revised rates for premiums, and net premiums for voluntary automobile insurance 1.6%, as premiums per contract have almost ceased falling. New insurance included in the miscellaneous category are expected to increase by 2.5%, led by the steady performance of the corporate sector.

	FY 2005		FY 2006		Forecast for FY 2007	
	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	50.1	5.0
Marine	4.6	▲3.7	5.0	7.6	5.2	4.0
Personal Accident	29.9	▲3.9	30.4	1.7	30.6	0.7
Voluntary Automobile	159.5	0.0	160.9	0.9	163.5	1.6
CALI	40.3	▲2.7	39.2	▲2.7	39.4	0.5
Miscellaneous	38.4	3.5	42.8	11.6	43.9	2.5
Total	321.7	▲0.0	326.3	1.4	333.0	2.0

Forecasts of Loss Ratio



The loss ratio for voluntary automobile insurance will increase by one percentage point, to 70.2%, due to accelerating payments. The loss ratio for personal accidents will increase by 8.6 percentage points, to 53.5%, reflecting payments from reserves to investigate the nonpayment of incidental claims. The loss ratio for other classes of insurance will remain at the same level or decrease.

	FY2005	FY2006	Forecast for FY2007	
	Loss ratio (%)	Loss ratio (%)	Net claims paid (Billion yen)	Loss ratio (%) (Increase/Decrease (P))
Fire	38.8	45.9	18.1	37.9 (Δ8.0)
Marine	62.6	55.3	2.4	50.3 (Δ5.0)
Personal Accident	43.4	44.9	14.8	53.5 (+8.6)
Voluntary Automobile	66.4	69.2	104.0	70.2 (+1.0)
CALI	74.5	78.4	27.5	77.4 (Δ1.0)
Miscellaneous	55.3	50.5	21.3	50.8 (+0.3)
Total	59.7	62.0	188.4	61.8 (Δ0.2)

Focusing Resources on Additional Business Infrastructure



Investment in system development:
 Increasing to 11.0 billion yen
Amount of new development:
 from 4.3 billion yen to 8.7 billion yen

Staff: Adding 700 or more
 (Compared with FY2005)

[Investment in system development]

(Billion yen)



- Strengthening the section for soliciting activities and compliance
- Strengthening the section for claims payment service and compliance
- Strengthening the section for compliance and internal auditing

- Adding staff to implement appropriate premiums

- Adding staff for the claims payment section
- Adding staff to investigate nonpayment of incidental claims

Forecast of Business Expenses



The Company predicts that personnel and non personnel expenses will increase by 5.8 billion yen as a result of comprehensive investment to address business quality reforms.

(Billion yen)	FY 2006	Forecast	
		for FY2007	Increase/Decrease
Personnel expense	33.7	35.0	+1.2
Non-personnel expense	32.3	36.7	+4.4
Taxes and others	3.7	3.8	+0
Total	69.8	75.6	+5.8
Net commissions and brokerage	55.3	56.3	+0.9

Major system development outlays in FY2007 include:

- **Revising all processes from solicitation to payment**
 - Simplifying products and processes
 - Visual format of the automobile insurance policy paper
 - Improving the function of the Internet-based agent support system
 - Introducing cashless services
 - Improving the system for claims services
- **Providing a support system for the operation of the wholesale market**
- **Adjusting to the Japanese SOX act**

* Including claims expenses and investment expenses.

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Medium-Term Management Plan: Revised Basic Policy

Crucial issues	“Address business quality reforms aggressively to establish ourselves as the true company of choice for our customers”
Companywide business slogan	“All efforts targeted at regaining the trust of our customers”



Strengthening governance

- Bolstering internal control by the Board
- Strengthening corporate governance by adding external directors
- Establishing a committee of business quality reforms (chaired by the president)
- Improving the ability to record complaints and strictly reporting to senior management
- Announcing complaint information to the public (quarterly)
- Improving the examination committee for claims payment service (chaired by an outside lawyer)
- Expanding the scope of consideration for unacceptable rulings about claims payments
- Improving the operations of the customer feedback committee and other committees
- Strengthening and expanding the Internal Auditing department (president's department)

