Entering the World Stage

Mitsui Sumitomo Insurance Co., Ltd.
Annual Report 2005
PROFILE

Formed through a merger in October 2001, Mitsui Sumitomo Insurance Co., Ltd. (MSI), is one of the leading companies in Japan’s non-life insurance industry. It has sustained steady growth by providing top-quality products and services to both individual and corporate customers.

Regulatory relaxation measures in Japan have lowered the barriers separating different sectors of the insurance industry and other financial industries. This has created diverse new relationships among companies in these industries and spurred the emergence of new business restructuring programs, corporate alliances, and competitors. Amid these conditions, the MSI Group is responding to customer needs in five business fields—domestic non-life insurance, life insurance, overseas business, financial services, and risk-related business—and its ability to propose and supply optimal risk solutions has underpinned its strong performance.

As is articulated in the MSI Group’s Mission Statement, the Group attaches great importance to maintaining solid, trust-based relationships with its customers, shareholders, marketing agents, and other stakeholders as well as society at large. The Group is seeking to consolidate that trust through relentless efforts to realize continuous corporate growth and a sustained increase in corporate value.

Mission Statement

Through our insurance and financial services businesses, we commit ourselves to the following:

- Bringing security and safety to people and businesses around the world and making a lasting contribution to the enrichment of society
- Providing the finest products and services and realizing customer satisfaction
- Continuously improving our business, thereby meeting our shareholders’ expectations and earning their trust

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Cautionary Statement

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

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2003, 2004 and 2005

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yen in millions</td>
<td>Dollars in</td>
<td>Yen in millions</td>
<td>Dollars in</td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥1,300,681</td>
<td>¥1,375,973</td>
<td>¥1,402,977</td>
<td>$13,111,935</td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>1,228,000</td>
<td>1,308,059</td>
<td>1,357,748</td>
<td>12,689,234</td>
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<tr>
<td>Premium income for life insurance contracts</td>
<td>147,761</td>
<td>157,840</td>
<td>175,169</td>
<td>1,637,093</td>
</tr>
<tr>
<td>Net income (loss) from underwriting</td>
<td>17,484</td>
<td>39,496</td>
<td>(49,911)</td>
<td>(466,458)</td>
</tr>
<tr>
<td>Investment income, net of investment expenses</td>
<td>116,603</td>
<td>118,603</td>
<td>119,479</td>
<td>1,116,626</td>
</tr>
<tr>
<td>Net income</td>
<td>38,312</td>
<td>116,117</td>
<td>41,814</td>
<td>390,785</td>
</tr>
<tr>
<td>Premium income for life insurance contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income per share (in yen and U.S. dollars):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>¥26.29</td>
<td>¥80.61</td>
<td>¥28.98</td>
<td>$0.27</td>
</tr>
<tr>
<td>Diluted</td>
<td>24.93</td>
<td>78.87</td>
<td>28.98</td>
<td>0.27</td>
</tr>
<tr>
<td>Total assets</td>
<td>¥7,076,642</td>
<td>¥7,806,916</td>
<td>¥8,217,329</td>
<td>$76,797,467</td>
</tr>
<tr>
<td>Combined loss and expense ratio* (%)</td>
<td>96.4%</td>
<td>95.2%</td>
<td>102.7%</td>
<td></td>
</tr>
<tr>
<td>ROE (%)</td>
<td>2.3</td>
<td>6.6</td>
<td>2.1</td>
<td></td>
</tr>
</tbody>
</table>

Note: U.S. dollar amounts in this annual report have been translated from yen, for convenience only, at the rate of ¥107=U.S.$1. See Note 1 (a) of the notes to consolidated financial statements, page 40.

* The combined loss and expense ratios relate to property and casualty insurance.
Embarking on a New Vision
We are pleased to present our shareholders with the annual report of Mitsui Sumitomo Insurance Co., Ltd. (MSI), for fiscal 2004, ended March 31, 2005.

The MSI Group was created from a merger in 2001 and, in fiscal 2004, marked its third year of operations. Over this period, we have achieved our expected management goals and have now formulated a new long-term vision. The vision is entitled “Challenge 10” and covers the six-year period through fiscal 2010. The objective of preparing this vision is to enable the MSI Group to grow to become a world-class company that meets and surpasses global standards by fiscal 2010. We are aiming to make the MSI Group well known around the world and to join the top international insurance and financial groups, both in terms of scale and quality.

Our targets for fiscal 2010 include nearly doubling the current profit level for the MSI Group. With the core of our operations in non-life insurance in Japan, we are planning to develop our activities in overseas business, life insurance, financial services, and risk-related business.

REVIEW OF BUSINESS ACTIVITIES
Overview of Performance in Fiscal 2004
During fiscal 2004, the Japanese economy showed signs of weakness in some sectors in the latter half of the year, but generally remained on a gradual recovery trend supported by improvement in corporate profitability and increases in private capital investment, combined with improvement in personal consumption and employment conditions. In the non-life insurance industry, insurance premium volumes continued to be relatively weak, owing to lackluster conditions in the core automobile insurance business. On the other hand, as a result of a series of natural disasters, including typhoons and earthquakes, claims incurred increased. In addition, because of the continuation of low interest rates and other factors, the financial income balance remained weak.

Amid these challenging operating conditions, the MSI Group focused its efforts on bringing its “MS WAVE II” two-year medium-term business plan, which began in fiscal 2003, to full completion. As a consequence, the Group came close to attaining its five objectives for the Japanese market: “No. 1 in the ratio of increase in net premiums written from domestic non-life insurance; No. 2 in consolidated net premiums written from non-life insurance underwriting, including those from overseas; No. 2 in the amount of life insurance in force among subsidiaries of non-life insurers; No. 1 position for the combined ratio (loss ratio plus expense ratio); and No. 1 in the rate of investment return.”

Domestic Non-Life Insurance
In the non-life insurance business in Japan, we are continuing to focus on strengthening our capabilities for product development and sales.

Among our non-life insurance products, we concentrated on expanding sales of our MOST automobile insurance and Home Pikaichi fire insurance policies. We also introduced our ViV Shushin Cancer Focus Plan and our Hareyaka Sedai (“glorious generation”) personal accident insurance products, which are designed to meet the needs of an aging society. For the corporate market, we launched Personal Data Protector,
which is designed to accommodate the increasing needs expected for insurance against personal information leakage. All of these insurance products have been well received by customers and recorded favorable sales performance.

To enhance our marketing channels, we actively implemented the distribution channel restructuring that we began in fiscal 2003. To enable our agents to perform efficiently according to their size and specialty, we reformed our marketing organization, and, through upgrading and consolidation of existing agents, we moved toward creating a marketing structure that makes increases in revenues and improvements in efficiency possible. In addition, we made progress in expanding sales of insurance products through banks and securities companies. Also, as part of our information technology (IT) strategy, we developed our Mobile MS1 mobile terminal, which aims to improve our insurance agents’ efficiency in processing contracts. This new IT system makes the entire process, from filling out insurance application forms to issuing receipts for premium payments, paperless and cashless.

In asset management, we are working to secure stable investment income through diversifying our investment measures and strengthening initiatives to increase loans to individuals. We are also taking steps to reduce our holdings of equities and have improved comprehensive management of assets and liabilities.

Overseas Business
We are continuing to place emphasis on profitability in our overseas business and injected capital into this area during the fiscal year under review, which we believe will result in significant business expansion.

We have positioned Asia outside Japan as our principal overseas market in view of its potential for market growth and profitability. With this in mind, we acquired in full the non-life insurance business operations in Asia of Aviva plc, the largest insurance group in the United Kingdom. In addition, we concluded an alliance with a leading insurance group based in China and took other measures to strengthen our position in that country, including the establishment of representative offices in Hangzhou and Qingdao. In April 2005, we reached an agreement to acquire Mingtai Fire & Marine Insurance Co., Ltd., the second-largest non-life insurance company in Taiwan, and will continue to work to build a strong presence in Asia. In Europe, our insurance underwriting operations as a member of the Lloyd’s syndicate continued actively, and, in the United States, although operating conditions are difficult, we are making progress toward improvements in performance.

In our new long-term vision Challenge 10, we have positioned overseas business as one of our growth drivers and will continue to place emphasis on this field.

Life Insurance
Our life insurance operations are also expected to be a key driver of growth under our Challenge 10 vision.
Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., a wholly owned life insurance subsidiary, continued to report steady expansion in its activities. At the end of fiscal 2004, it had narrowed the difference in amount of life insurance in force to about ¥100 billion against that of the second-ranked life insurer among life insurance subsidiaries of non-life insurers. This performance reflects not only the company’s strong product development capabilities but also cross-selling capabilities supported by MSIL’s strong brand and ample resources, such as a customer base of approximately 20 million people and 15 million households, non-life insurance agency network, and experienced marketing staff.

Mitsui Sumitomo CitiLife Insurance Co., Ltd. (MSICiti), which was established as a joint venture with U.S.-based Citigroup, specializes in the marketing of annuity products through the OTC sales channels of banks and securities companies. After only two years of operations, MSICiti already ranks No. 2 in the variable annuity field in Japan.

Asset Management
Interest and dividend income decreased on the back of continuous low interest rates in Japan during fiscal 2004. However, we have the basis for relatively high yields on our asset portfolio, with a high weighting of bonds issued by top-quality corporations and also a high weighting of loans to individuals in our loan portfolio. Moreover, we are working toward securing a steady flow of interest and dividend income by expanding such investment strategies as alternative investments. In addition to such measures, to enhance capabilities for the comprehensive management of assets and liabilities, we are making investments primarily in domestic bonds, and, with the objective of minimizing the risk of stock price fluctuations, we sold certain of our equity holdings during the fiscal year under review.

Financial Services: Responding to the Needs of a Range of Customers
In the financial services business, we are expanding sales of products designed to meet the needs of defined contribution pension plans and are strengthening our sales channels through partnerships with life insurance companies, regional banks, securities companies, and other financial institutions. We also offer a broad spectrum of other financial services to meet customer needs, including financial guarantees for securitization arrangements and weather derivatives.

Aiming for Higher Shareholder Value
Under our recently formulated long-term vision Challenge 10, we are working toward expanding the MSI Group’s overall profitability. Steady progress toward our profit targets will provide the basis for rewarding our shareholders. As for domestic business operations, we believe that attaining substantial growth in the domestic non-life insurance business will be difficult, but, as the MSI Group’s core business, we will strive to achieve its steady expansion. On the other hand, as we mentioned previously, there is ample room for growth in our operations overseas, principally in Asia, and in the life insurance business. We are, therefore, aggressively allocating resources to these two areas as well as to our financial services and risk-related solutions businesses. We will actively use the earnings from these activities to reward our shareholders by paying dividends and conducting buybacks of outstanding shares.

From the point of view of balance sheet management, we plan to continue to sell our equity holdings with the aims of reducing market risk and stabilizing our capital base. We will use the proceeds from the sale of equities for such measures as investing in high-return businesses and carrying out share buybacks. We are committed to increasing shareholder value through such efficient use of capital as well as securing a sufficient portion of the same to continue our reliable insurance business.

Pursuing Our Corporate Philosophy
Since the formation of the MSI Group, our corporate philosophy has been to increase shareholder value, and we have managed our business activities to realize a higher return on capital. In October 2004, we marked the third anniversary of the Group’s formation. Our new Challenge 10 long-term vision calls for three types of innovation: marketing, claims-handling service, and operational. Moreover, along with our efforts to enhance the business performance of the MSI Group, we are pursuing a Groupwide program of corporate social responsibility (CSR) activities. We believe that such activities will surely lead to increased customer satisfaction and that they will contribute to gaining the trust and confidence of society. Our mission is to meet the expectations of shareholders. All management and staff are fully committed to gaining shareholder confidence through endless endeavors to improve our business performance in the future.

We look forward to the continued support and guidance of our shareholders.

August 2005

Takeo Inokuchi
Chairman and Chief Executive Officer

Hiroyuki Uemura
President and Chief Executive Officer
The MSI Group has prepared a long-term vision entitled Challenge 10 with a target date of fiscal 2010. To guide the Group through the first two years of the plan, fiscal 2005 and 2006, MSI has drawn up a medium-term management plan, which it began to implement in April 2005, entitled Challenge 10, Stage I.

Under its management plans, the Group is aiming to create an even stronger business base through further steady development of its domestic non-life insurance, financial services, and risk-related business operations, combined with dramatic growth in its life insurance and overseas business operations. Under Challenge 10, the Group is working to expand its total profit twofold from current levels by fiscal 2010 and, by dealing effectively with the issues it must address, grow to become a world-class insurance and financial services group. The Group has set seven specific targets for growth and earnings to attain by the end of fiscal 2010.

To accomplish these objectives, the Group is working to achieve dramatic increases in its capabilities for growth and profitability by implementing a wide range of initiatives. These include offering optimal quality products and services that respond to customer needs, strengthening its marketing capabilities, improving its claims-handling service activities, creating a next-generation contract processing system, developing its overseas business activities strategically with a focus on Asia, expanding its personal insurance business activities, including life and medical insurance products and services, and expanding its investment capability. Along with these initiatives, the Group has positioned fulfilling CSR through the efforts of all management and staff as the backbone supporting its activities. To this end, the Group is working to substantially strengthen its systems for risk management and compliance as well as improve its corporate governance structure, all with the ultimate objective of enhancing the Group’s corporate quality to respond to the expectations of customers, shareholders, society, and all other stakeholders as well as take appropriate measures for preserving the natural environment.
**CHALLENGE 10**

**BUSINESS PORTFOLIO TARGETS FOR THE GROUP’S FIVE MAJOR BUSINESSES**

Through maximizing the profits of its five major businesses, the domestic non-life insurance business will make up approximately 55% of the Group’s core profit in fiscal 2010.