**Reforming
insurance claim
payment services
and
improving
administrative
quality**

- Taking steps to reform claims payment services at head office and all claims service centers
(Setting up a quality reform meeting at 10 non- marine claims departments)
- Adding 266 staff for claims payment services compared with FY2006 and completely revamp the training system
- Centralizing payment operations for tertiary insurance at head office by establishing the health insurance payment group

- Improving the examination committee for claims payment service (chaired by an outside lawyer) and making the results of examinations public
- Establishing sessions for the examination of tertiary insurance
- Expanding the scope of consideration for unacceptable rulings concerning claims payments

- Sending out a questionnaire to customers who have been paid claims and using the results to improve customer satisfaction
- Identifying issues in soliciting activities and products by analyzing complaints and giving directions on actions

Revising the products and services system

- Reducing the number of main products and supplementary contracts from FY2008

[Main products] 11 → 5

[Number of supplementary contracts] 500 (approx.) → 240 (approx.)

- Providing easy- to- understand products and services and simplifying processes

- Standardizing and simplifying the terms and conditions
- Coordinating payment methods and introducing new methods
- Offering a clear definition of claims payments
- Revising claim notes and payment notification so that they are easier to understand
- Revising forms, brochures and tools and more...

Numerical Targets (1)

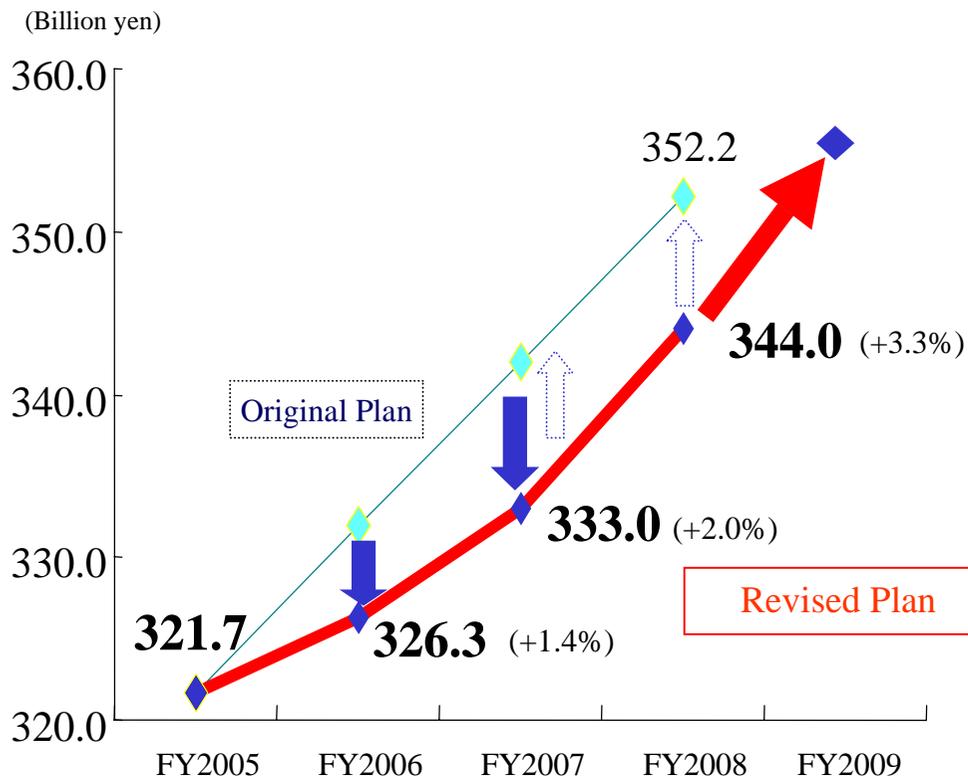
Net Premiums Written



The highest rate of growth in the industry

Achieve an annual average growth rate of 3.3% in FY2008.