**Fiscal 2010 profit:** ¥100 to ¥120 billion

**Fiscal 2003 profit:** ¥64 billion

- **Domestic non-life insurance business (79%)**
- **Overseas business (14%)**
- **Life insurance business (6%)**
- **Financial services and risk-related business (1%)**

- **Expand and promote the Group’s five major operations**
  - Realign core businesses
  - Expand Group operations
  - Invest in growing areas

**Position CSR as the Backbone for Activities of All MSI Group Members**

**Aim to Be World-Class in All Aspects of Corporate Quality**

**Customer Satisfaction (CS)**
Set quantitative targets for specific indicators and work to build strong bonds of trust with customers by becoming No. 1 in CS: “Providing products and services that exceed customer expectations,” and “Creating a claims-handling service system that will make MSI No. 1 in terms of customer satisfaction.”

**Capital Policy**
While working toward capital sufficiency and stability, aim for increasing corporate value by raising ROE through creating an optimal asset structure, an optimal allocation of capital, and aggressive investments in growth businesses.

**Risk Management and Compliance**
Reach for world-class quality based on the Mitsui Sumitomo Insurance Group Charter on Professional Conduct, internal controls, and risk/return management.

**Corporate Governance**
Aim for realizable, top-level governance systems.
Under Challenge 10, all MSI Group members will strive to become a “bigger, stronger, and better company,” implement the Group’s business principles, and enable the Group to become a top-ranking player in the global insurance and financial services businesses.

SEVEN MAJOR BUSINESS STRATEGY TARGETS

MARKET POSITION TARGETS

1. Amount of increase in consolidated net premiums written: No. 1 in Japanese market

2. Non-consolidated net premiums written: No. 2 in Japanese market

3. Overseas gross premiums and net income: No. 1 in Japanese market

4. Net income among non-life insurers: No. 1 in Japanese market (Mitsui Sumitomo Kirameki Life + annuity business subsidiary)

5. Combined ratio: No. 1 in Japanese market

6. Rate of investment return: No. 1 in Japanese market

7. Group ROE: 7%
OBJECTIVES FOR FISCAL 2006

No. 1 Targets*

► Amount of increase in consolidated net premiums written: No. 1
To maintain and strengthen MSI’s No. 2 position in terms of consolidated net premiums, the Company will sustain its policy of increasing premium income in the domestic market while actively working to expand overseas business in areas where it has strengths, with the goal of becoming No. 1 in terms of the increase in premiums.

► Growth rate of net premiums written from domestic non-life insurance: No. 1
MSI will work to strengthen the competitiveness of its core products and substantially expand its lineup of third-sector insurance products, while also aggressively implementing a policy of expanding premium income in the retail, corporate, and auto-dealer markets.

► Overseas gross premiums and net income: No. 1
MSI will place high priority on establishing a dominant position in Asian markets and aim to become No. 1 among Japan’s insurance companies overseas in terms of size and profits.

► Growth rate of life insurance amount in force (Mitsui Sumitomo Kirameki Life): No. 1
MSI will work to steadily expand Mitsui Sumitomo Kirameki Life’s position to become a main source of earnings for the Group and become No. 1 in terms of growth in the balance of life insurance amount in force among subsidiaries of Japan’s non-life insurance companies.

► Combined ratio: No. 1
MSI will strengthen profitability and work to become No. 1 in the combined ratio, with the lowest loss ratio and expense ratio.

► Rate of investment return: No. 1
MSI will work to become No. 1 by continuing to implement initiatives to maintain and enhance its superior position in terms of investment income.

THREE TYPES OF INNOVATION

► Marketing innovation
Reorganize the distribution channel and implement operational reforms among sales staff and agents to increase profitability

► Claims-handling service innovation
Enhance claims-handling services and implement systems to become No. 1 in customer satisfaction

► Operational innovation
Implement business process restructuring for greater customer satisfaction to increase speed, convenience, and reliability

* In the Japanese market
TARGETS FOR FISCAL 2006

### MSI on a Non-Consolidated Basis

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net premiums</td>
<td>¥1,340 billion</td>
<td>(Note 1)</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>91.8%</td>
<td>(Notes 1, 2)</td>
</tr>
<tr>
<td>Net loss ratio</td>
<td>61.6%</td>
<td>(Note 1)</td>
</tr>
<tr>
<td>Net expense ratio</td>
<td>30.2%</td>
<td>(Note 1)</td>
</tr>
<tr>
<td>Net interest and dividend income</td>
<td>¥52.0 billion</td>
<td>(Note 3)</td>
</tr>
<tr>
<td>Net income</td>
<td>¥68.5 billion</td>
<td></td>
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### MSI Group on a Consolidated Basis

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<thead>
<tr>
<th>Metric</th>
<th>Target</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td>Net premiums</td>
<td>¥1,484 billion</td>
<td>(Note 1)</td>
</tr>
<tr>
<td>Group core profit</td>
<td>¥840 billion</td>
<td>(Note 4)</td>
</tr>
<tr>
<td>Group ROE</td>
<td>5.6%</td>
<td>(Note 5)</td>
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### Overseas Business

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
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</thead>
<tbody>
<tr>
<td>Core profit</td>
<td>¥10 billion</td>
<td>(Note 6)</td>
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</tbody>
</table>

### Life Insurance Business

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<th>Metric</th>
<th>Target</th>
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</thead>
<tbody>
<tr>
<td>Life insurance amount in force</td>
<td>¥9,020 billion</td>
<td>(Note 7)</td>
</tr>
<tr>
<td>Core profit</td>
<td>¥12.5 billion</td>
<td>(Note 8)</td>
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</tbody>
</table>

### Financial Services and Risk-Related Business

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core profit</td>
<td>¥1.8 billion</td>
<td>(Notes 9, 10)</td>
</tr>
</tbody>
</table>

**Notes:**
1. Excludes refundable premiums under Modi-Rich automobile insurance policies that provide for return of premium on maturity (takes account of the impact of abolition of the governmental reinsurance program of compulsory automobile liability insurance).
2. The combined ratio is the sum of the loss ratio and the expense ratio.
3. Net interest and dividend income is interest and dividends received minus income credited to investment deposits by policyholders.
4. Group core profit equals consolidated net income minus capital gains and losses on stocks (buying and selling gains and losses, etc.), minus evaluation gains and losses on credit derivatives, minus other special gains and losses, minus consolidated net income of life insurance subsidiaries, plus profit before the provision of additional policy reserve for standard underwriting reserve at Mitsui Sumitomo Kirameki Life, plus equity in earnings under U.S. GAAP of MSICiti and certain other items. (All profit figures are on an after-tax basis.)
5. Group ROE is Group core profit divided by shareholders’ equity (defined as the average of shareholders’ equity at the beginning and at the end of the fiscal period).
6. Core profit of the overseas business is profit from overseas departments on a non-consolidated basis plus equity in earnings of overseas insurance Group companies.
7. Life insurance amount in force is the value of contracts written and outstanding of Mitsui Sumitomo Kirameki Life (excluding Group insurance).
8. Core profit of the life insurance business is profit before the provision of additional policy reserve for standard underwriting reserve at Mitsui Sumitomo Kirameki Life plus equity in earnings under U.S. GAAP of MSICiti.
9. Core profit of the financial services business is the profit of financial service businesses on a non-consolidated basis, plus equity in earnings of financial service Group companies.
10. Core profit of the risk-related business is equity in earnings of risk-related business Group companies.
CORPORATE GOVERNANCE

MSI’s Perspective on Corporate Governance
MSI has positioned corporate governance as one of its most important management issues and is actively engaged in initiatives to enhance its governance structure. Through the efficient use of management resources and appropriate risk management, the Company is working to ensure long-term stability and development by creating a transparent management framework with proper checking functions, with the goal of continuing to increase its corporate value.

(1) Content of the Company’s Administrative Bodies
Outline of the Company’s Organization
MSI has adopted the corporate auditor governance model and is working to improve corporate governance by strengthening the functions of its Board of Directors and Board of Auditors and through proactive information disclosure. To provide for fast decision making together with the appropriate monitoring of management activities, the Company has introduced an executive officer system. The objective of adopting this system is to make a clear distinction between the roles of the Board of Directors, which are to make decisions regarding important Groupwide matters and supervise the Group’s operations from an overall perspective, and the roles of the executive officers, who have responsibility for the day-to-day conduct of business activities.

Roles of the Company’s Administrative Bodies
a. Board of Directors
The Board of Directors discusses and determines key management strategy issues for the MSI Group as a whole and supervises the execution of duties by directors and executive officers. To substantially strengthen the functions of the Board of Directors, the Company has eliminated the previous managing and senior managing director title positions (with the exception of chairman and president), and at the 88th General Meeting of Shareholders (held on June 28, 2005) three outside directors were appointed.
Moreover, to secure transparency in management, the Nominating Committee and the Remuneration Committee have been formed to provide advice to the board related to the selection of candidates for the positions of director and executive officer, the evaluation of their performance, and the setting of appropriate compensation levels.

b. Auditors and Board of Auditors
MSI’s corporate auditors supervise directors’ execution of their responsibilities by such means as participating in meetings of the Board of Directors, the Management Committee, and other key committees; examining important documents; and visiting the Head Office, departments, branches, and overseas offices to conduct audits. The auditors also exchange views with the representative directors on a regular basis.

The Board of Auditors receives reports on major matters related to auditing activities and meets for discussion and making decisions.

c. Accounting Auditor
MSI has appointed KPMG AZSA & Co. as its independent accounting auditor. Personnel conducting the audits of MSI’s accounts and other matters include six certified public accountants, seven assistant certified public accountants, and four other assistants. The accounting auditor is empowered to call on corporate auditors for reports and explanations both on a regular basis and when otherwise deemed necessary. The accounting auditor and corporate auditors work together to ensure a high level of quality in auditing activities.

d. Management Committee
MSI has formed its Management Committee as an organization responsible for deliberating key issues pertaining to management policies and corporate strategies as well as the management of the parent company and the MSI Group and important issues related to the conduct of business activities.

e. Other Bodies
MSI has established task-specific committees to discuss key management issues related to the execution of operations and conduct exchanges of views among related divisions. Principal task-specific committees include the Disclosure Committee, the Risk and Compliance Committee, and the CSR Committee.

(2) Directors’ and Auditors’ Compensation
Compensation paid to directors and auditors in fiscal 2004 was as follows:
• Compensation paid to directors: ¥979 million
• Compensation paid to auditors: ¥142 million
  These figures include the following:
  • Employee compensation and remuneration for other duties of directors who are concurrently employees: ¥16 million
  • Retirement bonuses: ¥463 million (¥419 million for directors and ¥44 million for auditors)
  • Directors’ bonuses: ¥71 million (¥71 million for directors and none for auditors)
  Please note that the figures for retirement bonuses included some amounts paid to directors who had already left the Company as their annuity costs.

Compensation paid to MSI’s accounting auditor (KPMG AZSA & Co.) in fiscal 2004 was as follows:
• Compensation for audit certification: ¥104 million
• Other compensation: ¥2 million

(3) Outside Directors and Auditors
There are no special interest relationships or conflicts of interest between the Company and its three outside directors or three external auditors.
RISK MANAGEMENT

Risk Management System
All entities face uncertainty, which presents both risk and opportunity. MSI’s Board of Directors has formulated the Company’s Basic Policy on Risk Management to effectively deal with risk and enhance MSI’s capacity to build value. The Board of Directors is responsible for monitoring and supervising the overall risk management system. The Basic Policy on Risk Management classifies the MSI Group’s risks into insurance underwriting, investment, liquidity, clerical, systems, and other risks. Regarding compliance, the Board of Directors has set forth the Mitsui Sumitomo Insurance Group Charter on Professional Conduct and a Compliance Manual. From this year, the Board of Directors has established the Corporate Risk Management Department to strengthen ongoing risk monitoring across Group companies. In addition, the Internal Audit Department conducts separate evaluations of the risk management of Group companies. The results of internal audits are reported on a regular basis to the Board of Directors. For information assets, where leakage of customer data is an issue, the Group’s basic policy incorporates its Information Security Policy, and the Group’s Information Management Regulations have been drawn up to specify the appropriate ways for acquiring, using, and storing customer-related information, which is handled in compliance with these regulations.

MSI has established a Risk and Compliance Committee, which is one of its task-specific committees, with members who are executive officers responsible for various business activities and general managers of related departments. This committee prepares plans and proposals for risk management and compliance-related policies and programs. The committee is also responsible for making management and progress reports to the Board of Directors and the Management Committee as well as for ensuring proper risk response and thoroughgoing compliance by holding discussions and accelerating the solution of important issues.

![Risk Management Framework Diagram]
MSI’s CSR Committee was established in August 2003, with the president and CEO as committee chairman and members drawn from principal board members and general managers of Head Office departments. Since its formation, the committee has continued to work to achieve an optimal overall balance of initiatives, raise the level of CSR activities, and monitor progress from a comprehensive perspective. In addition, a total of approximately 630 selected general managers and CSR Promotion Representatives (an equal number of men and women) have been appointed to take leadership responsibility for CSR in branches and offices in Japan and in overseas offices. In addition, in October 2004, MSI set up the CSR Section, to specialize in CSR, within its Corporate Planning Department. The section, which is responsible for planning and implementing cross-departmental initiatives, is headed by a staff member working on CSR full time, while the other members of the section have joint responsibilities in the section as well as in each department of Human Resources, General Affairs, Corporate Communications, and Compliance.