[Net Premiums Written]



Putting the target achievement dates back one year as we institute policy checks and improve the quality of our operations

Increasing the percentage of contracts extended at an early date

Establishing the foundations by adding new agents and developing quality, profitable and exclusive agents

Strengthening the ability to develop the market of NLI sales staff

Standardizing management at each department and branch, as well as sales and clerical work activity



- Increasing opportunities for customers through policy checking operations
- Achieving growth by improving the ability of agents to make proposals

Numerical targets (2)

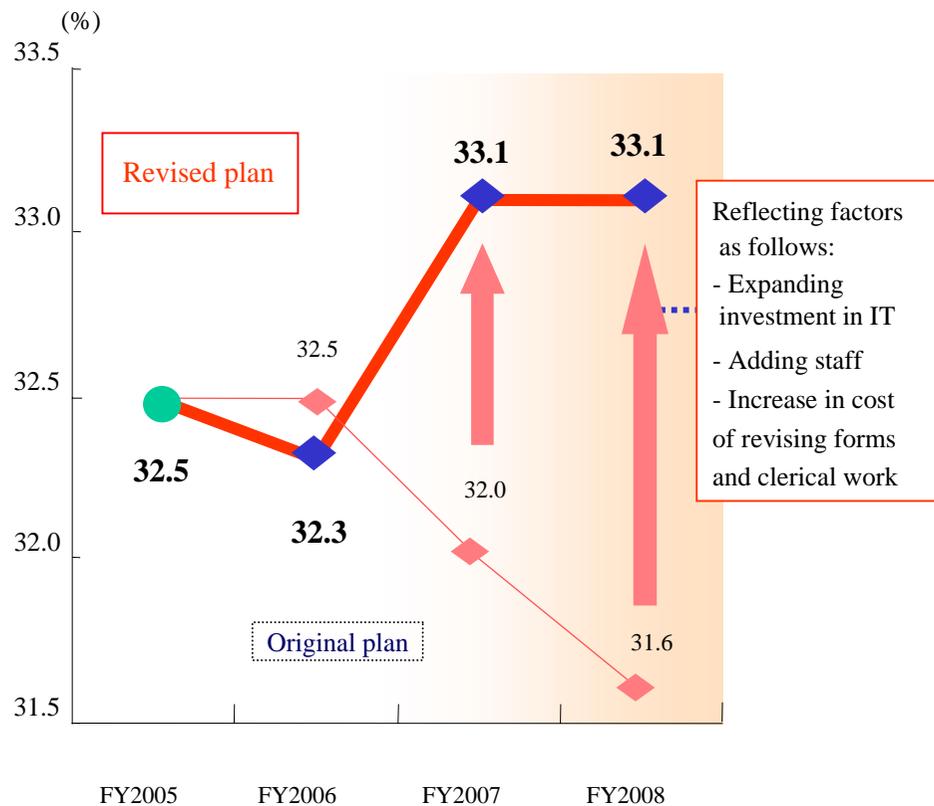
Increasing Operational Efficiency



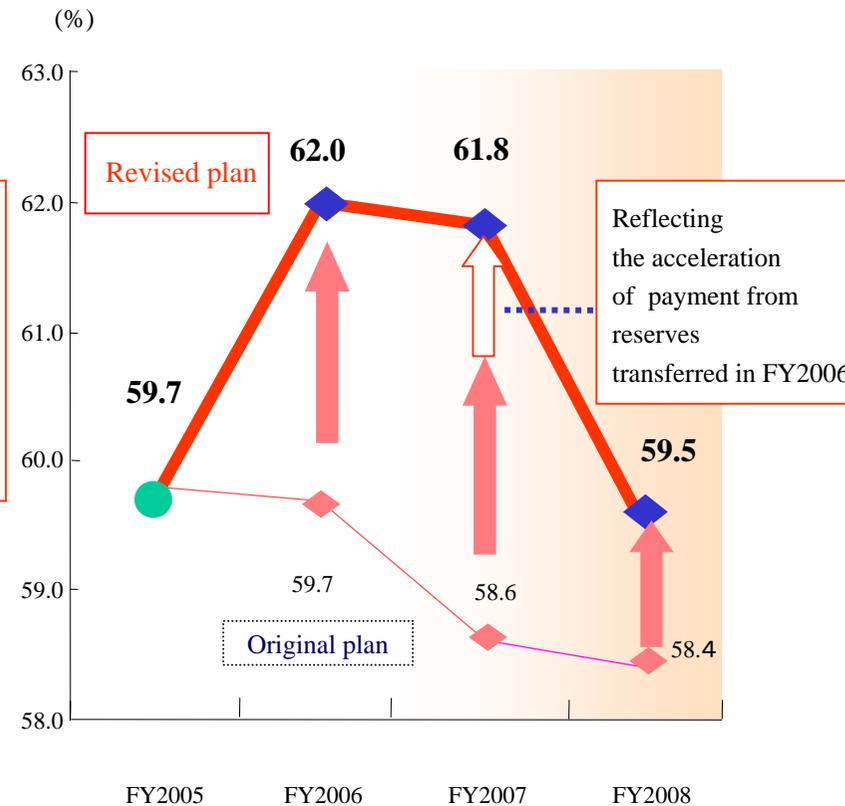
Achieving a high level of operational efficiency on a par with major companies

Combined ratio target for 90% after FY2009

[Expense ratio]



[Loss ratio]