Establishment of the Group Charter

The Mitsui Sumitomo Insurance Group Charter on Professional Conduct was announced in October 2004. The charter was prepared based on the results of employee discussion meetings held at major offices across Japan, and drafts of the charter were made public to employees and their opinions were solicited. Then, the final draft of the charter was prepared, taking their opinions and ideas into account. All in all, more than a year was spent on preparing the final version of the charter.

Stakeholders of the MSI Group—that is, any members of society who are in any way connected with the Group—are defined to include six groups, namely customers, shareholders, agents, business partners, employees, and local communities and the international community—plus the natural environment, for a total of seven. The charter addresses how the MSI Group should behave toward these stakeholder groups and the environment and sets forth the Group’s “seven principles” regarding them. At the beginning, the charter explains MSI’s core ideas and values and why fulfilling these seven principles is necessary. The charter concludes with the statement of what actions individual employees should take, entitled “Our Conduct.”

MSI has positioned its charter as the core of its CSR initiatives and the base for its activities. The charter symbolizes the corporate culture of the MSI Group and constitutes a pledge.
regarding what actions MSI Group employees will take toward its stakeholders and the environment.

The Group’s overseas offices, including subsidiaries and branches, have prepared their own original charters suited to their particular countries and circumstances.

**Emphasis on Workplace Meetings and Dialogue**

MSI employees are holding Charter Meetings at offices around the world. One purpose of these meetings is to offer employees a chance to talk about situations where they are encountering difficulty in implementing the charter in their everyday work. The charter takes on true meaning only when each employee thoroughly understands and identifies with, and finally implements, it in his or her everyday work. To implement the charter, it is essential to first create an environment that fosters discussion of what the problems are and what is lacking. To have these types of initiatives become a regular part of the culture of all Group employees, CSR is being made a part of all employee training programs. In addition, a “Let’s Talk About CSR!” bulletin board has been posted on the Company’s intranet, where employees can express their opinions under their own names and exchange information on examples of CSR initiatives.

At present, the aforementioned general managers and CSR Promotion Representatives are taking the lead in developing their original initiatives throughout Japan and in overseas offices.

**Evaluation of CSR Initiatives**

To promote the right balance of CSR initiatives, the MSI Group is evaluating its CSR activities from an overall perspective. For this purpose, the Group has established an MSI CSR Management Score system containing 107 evaluation criteria. Every six months, each related department prepares a draft evaluation of progress in its own activities under these criteria, and the CSR Committee makes the final evaluation. In addition, the committee verifies overall progress. These initiatives are moving forward with an awareness of individual evaluation criteria, such as:

- The performance of initiatives for familiarizing all management and staff with the corporate action code (the Mitsui Sumitomo Insurance Group Charter on Professional Conduct)
- The conduct of meetings by the president with a range of stakeholder groups

Moreover, the MSI Group has become the first financial institution in Japan to introduce CSR accounting and, beginning last year, it published the first in what is planned to be an annual series of CSR reports. Based on the concept that “CSR is a strategic investment,” to the extent feasible, the CSR Report identifies and measures quantitatively the costs and effects of CSR initiatives.

**Taking the Lead in Participating in the U.N. Global Compact**

In June 2004, MSI became the first financial institution in Japan to participate in the United Nations Global Compact. Participants must express their management commitment to supporting 10 principles related to human rights, working conditions, the environment, and anti-corruption. MSI’s participation in the compact represents a reaffirmation of its commitment to CSR. Moreover, the Global Compact Steering Committee was recently formed in Japan to consider what courses of action are appropriate for the domestic network of companies participating in the compact. MSI was appointed to chair this committee. Looking forward, MSI is committed to acting as a leader among Japanese companies in these initiatives, participating proactively in global activities, and aiming to enhance the understanding of trust placed in Japan by international society.

*Left:* Hiroyuki Uemura, President and CEO, MSI  
*Right:* Frederick C. Dubee, Former Senior Advisor, Global Compact, Executive Office of Secretary General, United Nations
EXECUTIVE OFFICERS AND CORPORATE AUDITORS

Chairman and Chief Executive Officer
Takeo Inokuchi*

President and Chief Executive Officer
Hiroyuki Uemura*

Executive Vice Presidents
Yoshiaki Shin*
Takashi Yamashita*

Senior Executive Officers
Kenichi Enami
Kazuo Yamada
Yoshihiko Mikuni
Ken Ebina
Nobuyuki Hidaka

Managing Executive Officers
Toshiaki Egashira
Toshihiro Nakagawa
Kazuo Araya
Hiromi Asano*
Kazuo Kondo*
Hitoshi Matsuno*
Hiroaki Shiraki
Isamu Endo
Koichi Kubota
Shunji Abo*
Katsuki Ikeda*

Executive Officers
Ichiro Iijima
Yoshio Iijima
Hisao Mitsubori
Hideharu Nishida
Michio Hatakayama
Takayoshi Komiya
Hironobu Namba
Hitoshi Ichihara
Yasuyoshi Karasawa*
Yukihiro Kawazu
Katsumi Ochi
Gen Miura
Koji Amano
Makoto Toyoshima
Toshiro Irie
Akihiro Umeda
Shigeru Kondo
Masamichi Irie

Outside Directors
Eiko Kono*
Kenji Koyasu*
Iwao Taka*

Standing Corporate Auditors
Yasu Obara
Yasuo Tsutsumi
Michio Nozaki

Corporate Auditors
Junichiro Tanaka
Sosuke Yasuda
Megumi Sutoh

*Member of Board of Directors

(As of June 28, 2005)
# THE MSI GROUP AT A GLANCE

<table>
<thead>
<tr>
<th>BUSINESS FIELD</th>
<th>COMPANY</th>
<th>STRATEGIES</th>
</tr>
</thead>
</table>
| **Non-Life Insurance** | Mitsui Sumitomo Insurance Co., Ltd. | ● Strong capabilities for new product development and marketing through 74,664 agents, collaboration with life insurance companies, OTC sales at banks, and a rich assortment of third-sector insurance products  
● Strong claims-handling capabilities offered through a nationwide network of 257 claims-handling offices  
● Extensive overseas network  
● Strong reinsurance know-how and capacity  
● Strong investment capabilities, being a top Japanese non-life insurance company in terms of rate of investment return |
| **Life Insurance** | Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.  
Mitsui Sumitomo Citilnurance Life Insurance Co., Ltd. | ● Marketing of protection-oriented products  
● Term products, whole life insurance products, and other products that make a large contribution to profitability  
● Marketing primarily to existing MSI clients  
● Variable annuities business  
● Marketing through such partners as banks, trust banks, shinkin banks, and securities companies  
● Marketing to high-net-worth individuals and other retail market segments |
| **Overseas Business** | Overseas network of 61 bases in 38 countries and regions  
MS Frontier Reinsurance Ltd.  
Mitsui Sumitomo Reinsurance Ltd. | ● Boasting the top overseas network of any company in the Japanese insurance industry, covering the three principal regions of Asia, Europe, and the Americas and with noteworthy recent augmentation in Asia  
● Leveraging strengthened capabilities for reinsurance business created by increasing the capital of MS Frontier Reinsurance and Mitsui Sumitomo Reinsurance |
| **Financial Services** | Financial Services Division  
Sumitomo Mitsui Asset Management Co., Ltd.  
MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd. | ● Focusing on core financial service fields: financial guarantees, alternative risk transfer (ART), marketing investment trusts, and defined contribution pension plans  
● As one of the largest asset management companies in Japan, handling pension funds, investment trusts, and assets of insurance companies  
● Emphasizing hands-on investments in start-up and mezzanine companies |
| **Risk-Related Business** | InterRisk Research Institute & Consulting, Inc.  
MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.  
American Appraisal Japan Co., Ltd. | ● As one of the largest risk management consulting companies in Japan, proposing risk solutions to corporate clients  
● Providing support for long-term care, engaging in the home-visit care business, operating nursing homes specializing in the provision of fee-based long-term care services, etc.  
● Providing global-standard asset appraisal services covering real estate and movables as well as such intangible assets as brands and patents |
REVIEW OF OPERATIONS

Insurance Business

**Hull Insurance**
MSI offers a wide range of hull insurance for the shipping and shipbuilding industries. For shipping, types of coverage include regular-term insurance against damage and collision, loss of profit, and damage due to war risk. For shipbuilders, we provide policies to cover damage to vessels under construction. Additional types of coverage include insurance against losses incurred during marine-based civil engineering work, oil field development, and plant construction. MSI draws on its top-class sales force and superior product development capabilities to offer services that match customers’ needs and win their trust and high appraisal.

In fiscal 2004, net premiums written expanded 6.2% over the previous fiscal year, to ¥14.4 billion, boosted by a large volume of new ships going into service, principally for oceangoing routes, and other factors.

**Cargo and Transit Insurance**
MSI’s cargo and transit insurance products, which are predominantly customized to meet client requirements, offer protection against accidental losses or damage to cargoes during domestic and international shipment by sea, air, and land.

The Company has an extensive sales and claims-handling network covering Japan and overseas locations and occupies a leading position in the cargo and transit insurance business and in the world market.

In fiscal 2004, net premiums written rose 10.1% over the prior year, to ¥71.5 billion, reflecting strong freight movements to and from China. In addition, the Company expanded its lineup of products, introducing comprehensive inland transit insurance Business One for small and medium-sized companies in November 2004 and Arship-Delivery liability insurance for transport companies in February 2005.

**Fire and Allied Lines Insurance**
In fiscal 2004, MSI focused on winning new customers for its Home Pikaichi, the highest class of fire insurance for homeowners, and upgraded the contracting system for agents for Business Pikaichi, which provides full coverage for all risks for small and medium-sized companies. In both the home and business markets, the Company concentrated its efforts on providing its innovative and unique high-unit-value products. As a consequence of these marketing initiatives and a favorable business environment, including firm growth in private-sector capital investment and housing starts on a par with the previous year, net premiums written for fire and allied lines insurance increased 0.8%, to ¥188.1 billion.

Entering fiscal 2005, ending March 31, 2006, we are continuing aggressive marketing initiatives. These measures have included the introduction in June of New Business Pikaichi, a successor product to Business Pikaichi, which features major upgrades, including providing fire insurance coverage for all risks for small
and medium-sized companies in a wider category of business. We are also taking steps to make our principal products easier to provide.

**Personal Accident Insurance**

In fiscal 2004, MSI conducted dynamic sales campaigns, mainly for the growing area of third-sector insurance, and expanded its product line-up. In September 2004, the Company introduced Hareyaka Sedai, personal accident insurance for persons 70 years of age or older. Hareyaka Sedai means “glorious generation” in Japanese, and this is the first insurance of its kind to be introduced in the industry. Also, in December 2004, MSI expanded its ViV Shushin whole life medical insurance series to include the ViV Shushin Cancer Focus Plan. The ViV Shushin products have been extremely well received for their expanded medical coverage, Accident-Free Mileage program that lowers premiums based on the number of accident-free years, and reasonable premiums. The ViV Shushin Cancer Focus Plan is another whole life medical insurance plan with an emphasis on cancer coverage.

Thanks to the strong customer endorsement of ViV Shushin and other core products, net premiums written for all personal accident insurance products rose 5.5%, to ¥132.5 billion.

**Voluntary Automobile Insurance**

MOST for Families is MSI’s main product for the personal voluntary automobile insurance market. After introducing various discount features in January 2004, the Company began to market the new “Policyholder & Spouse Drivers Only Discount” in July 2004 and made other modifications to deliver the highest quality of coverage and services, which is a product concept of MOST, and respond to a broad range of customer needs.

Also, to increase the attractiveness of Modo-Rich, the Company’s unique automobile insurance product that contains a special clause for premium adjustment and refund at maturity, MSI introduced Modo-Rich New. This new product increases the benefits* to customers who are accident-free during the period of the policy, and for customers who purchase both MOST for Families and Modo-Rich New policies, the Company provides an upgraded version of its Okuruma QQ Squad on-the-road emergency assistance services.

* These benefits are the difference between premiums of regular one-year policies renewed over a three-year period and actual premiums paid over the three-year term of Modo-Rich policies minus the amount refunded on maturity.

In addition, in August 2005, the Company introduced MOST First Class, a high-quality automobile insurance policy. This new policy expands the compensation paid under previous MOST policies through the addition of special riders for extra coverage and special services in times of emergency. In addition, MOST First Class
policyholders can receive services from a newly established special help desk for accidents, which provides smooth support from the time of the accident to the full resolution of related matters.

Although major expansion in the market for automobile insurance is not anticipated, the Company is continuing to market these products aggressively, focusing on the MOST series. As a consequence, net premiums written increased 0.2% over the previous fiscal year, to ¥582.4 billion.

Compulsory Automobile Liability Insurance

Under Japan’s Automobile Liability Security Law, all automobile owners are required to have compulsory automobile liability insurance that indemnifies—up to a legally prescribed amount—the holder against the death or injury of other persons as a result of an automobile accident. In April 2005, the standard rates for this insurance were reduced.

In fiscal 2004, net premiums written rose 0.9% from the previous fiscal year, to ¥195.7 billion.

Other Property and Casualty Insurance

MSI is actively developing and marketing new products that cover new types of risk and meet market needs in the other property and casualty insurance field.

In fiscal 2004, the Company introduced and began aggressively marketing Personal Data Protector in June 2004. This was in response to the growing interest in protecting personal data and the passage of the Personal Information Protection Act, which went into effect in April 2005.

As a consequence of Company initiatives to develop and introduce many products that meet market needs responsively, revenue from general liability and other insurance grew, and net premiums written for other property and casualty insurance expanded 4.1%, to ¥218.3 billion.

Life Insurance

Wholly owned subsidiary Mitsui Sumitomo Kirameki Life continued to report robust increases in the scale of its operations. New business in individual insurance and individual annuity insurance leaped 24.9%, to ¥1,732.8 billion. This was the highest level in that company’s history, and the total amount of insurance in force, including individual insurance and individual annuity insurance, climbed 18.6%, to ¥6,854.6 billion, representing the third consecutive annual double-digit increase.

These impressive results were the consequence of several factors. On the marketing side, we have assigned life insurance specialists to MSI’s local offices nationwide and worked to step up cross-selling activities. To expand its line-up of insurance products, the Company introduced family income policies with no cash surrender value in February 2004. This—together with a...
On January 31, 2005, MetLife, Inc., announced its decision to purchase the life insurance and annuity businesses of Citigroup. The Company conducted negotiations under the assumption that its joint venture partner in MSICiti would change, and following the closing of the MetLife acquisition on July 1, the Company completed the necessary procedures for changing the partner in its joint venture from Citigroup to MetLife. Accompanying this change of partner, the Company is placing the highest priority on the continuation of the business initiated by MSICiti, and there will be no change in ownership ratios, business and operation, management, or the support provided by the two parent companies. Going forward, the Company will provide its full support for the joint venture but will also introduce the know-how of MetLife, which is the largest life insurer for individuals in the United States, and give its full commitment to continuing to expand the business. Also, as of October 1, 2005, the name of the company will change to Mitsui Sumitomo MetLife Insurance Co., Ltd.

Revision in premiums in June 2004, which has reinforced the competitiveness of term policies for lifetime and increasing-term policies—contributed to the gains in performance.

Other major topics during the fiscal year under review included an injection of capital of ¥25 billion, completed in September 2004, and the decision to take further steps to strengthen Mitsui Sumitomo Kirameki Life’s operating base to prepare for further substantial growth.

Another key company in the MSI Group’s life insurance business is MSICiti, which was established as a joint venture with Citigroup and focuses on the marketing of individual annuities that combine the attractiveness of insurance with the appeal of asset management. During the fiscal year under review, MSICiti augmented its lineup of products to include fixed annuities denominated in foreign currencies, beginning in January 2005, and the commencement of sales of yen-denominated fixed annuities and variable annuities with a guaranteed minimum withdrawal benefit.

In fiscal 2004, MSICiti reported a remarkable expansion in its activities, writing approximately 40,000 policies and recording ¥401.4 billion in sales. As a result, the total balance of contracts in force rose to ¥885.7 billion.

On January 31, 2005, MetLife, Inc., announced its decision to purchase the life insurance and annuity businesses of Citigroup. The Company conducted negotiations under the assumption that its joint venture partner in MSICiti would change, and following the closing of the MetLife acquisition on July 1, the Company completed the necessary procedures for changing the partner in its joint venture from Citigroup to MetLife. Accompanying this change of partner, the Company is placing the highest priority on the continuation of the business initiated by MSICiti, and there will be no change in ownership ratios, business and operation, management, or the support provided by the two parent companies. Going forward, the Company will provide its full support for the joint venture but will also introduce the know-how of MetLife, which is the largest life insurer for individuals in the United States, and give its full commitment to continuing to expand the business. Also, as of October 1, 2005, the name of the company will change to Mitsui Sumitomo MetLife Insurance Co., Ltd.
Overseas Business

Drawing on many years of international insurance business experience, MSI has focused on enhancing its worldwide operations to ensure the continued provision of value-added advice as well as products and services optimally suited to client needs on a global basis. As of July 31, 2005, our overseas business comprised 61 bases in 38 countries and regions.

In fiscal 2004, we conducted our business activities with an emphasis on profitability and reported expansion in underwriting, particularly in Asia outside Japan and in the London open market, through our local subsidiaries and branches. Also, in the reinsurance field, we injected capital into our overseas reinsurance subsidiary and promoted the active expansion of underwriting activities.

In view of the prospects for further growth in Asia outside Japan, we acquired in full the non-life insurance business operations in Asia of Aviva plc, one of the largest insurers in the United Kingdom. In addition, we have reached an agreement to acquire Mingtai Fire & Marine Insurance, the second-largest non-life insurance company in Taiwan. Through these acquisitions, we are dramatically expanding the level of premiums received and the number of offices. Our plans call for expanding net premiums written in Asia outside Japan from approximately ¥30 billion in fiscal 2004 to ¥65 billion in fiscal 2005, and then to about ¥85 billion in fiscal 2006. Moreover, in China we have concluded an alliance with China Pacific Insurance (Group) Co., Ltd., a leading insurance group based in China, and established representative offices in Hangzhou and Qingdao. We also further strengthened our business base in Asia outside Japan through the establishment of a risk management company in India and other initiatives. As a result of these developments, MSI has become the top foreign insurer in Asia outside Japan.

MSI is also working to expand its position in Russia, where growth in insurance requirements is expected in the years ahead, by concluding an alliance with Ingosstrakh Insurance Company Ltd., the largest insurance company in Russia. The Company has already taken steps ahead of the market by establishing representative offices in Moscow and St. Petersburg.
Investment Activities

In its operations on the London open market, Mitsui Sumitomo Insurance (London Management) Ltd. (MSILM), one of our main subsidiaries in the United Kingdom, continued to operate profitably in the London insurance market during fiscal 2004. MSILM counts more than 60 of the U.K. FTSE top 100 companies among its clients. With a gross premium capacity of £316 million, MSILM’s Lloyd’s Syndicate 3210 accounted for more than 2% of the market capacity for 2004, making it one of the 20 largest syndicates in Lloyd’s. The Financial Solutions business continued to lead the market in product innovation, working with some of the world’s best-known financial institutions to deliver excellent results. The consolidated results for MSILM showed £269 million in gross premiums written, which returned a pretax profit of £33 million in fiscal 2004. This business thus makes an important contribution to the profits of the MSI Group.

MSI positions security and liquidity as important aspects of its investment activities to cover claims and maturity refunds, and makes diversified investments of its assets to secure stable income. During the fiscal year under review, the Company invested mainly in domestic corporate and other bonds, while working to improve the profitability of its investment portfolio by adopting a broader range of investment techniques and stepping up efforts to increase loans to individuals.

To manage risks effectively, the Company quantifies and periodically monitors risks associated with its investment portfolio and is continuing to further increase the sophistication of the methods it employs for accurately measuring, evaluating, and managing investment risks. To maintain a sound financial position, the Company has decreased its holdings of stocks to reduce the risk of equity price fluctuations. Other measures to control risk include implementing total credit risk control operations for the same party across various credit exposures to avoid excessive credit concentrations and improving comprehensive asset and liability management to effectively control interest rate risk.
Since the 2001 launch of a Japanese defined contribution pension system, MSI has offered diverse principal protection products and high-quality investment trust products. In the financial guarantee business, MSI is responding to the growing diversity of customer needs for solutions outside the area of fund-raising and offers asset securitization programs that employ advanced financial engineering techniques. In addition, the Company is strengthening its relations with alliance partner MBIA Insurance Corporation to expand its earnings.

In alternative risk transfer (ART) operations, MSI consolidated its global weather derivative alliance with companies in the United States and Europe to strengthen its weather derivatives business. On the other hand, in Japan the Company expanded its sales of weather derivative products, which deal primarily with indices of temperature, rainfall, and snowfall.

To promote its defined contribution pension operations, MSI developed a new program, JIP Multi-Company DC Plan, in the previous fiscal year with small and medium-sized businesses in mind. Activities in fiscal 2004 focused on expanding services for customers. Under this program, partner social insurance and labor consultants thoroughly versed in pension and personnel systems provide comprehensive support and services, from the design of Japanese-version 401k plans through implementation procedures. The scope and quality of services under this program differentiate it from competing offerings, and customer endorsement has been quite strong, putting MSI services in a top position in this area.

In investment trust sales, MSI markets the investment products of Sumitomo Mitsui Asset Management Co., Ltd., as well as of many other fund management companies in Japan and overseas. The Company is one of the leading Japanese financial institutions in terms of the balance of investment trusts marketed.
MSI Celebrates 50th Anniversary of Asian Market Entry

To celebrate the 50th anniversary of entering the Asian market and the 40th anniversary of the Thailand Branch, MSI held a memorial party in Bangkok, Thailand, inviting major clients, officials of the royal authorities, and other market participants to express its gratitude to them. Over the 50 years since beginning operations in Thailand, MSI and its predecessor companies have established firm roots, expanding gross premiums written to the ¥5.2 billion level and net income to ¥820 million in fiscal 2004.

Further Progress toward Implementing a Cashless, Paperless Strategy

In January 2005, MSI became the first insurance company in Japan to succeed in developing a mobile terminal for processing contracts electronically, all the way from initial application forms through the issuance of receipts for premium payments and including data entry to the host system. Agents making use of the Mobile MS1, a “moving agency system,” can complete the processing of contracts for customers without the use of paper, personal identification seals, or cash, and the terminal can even handle monetary settlements with financial institutions.

The use of this mobile terminal and contract method not only increases convenience for customers but also greatly reduces the volume of paperwork and data entry work for agents, thus enabling them to provide improved customer services. MSI is moving forward with the introduction of this terminal for its agents’ operations as the de facto standard for insurance agency business operations because it will enhance customer satisfaction and at the same time greatly improve agents’ efficiency.

MSI Receives Welfare Minister’s Best Volunteer Activist Prize

On October 22, 2004, MSI received an honor from the Japanese Ministry of Health, Labour and Welfare for the meritorious volunteer activities of its personnel. This prize is awarded to a person or an entity that “has played a role for more than 10 years and is still playing a leading role in conducting or supporting volunteer services that are preeminently worthy.” At MSI, the Smile Heart Club, an organization making contributions to society, and other employees’ volunteer groups have continued their activities in the areas of welfare, international cooperation, environmental protection, and providing relief to disaster victims. MSI is the first non-life insurer to receive such an award since the creation of the prize in 1994.
Telemarketing Center Dedicated to Outbound Calls Opens

In April 2005, MSI opened a Telemarketing Center to assist automobile insurance agents in accessing new individual customers. As premium revenues from automobile insurance slow, this center will make use of information on potential customers held by agents to make outbound calls to help them generate new business. This new activity will facilitate access for soliciting insurance or collecting information, particularly on those potential customers who are located in geographical areas that agents cannot easily access or who must be contacted at times that would be inconvenient for the agent.

MSI Implementing Tropical Reforestation Project in Indonesia

In line with its policy of CSR activities, MSI initiated a project for regenerating a tropical forest in April 2005 in order to work as part of counteractions against tropical forest shrinkage, a major global environmental issue. The project is being conducted jointly with the Bureau of Forest Protection and Nature Conservation of Indonesia’s Ministry of Forestry under collaborative guidance from Sumitomo Forestry Co., Ltd., and is the first joint reforestation program for the bureau to undertake together with a Japanese private corporation.

The site is a forest nature reserve devastated by illegal deforestation. The project involves people in the local community and planting 260,000 plants—consisting of plants indigenous to the country, trees usable as timber, and fruit trees—over six years. It not only aims at restoring such forest functions as preventing natural disasters, reserving groundwater, and sheltering animals but also seeks sustainable forest regeneration, where the community can thrive in the absence of deforestation and enjoy a symbiotic lifestyle.

Sports Activities

The MSI women’s judo team had nine members as of July 2005, and each of these athletes is active at events in Japan and overseas and has compiled an impressive record in her respective weight class. At the Athens Olympics, held in August 2004, MSI team members Masae Ueno (70kg class) and Yuki Yokosawa (52kg class) won a gold and a silver medal, respectively. In addition, the MSI women’s track and field team had 11 members as of July 2005, who are active in races in Japan and overseas in their respective sporting events. At the Athens Olympics, Reiko Tosa, appearing in an Olympic event for the first time, placed fifth in the women’s marathon race. Also, MSI’s Yoko Shibui ran in the Berlin Marathon held in September 2004 and won first place. Timewise, in comparison with records standing as of July 2005, she placed first versus Japanese records and fourth internationally. Just as the MSI Group is working to provide customers with the best in products and services, MSI will continue to support the spirit of challenge of athletes aiming to be No. 1 in global competitions.