Strengthening Management Soundness

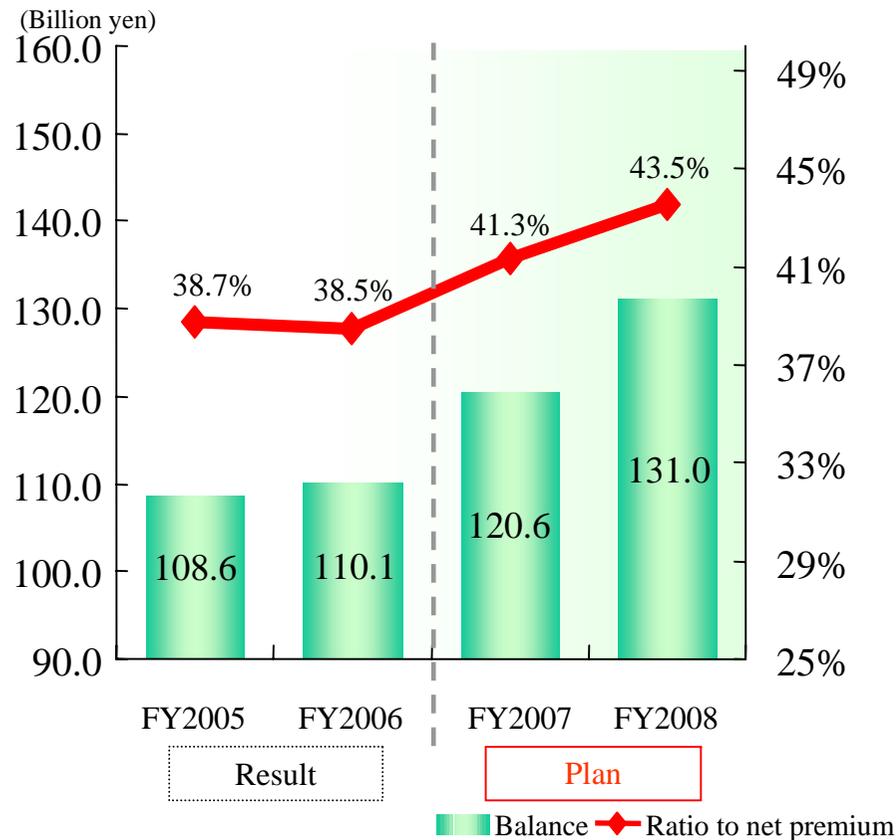


Industry- leading levels of financial health

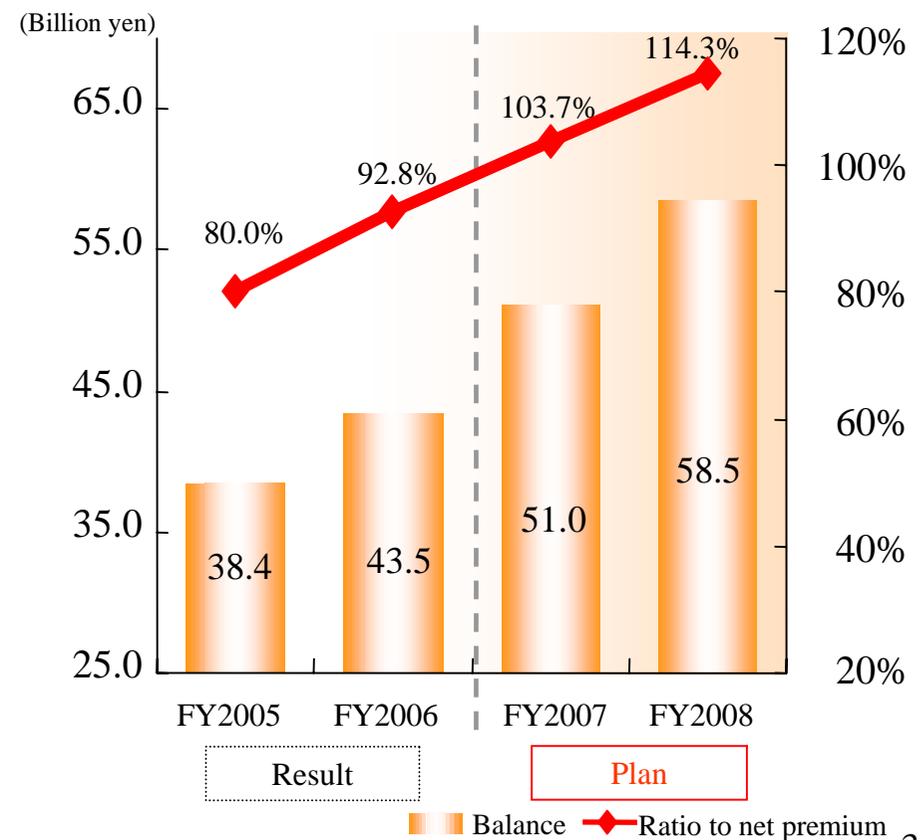
Bring catastrophe loss reserves to 43.5% of net premiums in FY2008

**-Fire Insurance:
Transfer the required amount in three years from FY2006 to FY2008**

[Catastrophe loss reserve (Total)]



[Catastrophe loss reserve (Fire)]



Numerical Targets (4)