Women’s marathon:
Reiko Tosa

Women’s judo 52kg class:
Yuki Yokosawa

Women’s judo 70kg class:
Masae Ueno

Women’s marathon:
Yoko Shibui

Photos courtesy of AFLO SPORT
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**FIVE-YEAR SUMMARY**
Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries

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<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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</thead>
<tbody>
<tr>
<td><strong>For the year:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥1,195,450</td>
<td>¥1,232,000</td>
<td>¥1,300,681</td>
<td>¥1,375,973</td>
<td>¥1,402,977</td>
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<tr>
<td>Net premiums earned</td>
<td>1,154,425</td>
<td>1,182,675</td>
<td>1,228,000</td>
<td>1,308,059</td>
<td>1,357,748</td>
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<tr>
<td>Premium income for life insurance contracts</td>
<td>116,369</td>
<td>137,324</td>
<td>147,761</td>
<td>157,840</td>
<td>175,169</td>
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<tr>
<td>Investment income, net of investment expenses</td>
<td>137,310</td>
<td>124,029</td>
<td>116,603</td>
<td>118,603</td>
<td>119,479</td>
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<tr>
<td>Total revenue</td>
<td>1,438,366</td>
<td>1,436,710</td>
<td>1,490,205</td>
<td>1,673,309</td>
<td>1,703,388</td>
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<tr>
<td>Total expenses</td>
<td>1,384,159</td>
<td>1,384,084</td>
<td>1,421,874</td>
<td>1,482,733</td>
<td>1,636,315</td>
</tr>
<tr>
<td>Net income (loss) from underwriting</td>
<td>(36,518)</td>
<td>5,355</td>
<td>17,484</td>
<td>39,496</td>
<td>(49,911)</td>
</tr>
<tr>
<td>Net income</td>
<td>37,983</td>
<td>25,981</td>
<td>38,312</td>
<td>116,117</td>
<td>41,814</td>
</tr>
<tr>
<td><strong>At year-end:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investments</td>
<td>6,091,248</td>
<td>5,784,255</td>
<td>5,355,672</td>
<td>6,062,414</td>
<td>6,345,976</td>
</tr>
<tr>
<td>Total assets</td>
<td>7,717,668</td>
<td>7,416,455</td>
<td>7,076,642</td>
<td>7,806,916</td>
<td>8,217,329</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>1,996,517</td>
<td>1,827,169</td>
<td>1,543,053</td>
<td>1,950,299</td>
<td>2,021,611</td>
</tr>
<tr>
<td><strong>Key ratios:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss ratio</td>
<td>57.5%</td>
<td>54.9%</td>
<td>55.5%</td>
<td>56.2%</td>
<td>67.7%</td>
</tr>
<tr>
<td>Combined loss and expense ratio</td>
<td>102.1</td>
<td>97.8</td>
<td>96.4</td>
<td>95.2</td>
<td>102.7</td>
</tr>
<tr>
<td><strong>Annual percentage change:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income from underwriting</td>
<td>—</td>
<td>—</td>
<td>226.4</td>
<td>125.9</td>
<td>—</td>
</tr>
<tr>
<td>Investment income, net of investment expenses</td>
<td>6.5</td>
<td>(9.7)</td>
<td>(6.0)</td>
<td>1.7</td>
<td>0.7</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
* The key ratios relate to property and casualty insurance.
**Operating Results**

In non-life insurance, net premiums written rose 2.0%, to ¥1,403.0 billion. This result reflects (1) expansion in sales of Voluntary Automobile and Fire insurance, (2) the introduction of ViV Shushin Cancer Focus Plan and Hareyaka Sedai (glorious generation) policies for the household market to meet the needs of senior citizens, and (3) the introduction of Personal Data Protector in the corporate market, which is designed to meet the increasing need for insurance coverage against personal information leakage.

Net premiums earned increased 3.8%, to ¥1,357.7 billion. In life insurance, premium income for life insurance rose 11.0%, to ¥175.2 billion, thanks to the Company’s endeavors to expand business at subsidiary Mitsui Sumitomo Kirameki Life Insurance and increases thus gained in the total amount of Individual Life Insurance and Individual Annuity Insurance in force.

**Hull**

Net premiums written rose 6.2%, to ¥14.4 billion. The loss ratio increased 12.9 percentage points, to 89.6%.

**Cargo and Transit**

Net premiums written grew 10.1%, to ¥71.5 billion, reflecting successive strong trade with China. The loss ratio climbed 8.9 percentage points, to 47.4%.

**Fire and Allied Lines**

Net premiums written rose 0.8%, to ¥188.1 billion, thanks to the Company’s endeavors to expand sales, particularly of Home Pikaichi, the highest class of fire insurance for homeowners. Frequent occurrence of natural disasters caused the loss ratio to jump 58.9 percentage points, to 95.3%.

**Personal Accident**

Net premiums written increased 5.5%, to ¥132.5 billion, as a result of the Company’s proactive sales activities in ViV Shushin whole life medical insurance. The loss ratio climbed 1.2 percentage points, to 42.5%.

**Voluntary Automobile**

Net premiums written rose 0.2%, to ¥582.4 billion, as a result of the Company’s proactive sales activities related to such products as its core MOST Voluntary Automobile Insurance and a decline in maturity refunds on its Modo-Rich policies. The loss ratio increased 6.0 percentage points, to 64.1%.

**Compulsory Automobile Liability**

Net premiums written rose 0.9%, to ¥195.7 billion, reflecting the elimination of the government reinsurance program. The loss ratio increased 2.9 percentage points, to 74.9%.

**Other Property and Casualty**

Net premiums written grew 4.1%, to ¥218.3 billion, reflecting an increase in revenue from General Liability Insurance. The loss ratio rose 2.8 percentage points, to 70.2%.

**Life**

Premium income from life insurance rose 11.0%, to ¥175.2 billion, reflecting growth in the total amount of insurance in force for Individual Life Insurance and Individual Annuity Insurance.

**Losses, Claims, and Loss Adjustment Expenses**

Losses and claims incurred increased ¥183.1 billion, to ¥918.8 billion, mainly due to a rise in losses and claims on Fire and Allied Lines and other property and casualty products. Loss adjustment expenses decreased ¥5.3 billion, to ¥62.6 billion. As a result, losses, claims, and loss adjustment expenses, expressed as a percentage of net premiums earned, rose 10.9 percentage points, to 72.3%.

**Underwriting and Administrative Expenses Incurred**

Underwriting and administrative expenses incurred decreased ¥38.1 billion, to ¥426.3 billion. As a result of this and a rise in premiums written, underwriting and administrative expenses incurred as a percentage of premiums written fell 3.4 percentage points, to 30.4%. The combined loss and expense ratio edged up 7.5 percentage points, to 102.7%.

**Investments and Income**

Investment income, net of investment expenses, rose 0.7%, from ¥118.6 billion in the previous fiscal year to ¥119.5 billion despite the continued low interest rates. Realized gains on investments amounted to ¥51.0 billion, a sharp decline from ¥88.8 billion of realized gains on investments in the previous fiscal year. This result was owing to the absence of the vast gains on the sale of stockholdings recorded in the previous fiscal year. Partly as a result of the preceding factors, income before income taxes declined 64.8% from the ¥190.6 billion recorded in the previous fiscal year, to ¥67.1 billion. Net income decreased 64.0%, to ¥41.8 billion, and net income per share assuming dilution amounted to ¥28.98, down from ¥78.87 in the previous fiscal year.
Cash Flow Analysis and Financial Position

Net cash provided by operating activities amounted to ¥236.9 billion, compared with ¥280.7 billion in the previous fiscal year, reflecting the increase in the amount of losses paid.

Net cash used in investing activities amounted to ¥222.2 billion, compared with net cash used in investing activities of ¥151.2 billion in the previous year. The primary contributor to this change was the acquisition of the general insurance operations in Asia from Aviva plc.

Net cash used in financing activities totaled ¥12.9 billion, down from ¥140.1 billion used in the previous fiscal year.

Total assets at March 31, 2005, stood at ¥8,217.3 billion, a 5.3% gain compared with the previous fiscal year-end. Total investments (other than investments in subsidiaries) climbed 4.7%, to ¥6,346.0 billion. This change was mainly due to an increase in accumulated other comprehensive income owing to a rise in securities valuation gains. Total shareholders’ equity was ¥2,021.6 billion, a substantial increase over the figure of ¥1,950.3 billion at the end of the previous fiscal year. The principal contributor to this change was an increase in accumulated other comprehensive income owing to a decrease in minimum pension liability adjustment.

The equity ratio was 24.6%, compared with 25.0% at the end of the previous fiscal year.

Solvency Margin Ratio

The solvency margin ratio is the solvency margin amount (payment capability, for example, capital and reserves) as a percentage of total risk, which is calculated as “risk exceeding ordinary forecast” based on the Japanese Ministry of Finance’s Notice No. 50, issued in 1996, and Articles 86 and 87 of the Enforcement Regulations of the Insurance Business Law of Japan.

As an indicator of an insurance company’s ability to pay claims in the event of risk exceeding ordinary forecasts, in the event that the solvency margin ratio falls below a fixed level, regulatory authorities may require the insurance company to submit a plan for management reform.

According to Notice No. 3 of the Ministry of Finance and the Financial Services Agency of Japan, a solvency margin ratio of 200% indicates that an insurance company has sufficient capability to pay insurance claims and other obligations.

In cases where the solvency margin is considered to be high, an exceedingly high level of owned capital and internal reserves lowers such profitability ratios as ROE. The Company has a fundamental corporate governance policy of both maintaining a high solvency margin ratio and pursuing increased ROE.

<table>
<thead>
<tr>
<th>The Company’s Solvency Margin Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2004 and 2005</td>
</tr>
<tr>
<td>(Yen in billions)</td>
</tr>
<tr>
<td>2004</td>
</tr>
<tr>
<td>Solvency margin total amount...........</td>
</tr>
<tr>
<td>Risk amount..........................</td>
</tr>
<tr>
<td>Solvency margin ratio.................</td>
</tr>
</tbody>
</table>

Credit Rating

Standard & Poor’s, Moody’s Investors Service, and A.M. Best Company are the world’s leading rating agencies and rate the debt performance capability (creditworthiness) of debt issuers. Their evaluations are based on periodic reviews of financial data as well as management strategies and are results of analyses done using the proprietary models of each rating agency.

The Company receives ratings on its capability to perform its debt obligations from insurance contracts as well as its capability to perform debt obligations from the issue of commercial paper and other specific debt obligations. The Company’s ratings on its capability to perform debt obligations from insurance contracts are presented below. These ratings illustrate the high evaluation that leading rating agencies have of the Company’s financial position.

<table>
<thead>
<tr>
<th>Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of July 31, 2005</td>
</tr>
<tr>
<td>Standard &amp; Poor’s Financial Strength Rating A-</td>
</tr>
<tr>
<td>Moody’s Investors Service Insurance Strength Rating Aa3</td>
</tr>
<tr>
<td>Moody’s Investors Service Short-Term Insurance Financial Strength Rating Prime-1</td>
</tr>
<tr>
<td>A.M. Best Company Financial Strength Rating A+</td>
</tr>
</tbody>
</table>

Note: These ratings are entirely the opinion of the respective agencies and are thus not to be construed as payment guarantees. Also, these ratings are subject to revision.
### SUMMARY OF PREMIUMS WRITTEN

#### Direct Premiums Written

The following table summarizes premiums directly written by Mitsui Sumitomo Insurance for the fiscal years ended March 31 by major lines of property and casualty insurance.

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hull</td>
<td>¥ 18,018</td>
<td>1.37%</td>
<td>¥ 20,368</td>
</tr>
<tr>
<td>Cargo and Transit</td>
<td>59,124</td>
<td>4.49%</td>
<td>59,741</td>
</tr>
<tr>
<td>Fire and Allied Lines</td>
<td>196,203</td>
<td>14.91%</td>
<td>191,921</td>
</tr>
<tr>
<td>Personal Accident</td>
<td>133,106</td>
<td>10.12%</td>
<td>127,000</td>
</tr>
<tr>
<td>Voluntary Automobile</td>
<td>594,744</td>
<td>45.22%</td>
<td>603,151</td>
</tr>
<tr>
<td>Compulsory Automobile Liability</td>
<td>149,700</td>
<td>11.38%</td>
<td>149,911</td>
</tr>
<tr>
<td>Other</td>
<td>164,597</td>
<td>12.51%</td>
<td>183,851</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥1,315,492</td>
<td>100.00%</td>
<td>¥1,335,943</td>
</tr>
</tbody>
</table>

1 Includes savings-type insurance and Earthquake Insurance  
2 Includes savings-type insurance  
3 Japanese law requires that all automobiles be covered by Compulsory Automobile Liability Insurance. See Note 2 (m) of the notes to consolidated financial statements.  
4 Of which, major lines of insurance are Liability, Aviation, Workers’ Compensation, and Movable Comprehensive All Risks, including savings-type insurance  

Amounts in the table have been restated from amounts previously reported as if the pre-merger companies had been combined for all periods presented.  
See Note 1 (a) of the notes to consolidated financial statements, page 40.

#### Net Premiums Written*

The following table shows the breakdown of net premiums written and reinsurance by major lines of property and casualty insurance for the fiscal years ended March 31, 2004 and 2005.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hull</td>
<td>¥ 6,621</td>
<td>¥ 7,070</td>
<td>¥ 66,075</td>
<td>¥ 13,225</td>
<td>¥ 13,914</td>
<td>¥ 130,037</td>
<td>196,636</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cargo and Transit</td>
<td>10,892</td>
<td>13,725</td>
<td>128,271</td>
<td>16,758</td>
<td>21,040</td>
<td>196,636</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire and Allied Lines</td>
<td>27,889</td>
<td>26,914</td>
<td>251,533</td>
<td>64,333</td>
<td>67,879</td>
<td>634,383</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Accident</td>
<td>1,773</td>
<td>1,662</td>
<td>15,533</td>
<td>4,778</td>
<td>6,204</td>
<td>57,981</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voluntary Automobile</td>
<td>3,934</td>
<td>3,816</td>
<td>35,664</td>
<td>5,970</td>
<td>5,084</td>
<td>47,514</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compulsory Automobile Liability</td>
<td>153,138</td>
<td>154,092</td>
<td>1,440,112</td>
<td>142,975</td>
<td>145,531</td>
<td>1,360,103</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>39,598</td>
<td>39,201</td>
<td>366,364</td>
<td>59,811</td>
<td>53,947</td>
<td>504,178</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥243,845</td>
<td>¥246,480</td>
<td>¥2,303,552</td>
<td>¥307,550</td>
<td>¥313,599</td>
<td>¥2,930,832</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1-4 Same as above notes for Direct Premiums Written  

*Net Premiums Written = (Direct Premiums Written + Reinsurance Premiums Assumed – Reinsurance Premiums Ceded)
<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Premiums Written</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥ 20,172</td>
<td>¥ 21,249</td>
<td>1.40%</td>
<td>$ 198,589</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>70,816</td>
<td>78,816</td>
<td>4.92%</td>
<td>736,598</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>223,035</td>
<td>229,087</td>
<td>15.49%</td>
<td>2,141,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>183,855</td>
<td>187,180</td>
<td>12.77%</td>
<td>1,749,346</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>229,746</td>
<td>233,088</td>
<td>15.96%</td>
<td>2,178,392</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥1,439,678</td>
<td>¥1,470,096</td>
<td>100.00%</td>
<td>$13,739,215</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Direct Premiums Written (2005)</th>
<th>Total ¥1,470.1 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cargo and Transit</td>
<td>Hull</td>
</tr>
<tr>
<td>Personal Accident</td>
<td></td>
</tr>
<tr>
<td>Compulsory Automobile Liability</td>
<td></td>
</tr>
<tr>
<td>Fire and Allied Lines</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Premiums Written</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥ 13,568</td>
<td>¥ 14,405</td>
<td>0.99%</td>
<td>$ 134,626</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>64,950</td>
<td>71,501</td>
<td>4.72%</td>
<td>668,234</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>186,591</td>
<td>188,122</td>
<td>13.56%</td>
<td>1,758,150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>125,499</td>
<td>132,456</td>
<td>9.12%</td>
<td>1,237,907</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>581,514</td>
<td>582,410</td>
<td>42.26%</td>
<td>5,443,084</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>194,018</td>
<td>195,741</td>
<td>14.10%</td>
<td>1,829,355</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>209,833</td>
<td>218,342</td>
<td>15.25%</td>
<td>2,040,579</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥1,375,973</td>
<td>¥1,402,977</td>
<td>100.00%</td>
<td>$13,111,935</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## LOSS AND EXPENSE RATIOS

The following table outlines the loss and expense ratios of Mitsui Sumitomo Insurance for the fiscal years ended March 31. Loss ratios represent the ratio of net losses incurred to net premiums earned.

<table>
<thead>
<tr>
<th>Loss and Expense Ratios</th>
<th>2001 (Yen in millions)</th>
<th>2002 (Yen in millions)</th>
<th>2003 (Yen in millions)</th>
<th>2004 (Yen in millions)</th>
<th>2005 (Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hull:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥10,947 ¥13,123 ¥12,782 ¥13,568 ¥14,405</td>
<td>$134,626</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>11,157 12,144 12,895 13,584 13,616</td>
<td>127,252</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses incurred</td>
<td>8,759 10,772 14,442 10,423 12,199</td>
<td>114,009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss ratio</td>
<td>78.5% 88.7% 112.0% 76.7% 89.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cargo and Transit:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥53,116 ¥53,155 ¥57,347 ¥64,950 ¥71,501</td>
<td>$668,234</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>52,719 52,995 56,802 63,459 67,252</td>
<td>652,477</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses incurred</td>
<td>25,875 25,043 23,235 24,440 33,058</td>
<td>308,953</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss ratio</td>
<td>49.1% 47.3% 40.9% 38.5% 47.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire and Allied Lines:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥167,298 ¥166,531 ¥170,294 ¥186,591 ¥188,122</td>
<td>$1,758,150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>153,961 150,328 149,838 164,477 162,222</td>
<td>1,525,682</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses incurred</td>
<td>59,788 58,153 58,862 56,923 55,525</td>
<td>1,453,505</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss ratio</td>
<td>38.8% 38.7% 39.3% 36.4% 39.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Accident:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥131,600 ¥125,392 ¥123,898 ¥125,499 ¥127,528</td>
<td>$1,237,907</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>134,128 130,410 126,099 124,977 127,528</td>
<td>1,191,851</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses incurred</td>
<td>52,861 49,596 50,951 51,672 54,187</td>
<td>506,421</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss ratio</td>
<td>39.4% 38.0% 40.4% 41.3% 42.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voluntary Automobile:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥592,875 ¥602,832 ¥575,869 ¥581,514 ¥582,410</td>
<td>$5,443,084</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>576,635 593,876 596,454 589,329 581,065</td>
<td>5,430,514</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses incurred</td>
<td>357,986 342,008 333,971 342,272 372,558</td>
<td>3,481,851</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss ratio</td>
<td>62.1% 57.6% 56.0% 58.1% 64.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compulsory Automobile Liability:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥87,718 ¥90,514 ¥165,035 ¥194,018 ¥195,741</td>
<td>$1,829,355</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>86,037 87,676 107,606 157,480 185,264</td>
<td>1,731,439</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses incurred</td>
<td>56,866 55,787 74,867 113,320 138,756</td>
<td>1,296,785</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss ratio</td>
<td>66.1% 63.6% 69.6% 72.0% 74.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥151,896 ¥180,453 ¥195,456 ¥209,833 ¥218,342</td>
<td>$2,040,579</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>139,788 155,246 178,306 202,783 217,212</td>
<td>2,030,019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses incurred</td>
<td>101,720 107,925 125,211 136,620 152,488</td>
<td>1,425,121</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss ratio</td>
<td>72.8% 69.5% 70.2% 67.4% 70.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥1,195,450 ¥1,232,000 ¥1,300,681 ¥1,375,973 ¥1,402,977</td>
<td>$13,111,935</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>1,154,425 1,182,675 1,228,000 1,308,059 1,375,748</td>
<td>12,689,234</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses incurred</td>
<td>663,855 648,284 681,539 735,670 918,771</td>
<td>8,586,645</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss ratio</td>
<td>57.5% 54.9% 55.5% 56.2% 67.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Loss adjustment expenses incurred—unallocated: ¥61,443 ¥57,779 ¥64,216 ¥67,937 ¥62,614 $585,176

Ratio of losses and loss adjustment expenses incurred to premiums earned: 62.8% 59.8% 60.7% 61.4% 72.3%

Underwriting and administrative expenses incurred: ¥469,619 ¥468,261 ¥464,321 ¥464,441 ¥426,333 $3,984,421

Ratio of underwriting and administrative expenses incurred to premiums earned: 39.3% 38.0% 35.7% 38.3% 30.4%

Combined loss and expense ratio: 102.1 97.8 96.4 95.2 102.7

Net premiums/direct premiums written ratio: 90.9 92.2 94.7 95.6 95.4

Amounts in the table have been restated from amounts previously reported as if the pre-merger companies had been combined for all periods presented.

See Note 1 (a) of the notes to consolidated financial statements, page 40.
The following table summarizes the investments of Mitsui Sumitomo Insurance at March 31, 2004 and 2005.

<table>
<thead>
<tr>
<th>Cost or amortized cost</th>
<th>2004 (Yen)</th>
<th>2005 (Yen)</th>
<th>Percent of total investments</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japanese bonds</td>
<td>¥2,238,717</td>
<td>¥2,287,094</td>
<td>46.51%</td>
<td>$21,374,710</td>
</tr>
<tr>
<td>Foreign bonds</td>
<td>726,079</td>
<td>828,026</td>
<td>15.08%</td>
<td>7,738,561</td>
</tr>
<tr>
<td>Total bonds</td>
<td>2,964,796</td>
<td>3,115,120</td>
<td>61.59%</td>
<td>29,113,271</td>
</tr>
<tr>
<td>Stocks—other than affiliates:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japanese companies</td>
<td>822,328</td>
<td>845,669</td>
<td>17.08%</td>
<td>7,903,448</td>
</tr>
<tr>
<td>Foreign companies</td>
<td>170,819</td>
<td>170,309</td>
<td>3.55%</td>
<td>1,591,673</td>
</tr>
<tr>
<td>Total common stock—other than affiliates</td>
<td>993,147</td>
<td>1,015,978</td>
<td>20.63%</td>
<td>9,495,121</td>
</tr>
<tr>
<td>Loans—other than affiliates:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage loans on real estate</td>
<td>21,573</td>
<td>19,048</td>
<td>0.45%</td>
<td>178,019</td>
</tr>
<tr>
<td>Mortgage loans on vessels and facilities</td>
<td>1,738</td>
<td>844</td>
<td>0.03%</td>
<td>7,888</td>
</tr>
<tr>
<td>Collateral and guaranteed loans</td>
<td>333,674</td>
<td>367,353</td>
<td>6.93%</td>
<td>3,433,206</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>384,694</td>
<td>387,487</td>
<td>7.99%</td>
<td>3,621,374</td>
</tr>
<tr>
<td>Total loans</td>
<td>741,679</td>
<td>774,732</td>
<td>15.40%</td>
<td>7,240,487</td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>56,736</td>
<td>98,804</td>
<td>1.18%</td>
<td>923,402</td>
</tr>
<tr>
<td>Investment real estate</td>
<td>57,324</td>
<td>52,179</td>
<td>1.19%</td>
<td>487,654</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>257</td>
<td>423</td>
<td>0.01%</td>
<td>3,953</td>
</tr>
<tr>
<td>Total investments</td>
<td>6,062,414</td>
<td>¥6,345,976</td>
<td>100.00%</td>
<td>$59,308,188</td>
</tr>
</tbody>
</table>

Value shown on balance sheets:

<table>
<thead>
<tr>
<th>Value shown on balance sheets</th>
<th>2004 (Yen)</th>
<th>2005 (Yen)</th>
<th>Percent of total investments</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japanese bonds</td>
<td>¥2,285,256</td>
<td>¥2,346,643</td>
<td>37.70%</td>
<td>$21,931,243</td>
</tr>
<tr>
<td>Foreign bonds</td>
<td>777,218</td>
<td>878,793</td>
<td>12.82%</td>
<td>8,213,019</td>
</tr>
<tr>
<td>Total bonds</td>
<td>3,062,474</td>
<td>3,225,436</td>
<td>50.52%</td>
<td>30,144,262</td>
</tr>
<tr>
<td>Stocks—other than affiliates:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japanese companies</td>
<td>1,973,081</td>
<td>2,018,390</td>
<td>32.54%</td>
<td>18,863,458</td>
</tr>
<tr>
<td>Foreign companies</td>
<td>170,863</td>
<td>176,012</td>
<td>2.82%</td>
<td>1,644,972</td>
</tr>
<tr>
<td>Total common stock—other than affiliates</td>
<td>2,143,944</td>
<td>2,194,402</td>
<td>35.36%</td>
<td>20,508,430</td>
</tr>
<tr>
<td>Loans—other than affiliates:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage loans on real estate</td>
<td>21,573</td>
<td>19,048</td>
<td>0.36%</td>
<td>178,019</td>
</tr>
<tr>
<td>Mortgage loans on vessels and facilities</td>
<td>1,738</td>
<td>844</td>
<td>0.03%</td>
<td>7,888</td>
</tr>
<tr>
<td>Collateral and guaranteed loans</td>
<td>333,674</td>
<td>367,353</td>
<td>5.50%</td>
<td>3,433,206</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>384,694</td>
<td>387,487</td>
<td>6.34%</td>
<td>3,621,374</td>
</tr>
<tr>
<td>Total loans</td>
<td>741,679</td>
<td>774,732</td>
<td>12.23%</td>
<td>7,240,487</td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>56,736</td>
<td>98,804</td>
<td>0.94%</td>
<td>923,402</td>
</tr>
<tr>
<td>Investment real estate</td>
<td>57,324</td>
<td>52,179</td>
<td>0.95%</td>
<td>487,654</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>257</td>
<td>423</td>
<td>0.00%</td>
<td>3,953</td>
</tr>
<tr>
<td>Total investments</td>
<td>¥6,062,414</td>
<td>¥6,345,976</td>
<td>100.00%</td>
<td>$59,308,188</td>
</tr>
</tbody>
</table>
**CONSOLIDATED BALANCE SHEETS**