Capital Policies

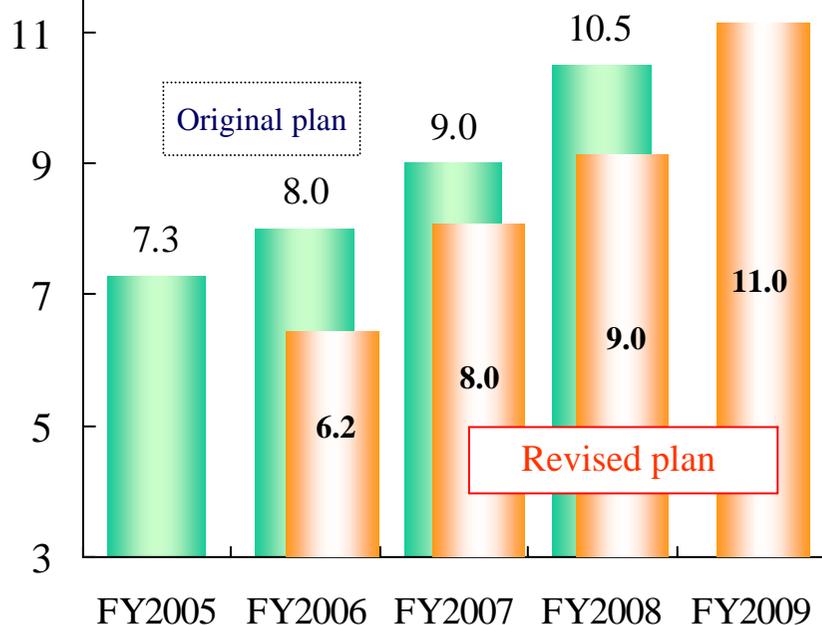


The highest profitability in the industry

Achieve 7.0% ROE in FY2010

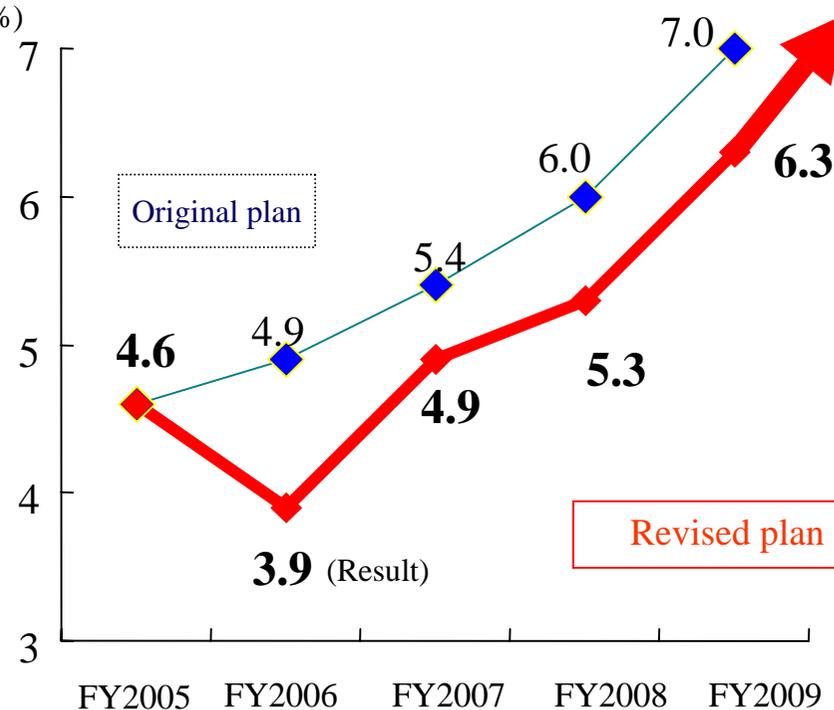
[Net Income]

(Billion yen)



[ROE]

(%)



Stock dividend

Maintain a high standard of dividend payout ratio (40% approx.)

Numerical Targets (5)

Key Performance Targets



			FY2006		FY2007 (Plan)		FY2008 (Plan)	
				Change		Change		Change
Sales	Net premiums written	(Billion yen,%)	326.3	+ 1.4	333.0	+ 2.0	344.0	+ 3.3
	Expense ratio	(%, P)	32.3	△ 0.2	33.1	+ 0.8	33.1	0.0
Improving business efficiency	Loss ratio	(%, P)	62.0	+ 2.3	61.8	△ 0.2	59.5	△ 2.3
	Automobile loss ratio	(%, P)	69.2	+ 2.8	70.2	+ 1.0	67.7	△ 2.5
	Combined ratio	(%, P)	94.3	+ 2.1	94.9	+ 0.6	92.6	△ 2.3
	Underwriting balance	(%, P)	5.7	▲ 2.1	5.1	▲ 0.6	7.4	+ 2.3
Enhance business soundness	Catastrophe loss reserve	(Billion yen)	110.1	+ 1.4	120.6	+ 10.5	131.0	+10.4
	Fire Disaster	(Billion yen)	43.5	+ 5.0	51.0	+ 7.5	58.5	+ 7.5
	Solvency margin	(%, P)	1,152.8	▲ 2.4	1,100 + α		1,100 + α	
Earnings, capital	Net income	(Billion yen)	6.2	▲ 1.0	8.0	+ 1.7	9.0	+1.0
	ROE (revised)	(%, P)	3.9	▲ 0.7	4.9	+ 1.0	5.3	+ 0.4
	Payout	(%)	48.6	➔			Approx.40%	

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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.