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
March 31, 2004 and 2005

<table>
<thead>
<tr>
<th>Assets</th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investments—other than investments in affiliates</strong> (Notes 3 and 13):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities available for sale:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed maturities, at fair value</td>
<td>¥3,060,514</td>
<td>¥3,043,851</td>
</tr>
<tr>
<td>Equity securities, at fair value</td>
<td>2,143,944</td>
<td>2,194,402</td>
</tr>
<tr>
<td>Securities held to maturity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed maturities, at amortized cost</td>
<td>1,960</td>
<td>181,585</td>
</tr>
<tr>
<td>Mortgage loans on real estate</td>
<td>21,573</td>
<td>19,048</td>
</tr>
<tr>
<td>Investment real estate, at cost less accumulated depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of ¥55,880 million in 2004; ¥56,721 million in 2005</td>
<td>57,324</td>
<td>52,179</td>
</tr>
<tr>
<td>Policy loans</td>
<td>33,104</td>
<td>34,898</td>
</tr>
<tr>
<td>Other long-term investments</td>
<td>687,259</td>
<td>721,209</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>56,736</td>
<td>98,804</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td>6,062,414</td>
<td>6,345,976</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>361,810</td>
<td>366,228</td>
</tr>
<tr>
<td><strong>Investments in and indebtedness from affiliates:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>46,877</td>
<td>56,727</td>
</tr>
<tr>
<td>Indebtedness (Note 13)</td>
<td>1,575</td>
<td>1,807</td>
</tr>
<tr>
<td><strong>Total investments in and indebtedness from affiliates</strong></td>
<td>48,452</td>
<td>58,534</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>21,696</td>
<td>20,919</td>
</tr>
<tr>
<td>Premiums receivable and agents’ balances</td>
<td>120,593</td>
<td>117,597</td>
</tr>
<tr>
<td>Prepaid reinsurance premiums</td>
<td>203,492</td>
<td>210,137</td>
</tr>
<tr>
<td>Funds held by or deposited with ceding reinsurers</td>
<td>58,458</td>
<td>61,556</td>
</tr>
<tr>
<td>Reinsurance recoverable on paid losses</td>
<td>69,798</td>
<td>77,398</td>
</tr>
<tr>
<td>Reinsurance recoverable on unpaid losses</td>
<td>151,635</td>
<td>234,097</td>
</tr>
<tr>
<td>Property and equipment, net of accumulated depreciation (Note 4)</td>
<td>228,441</td>
<td>208,958</td>
</tr>
<tr>
<td>Deferred policy acquisition costs (Note 2(h))</td>
<td>356,039</td>
<td>375,661</td>
</tr>
<tr>
<td>Goodwill (Note 15)</td>
<td>—</td>
<td>31,132</td>
</tr>
<tr>
<td>Other assets</td>
<td>124,088</td>
<td>109,136</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>¥7,806,916</td>
<td>¥8,217,329</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
<table>
<thead>
<tr>
<th>Liabilities and Shareholders' Equity</th>
<th>2004 (Yen millions)</th>
<th>2005 (Yen millions)</th>
<th>2005 (Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses and claims (Note 9):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported and estimated losses and claims</td>
<td>¥ 693,332</td>
<td>¥ 899,191</td>
<td>$ 8,403,654</td>
</tr>
<tr>
<td>Adjustment expenses</td>
<td>35,728</td>
<td>37,866</td>
<td>353,888</td>
</tr>
<tr>
<td><strong>Total losses and claims:</strong></td>
<td>729,060</td>
<td>937,057</td>
<td>8,757,542</td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>1,285,551</td>
<td>1,346,393</td>
<td>12,583,112</td>
</tr>
<tr>
<td>Future policy benefits for life insurance contracts</td>
<td>528,263</td>
<td>625,717</td>
<td>5,847,822</td>
</tr>
<tr>
<td>Investment deposits by policyholders (Notes 10 and 13)</td>
<td>2,405,099</td>
<td>2,329,218</td>
<td>21,768,393</td>
</tr>
<tr>
<td>Indebtedness to affiliates</td>
<td>6,899</td>
<td>12,574</td>
<td>117,514</td>
</tr>
<tr>
<td><strong>Accrued income taxes (Note 6):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable</td>
<td>20,830</td>
<td>6,944</td>
<td>64,897</td>
</tr>
<tr>
<td>Deferred applicable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gains on investments</td>
<td>448,356</td>
<td>463,677</td>
<td>4,333,430</td>
</tr>
<tr>
<td>Other</td>
<td>21,354</td>
<td>54,099</td>
<td>505,598</td>
</tr>
<tr>
<td><strong>Total accrued income taxes:</strong></td>
<td>490,540</td>
<td>524,720</td>
<td>4,903,925</td>
</tr>
<tr>
<td>Retirement and severance benefits (Note 8)</td>
<td>177,085</td>
<td>88,511</td>
<td>827,206</td>
</tr>
<tr>
<td>Ceded reinsurance balances payable</td>
<td>87,138</td>
<td>85,474</td>
<td>798,822</td>
</tr>
<tr>
<td>Short-term debt (Note 7)</td>
<td>942</td>
<td>13,583</td>
<td>126,944</td>
</tr>
<tr>
<td>Long-term debt (Notes 7 and 13)</td>
<td>500</td>
<td>99,995</td>
<td>934,533</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>143,944</td>
<td>130,003</td>
<td>1,214,981</td>
</tr>
<tr>
<td><strong>Total liabilities:</strong></td>
<td>5,855,021</td>
<td>6,193,245</td>
<td>57,880,794</td>
</tr>
<tr>
<td>Minority interests</td>
<td>1,596</td>
<td>2,473</td>
<td>23,112</td>
</tr>
<tr>
<td><strong>Shareholders’ equity:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized—3,000,000,000 shares:</td>
<td>1,513,184,880 shares in 2004 and 1,513,184,880 shares in 2005 (Note 17)</td>
<td>137,495</td>
<td>137,495</td>
</tr>
<tr>
<td>Other shareholders’ equity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated (Note 18):</td>
<td>86,490</td>
<td>86,498</td>
<td>808,393</td>
</tr>
<tr>
<td>Retained earnings:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated (Note 18):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal reserve</td>
<td>41,167</td>
<td>43,697</td>
<td>408,383</td>
</tr>
<tr>
<td>Reserve for price fluctuation</td>
<td>13,438</td>
<td>20,462</td>
<td>191,234</td>
</tr>
<tr>
<td>Unappropriated (Note 19):</td>
<td>1,174,185</td>
<td>1,194,078</td>
<td>11,159,607</td>
</tr>
<tr>
<td>Accumulated other comprehensive income (Note 20)</td>
<td>539,976</td>
<td>603,892</td>
<td>5,643,850</td>
</tr>
<tr>
<td>Treasury stock, 58,261,697 shares in 2004 and 81,919,773 shares in 2005, at cost</td>
<td>(42,452)</td>
<td>(64,511)</td>
<td>(602,906)</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity:</strong></td>
<td>1,950,299</td>
<td>2,021,611</td>
<td>18,893,561</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity:</strong></td>
<td>¥7,806,916</td>
<td>¥8,217,329</td>
<td>$76,797,467</td>
</tr>
</tbody>
</table>
CONSORTIUM STATEMENTS OF INCOME
Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2003, 2004 and 2005

<table>
<thead>
<tr>
<th></th>
<th>2003 (Yen millions)</th>
<th>2004 (Yen millions)</th>
<th>2005 (Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥1,300,681</td>
<td>¥1,375,973</td>
<td>¥1,402,977</td>
</tr>
<tr>
<td>Less increase in unearned premiums</td>
<td>72,681</td>
<td>67,914</td>
<td>45,229</td>
</tr>
<tr>
<td><strong>Net premiums earned</strong></td>
<td>1,228,000</td>
<td>1,308,059</td>
<td>1,357,748</td>
</tr>
<tr>
<td>Premium income for life insurance contracts</td>
<td>147,761</td>
<td>157,840</td>
<td>175,169</td>
</tr>
<tr>
<td>Investment income, net of investment expenses</td>
<td>116,603</td>
<td>118,603</td>
<td>119,479</td>
</tr>
<tr>
<td>Realized gains (losses) on investments (Note 3)</td>
<td>(2,159)</td>
<td>88,807</td>
<td>50,992</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>1,490,205</td>
<td>1,673,309</td>
<td>1,703,388</td>
</tr>
</tbody>
</table>

| **Expenses:**                  |                     |                     |                             |
| Losses, claims and loss adjustment expenses (Note 11): |                     |                     |                             |
| Losses and claims incurred and provided for | 681,539              | 735,670              | 918,771                      |
| Related adjustment expenses | 64,216              | 67,937              | 62,614                       |
| Policyholder benefits for life insurance contracts (Note 11) | 129,829              | 133,846              | 150,510                       |
| Policy acquisition costs | 364,655              | 371,458              | 366,063                       |
| Investment income credited to investment deposits by policyholders (Note 10) | 63,597              | 56,330              | 53,487                       |
| Other expenses (Note 5)  | 118,038              | 117,492              | 84,870                       |
| **Total expenses**             | 1,421,874           | 1,482,733           | 1,636,315                    |

| **Income before income taxes** | 68,331              | 190,576              | 67,073                       |

| **Income taxes (Note 6):**     |                     |                     |                             |
| Current | 34,489              | 37,342              | 13,818                       |
| Deferred | (4,600)          | 37,099              | 11,318                       |
| **Total income taxes**         | 29,889              | 74,441              | 25,136                       |

| Minority interests | 130              | 178              | 123              |

| **Net income**               | ¥38,312            | ¥116,117           | ¥41,814                     |

| **Earnings per share**       |                     |                     |                             |
| Net income:                  | ¥26.29              | ¥80.61              | ¥28.98                       |
| Diluted                      | 24.93              | 78.87              | 28.98                        |

See accompanying notes to consolidated financial statements.
### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2003, 2004 and 2005

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>¥ 38,312</td>
<td>¥116,117</td>
<td>¥ 41,814</td>
<td>$390,785</td>
</tr>
<tr>
<td><strong>Other comprehensive income (loss), net of tax</strong> (Note 20):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(4,650)</td>
<td>(7,103)</td>
<td>333</td>
<td>3,112</td>
</tr>
<tr>
<td>Unrealized gains (losses) on securities</td>
<td>(257,372)</td>
<td>295,335</td>
<td>24,865</td>
<td>232,383</td>
</tr>
<tr>
<td>Net losses on derivative instruments</td>
<td>(398)</td>
<td>(235)</td>
<td>(94)</td>
<td>(879)</td>
</tr>
<tr>
<td>Minimum pension liability adjustment</td>
<td>(44,689)</td>
<td>18,283</td>
<td>38,812</td>
<td>362,729</td>
</tr>
<tr>
<td><strong>Other comprehensive income (loss)</strong></td>
<td>(307,109)</td>
<td>306,280</td>
<td>63,916</td>
<td>597,345</td>
</tr>
<tr>
<td><strong>Comprehensive income (loss)</strong></td>
<td>¥(268,797)</td>
<td>¥422,397</td>
<td>¥105,730</td>
<td>$988,130</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
### CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries  
For the years ended March 31, 2003, 2004 and 2005

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common stock:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>¥ 126,376</td>
<td>¥ 126,376</td>
<td>¥ 137,495</td>
<td>$ 1,285,000</td>
</tr>
<tr>
<td>Conversion of convertible debentures</td>
<td>—</td>
<td>11,119</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td>¥ 126,376</td>
<td>137,495</td>
<td>137,495</td>
<td>1,285,000</td>
</tr>
</tbody>
</table>

| **Additional paid-in capital:** |            |            |            |             |
| Balance at beginning of year | 75,372     | 86,490     | 86,498     | 808,393     |
| Conversion of convertible debentures | —         | 11,116     | —          | —           |
| Gain on sales of treasury stock | —          | 2          | 8          | 75          |
| **Balance at end of year**     | 75,372     | 86,490     | 86,498     | 808,393     |

| **Legal reserve:** |            |            |            |             |
| Balance at beginning of year | 36,585     | 38,953     | 41,167     | 384,738     |
| Transfer from unappropriated retained earnings (Note 18) | 2,368     | 2,214     | 2,530     | 23,645     |
| **Balance at end of year**     | 38,953     | 41,167     | 43,697     | 408,383     |

| **Reserve for price fluctuation:** |            |            |            |             |
| Balance at beginning of year | 20,663     | 6,831      | 13,438     | 125,589     |
| Transfer from (to) unappropriated retained earnings (Note 18) | (13,832) | 6,607     | 7,024     | 65,645     |
| **Balance at end of year** | 6,831      | 13,438     | 20,462     | 191,234     |

| **Unappropriated retained earnings:** |            |            |            |             |
| Balance at beginning of year | 1,038,971  | 1,077,797  | 1,174,185  | 10,973,691  |
| Dividends paid (Note 19) | 38,312     | 116,117    | 41,814     | 390,785     |
| Transfers from (to) (Note 18): | (10,950) | (10,886) | (12,367) | (115,579) |
| Legal reserve | (2,368) | (2,214) | (2,530) | (23,645) |
| Reserve for price fluctuation | 13,832 | (6,607) | (7,024) | (65,645) |
| **Balance at end of year**     | 1,077,797  | 1,174,185  | 1,194,078  | 11,159,607  |

| **Accumulated other comprehensive income** (Note 20): |            |            |            |             |
| Balance at beginning of year | 540,805    | 233,696    | 539,976    | 5,046,505   |
| Other comprehensive income (loss), net of tax | (307,109) | 306,280    | 63,916     | 597,345     |
| **Balance at end of year**     | 233,696    | 539,976    | 603,892    | 5,643,850   |

| **Treasury stock:** |            |            |            |             |
| Balance at beginning of year | (11,603) | (15,972) | (42,452) | (396,747) |
| Purchase of common share | (4,369) | (26,499) | (22,059) | (206,159) |
| Reissuance of common share | —         | 19         | —         | —          |
| **Balance at end of year**     | (15,972) | (42,452) | (64,511) | (602,906)  |
| **Total shareholders’ equity** | ¥1,543,053 | ¥1,950,299 | ¥2,021,611 | $18,893,561 |

| **Cash dividends per share** (Note 19) | ¥7.50 | ¥7.50 | ¥8.50 | $0.08 |

See accompanying notes to consolidated financial statements.
### CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries

For the years ended March 31, 2003, 2004 and 2005

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005 Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash provided by operating activities</strong> (Note 21)</td>
<td>¥243,453</td>
<td>¥280,735</td>
<td>¥236,886</td>
<td>$2,213,888</td>
</tr>
</tbody>
</table>

#### Cash flows from investing activities:

**Proceeds from:**
- Securities available for sale:
  - Fixed maturities: 325,388
  - Equity securities: 106,234
  - Fixed maturities available for sale matured: 229,194
  - Fixed maturities held to maturity matured: 3,568
  - Investment real estate: 3,210

**Collection of:**
- Mortgage loans on real estate: 10,474
- Policy loans: 26,841
- Other long-term investments: 206,131

**Purchases of:**
- Securities available for sale:
  - Fixed maturities: (622,497)
  - Equity securities: (100,020)
- Securities held to maturity:
  - Fixed maturities: (1,634)
  - Investments in:
    - Mortgage loans on real estate: (7,537)
    - Investment real estate: (1,030)
    - Policy loans: (27,893)
    - Other long-term investments: (175,782)
- Increase in cash received under securities lending transactions: —
- Decrease in short-term investments, net: 36,585

**Net cash provided by (used in) investing activities:** 2,151

#### Cash flows from financing activities:

**Decrease in investment deposits by policyholders:** (169,560)
**Decrease in short-term debt, net:** (64,148)
**Decrease in commercial paper:** —
**Proceeds from long-term debt:** 1,369
**Repayment of long-term debt:** —
**Repayment of short-term debt:** —
**Acquisition of treasury stock:** (4,369)
**Dividends paid to shareholders:** (11,247)
**Net cash used in financing activities:** (2,151)

**Net cash used by (in) investing activities:** (2,151)

#### Effect of exchange rate changes on cash and cash equivalents:

- 2003: ¥883
- 2004: 2,597
- 2005: 24,271

**Net change in cash and cash equivalents:** 4,418

**Cash and cash equivalents at end of year:** ¥371,119

See accompanying notes to consolidated financial statements.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries

(1) Basis of Presentation
(a) Basis of Financial Statements
Mitsui Sumitomo Insurance Company, Limited (“the Company”) and its domestic subsidiaries maintain their books of account in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), and its foreign subsidiaries generally maintain their books of account in accordance with those of the countries of their domicile.

Certain adjustments and reclassifications have been made in the accompanying consolidated financial statements to conform with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

On October 1, 2001, the Company was formed through the merger of Mitsui Marine and Fire Insurance Company, Limited (“Mitsui”) and The Sumitomo Marine & Fire Insurance Company, Limited (“Sumitomo”), and the merger was accounted for under the pooling-of-interest method.

The accompanying consolidated financial statements are expressed in yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2005 have been translated into United States dollars at the rate of ¥107=U.S.$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2005. This translation should not be construed as a presentation that all the amounts shown could be converted into U.S. dollars.

(b) Nature of Operations
The Company and subsidiaries operate mainly in the Japanese domestic insurance industry and sell a wide range of property and casualty insurance products. Also, the Company sells life insurance products through a wholly owned subsidiary and a joint venture company. Overseas operations are conducted mostly in Southeast Asia, Europe and the United States of America through overseas branches and subsidiaries.

(c) Use of Estimates
The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, intangibles and goodwill; valuation allowances for receivables and deferred income tax assets; valuation of derivative instruments; insurance-related liabilities; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

(2) Summary of Significant Accounting Policies
(a) Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries. The significant subsidiaries include:

- Mitsui Sumitomo Insurance Group Holdings (USA), Inc.
- Mitsui Sumitomo Insurance USA Inc.
- Mitsui Sumitomo Insurance Company of America
- Mitsui Sumitomo Insurance Company (Europe), Limited
- Mitsui Sumitomo Insurance (London Management) Ltd.
- Mitsui Sumitomo Insurance (London) Ltd.
- MSI Corporate Capital Limited
- Mitsui Sumitomo Reinsurance Limited
- MS Frontier Reinsurance Limited
- Mitsui Sumitomo Insurance (Singapore) Pte Ltd.
- Aviva GI Asia Pte. Ltd.
- Aviva General Insurance Pte. Ltd.
- Mitsui Sumitomo Insurance Company (Hong Kong) Limited
- Aviva General Insurance Limited
- Mitsui Sumitomo Seguros S.A.
- P.T. Asuransi Mitsui Sumitomo Indonesia
- Aviva General Insurance (Thailand) Co., Ltd.
- Mitsui Sumitomo Kirameki Life Insurance Company, Limited
- MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.

In the year ended March 31, 2005, Aviva General Insurance Limited and five other companies were included in consolidation further to the acquisition of the general insurance operations in Asia from Aviva plc incorporated in the United Kingdom.

In December 2003, the FASB issued Revised Interpretation No. 46, “Consolidation of Variable Interest Entities (“FIN46R”).” FIN46R clarifies how to identify variable interest entities (“VIEs”) and how to determine when a business enterprise should include the assets, liabilities and non-controlling
interests of VIEs in its consolidated financial statements. A company that absorbs a majority of a VIE’s expected losses, receives a majority of a VIE’s expected residual returns, or both, is the primary beneficiary and is required to consolidate the VIEs into its financial statements. The Company or the consolidated subsidiary provides guarantees or similar contracts to various entities and is the primary beneficiary or holds a significant variable interest in VIEs. See Note 14 for additional information required by FIN46R.

All material intercompany balances and transactions have been eliminated in consolidation.

The following affiliates of the Company are accounted for under the equity method.

Mitsui Sumitomo Insurance (Malaysia) Bhd
Sumitomo Mitsui Asset Management Company, Limited
Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd.
Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd. is a 51%-owned affiliate and is accounted for under the equity method because the controlling financial interest does not rest with the Company pursuant to the joint venture agreement.

(b) Cash Equivalents
The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

(c) Investments in Equity and Fixed Maturity Securities
Trading securities are recorded at fair value with unrealized gains and losses included in income. Securities available for sale are recorded at fair value with net unrealized gains and losses reported, net of tax, in accumulated other comprehensive income. Securities held to maturity are recorded at amortized cost. Securities which do not have readily determinable fair values are recorded at cost.

For investments that have experienced a decline in value below their respective cost that is considered to be other than temporary, the declines are recorded as realized losses on investments in the consolidated statements of income. Gains and losses on the sale of investments are included in realized gains and losses in the consolidated statements of income based on the trade date. The cost of investments sold is determined on a moving-average basis.

(d) Investments in Loans
The Company grants mortgage, commercial and consumer loans primarily to customers throughout Japan. As a result of this geographic concentration of outstanding loans, the ability of the Company’s debtors to honor their contracts is much more dependent upon the general economic conditions in Japan than those competitors with a greater geographic dispersion of borrowing.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and an allowance for credit losses.

Loans are placed on a cash (non-accrual) basis when it is deemed that the payment of interest or principal is doubtful of collection, or when interest or principal is past due for 90 days or more.

All interest accrued but not collected for loans placed on non-accrual status or charged off is reversed against interest income. The interest on these loans is accounted for on a cash basis until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses
The allowance for credit losses is established as losses are estimated to have occurred through a provision for credit losses charged to earnings. Credit losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.
The allowance consists of specific and general components. The specific allowance is established for loans that are classified as impaired when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of the loan. The general allowance covers other-than-impaired loans and is established based on historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record, and the amount of the shortfalls in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for mortgage and commercial loans by either the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s obtainable market price, or the fair value of the collateral if the loan is collateral-dependent. Large groups of smaller-balance homogeneous loans are collectively evaluated for impairment.

(e) Accounts with Foreign Branches and Agents
The amounts included in the consolidated balance sheets at March 31, 2004 and 2005 represent data within three months before March 31, 2004 and 2005, respectively. The consolidated statements of income likewise include amounts for the corresponding periods ended on those dates.

(f) Property and Equipment
Property and equipment, including property classified as investment real estate, are stated principally at cost less accumulated depreciation on buildings and furniture and equipment. Depreciation is computed by the declining-balance method based on the estimated useful lives of the assets.

The cost and accumulated depreciation with respect to assets retired or otherwise disposed of are eliminated from the respective assets and related accumulated depreciation accounts. Any resulting profit or loss is credited or charged to income.

(g) Impairment or Disposal of Long-Lived Assets
The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" on April 1, 2002. The impact of the adoption of SFAS No. 144 on the Company’s consolidated financial statements was not significant.

In accordance with SFAS No. 144, long-lived assets, such as property, plant and equipment and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset with estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are stated at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The fair values of the assets are determined based on either quoted market prices or independent third party appraisals.

(h) Policy Acquisition Costs
Policy acquisition costs are deferred and amortized over the periods in which the related premiums are earned. Acquisition costs include agent commissions and certain other costs which vary with and are directly related to the acquisition of business. Such deferred costs are limited to the excess of the unearned premiums over the sum of expected claim costs, claim adjustment expenses and policy maintenance expenses.
Details of policy acquisition costs for the years ended March 31, 2003, 2004 and 2005 are as follows:

(Property and casualty insurance)

<table>
<thead>
<tr>
<th></th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>Deferred at beginning of year</td>
<td>¥302,003</td>
<td>¥304,791</td>
</tr>
<tr>
<td>Adjustment in connection with acquisition</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Capitalized during year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commissions and brokerage</td>
<td>210,390</td>
<td>214,880</td>
</tr>
<tr>
<td>Salaries and other compensation</td>
<td>102,366</td>
<td>101,055</td>
</tr>
<tr>
<td>Other underwriting costs</td>
<td>49,441</td>
<td>49,353</td>
</tr>
<tr>
<td>Amortized during year</td>
<td>(359,409)</td>
<td>(364,063)</td>
</tr>
<tr>
<td>Deferred at end of year</td>
<td>¥304,791</td>
<td>¥306,016</td>
</tr>
</tbody>
</table>

(Life insurance)

<table>
<thead>
<tr>
<th></th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>Deferred at beginning of year</td>
<td>¥34,747</td>
<td>¥41,944</td>
</tr>
<tr>
<td>Capitalized during year</td>
<td>12,443</td>
<td>15,474</td>
</tr>
<tr>
<td>Amortized during year</td>
<td>(5,246)</td>
<td>(7,395)</td>
</tr>
<tr>
<td>Deferred at end of year</td>
<td>¥41,944</td>
<td>¥50,023</td>
</tr>
</tbody>
</table>

Other underwriting costs include certain policy issuance costs supporting underwriting functions. These costs are related to the acquisition of new business and renewals and include technology costs to process policies, policy forms and travel.

(i) Losses, Claims, Loss Adjustment Expenses and Policyholder Benefits

Liabilities for reported and estimated losses and claims and for related adjustment expenses for property and casualty insurance contracts are based upon the accumulation of case estimates for losses and related adjustment expenses reported prior to the close of the accounting period on direct and assumed business. Provision has also been made based upon past experience for unreported losses and for adjustment expenses not identified with specific claims. The Company believes that the liabilities for unpaid losses and adjustment expenses at March 31, 2004 and 2005 are adequate to cover the ultimate cost of losses and claims incurred to those dates, but the provisions are necessarily based on estimates and no representation is made that the ultimate liability may not exceed or fall short of such estimates.

For life insurance contracts, reserves for future policy benefits are determined by the net level premium method. Assumed interest rates range from 1.00% to 3.10%. Anticipated rates of mortality are based on the 1996 Mortality Table modified by the recent experience of Japanese life insurance companies.

(j) Insurance Revenue Recognition

Property and casualty insurance premiums are earned ratably over the terms of the related insurance contracts. Unearned premiums are recognized to cover the unexpired portion of premiums written. Life insurance premiums of long-duration contracts are recognized as revenue when due from policyholders.

(k) Reinsurance

Reinsurance contracts are accounted for in accordance with SFAS No. 113, “Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts.” Under this statement, assets and liabilities relating to reinsurance contracts are reported on a gross basis. SFAS No. 113 also established guidelines for determining whether risk is transferred under a reinsurance contract. If risk is transferred, the conditions for reinsurance accounting are met. If risk is not transferred, the contract is accounted for as a deposit. All of the Company’s reinsurance contracts meet the risk transfer criteria and are accounted for as reinsurance.

(l) Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes.” Under SFAS No. 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.
(m) Compulsory Automobile Liability Insurance

Japanese law requires that all automobiles be covered by liability insurance for personal injury and that insurance companies may not refuse to issue such policies. The law provides that the regulatory authorities should not approve any application for upward premium rate adjustments if, in the opinion of the regulatory authorities, such adjustments would generate underwriting profits, for the program as a whole, or if it is deemed that the rate adjustments would compensate the insurers for excessive underwriting costs attributable to a lack of effective cost control on the part of the insurers. The law further stipulates that whenever premium rates are such that, in the opinion of the regulatory authorities, such premium revenues generate income which exceeds costs that are effectively controlled by insurers, for the program as a whole, the regulatory authorities may order a downward revision of premium rates.

The Company is not permitted to reflect any profit or loss from underwriting Compulsory Automobile Liability Insurance in the statutory financial statements prepared for distribution to shareholders, unless permission has been obtained from the Financial Services Agency of Japan. Rather, all such accumulated profits are recorded as a liability in the statutory financial statements.

In the accompanying consolidated financial statements, which are presented in accordance with U.S. GAAP, earned premiums of ¥107,606 million in the year ended March 31, 2003, ¥157,481 million in the year ended March 31, 2004, and ¥185,264 million ($1,731,439 thousand) in the year ended March 31, 2005 from underwriting Compulsory Automobile Liability Insurance were recognized as revenue.

(n) Foreign Currency Translation and Transactions

Foreign currency financial statements of the Company’s subsidiaries have been translated in accordance with SFAS No. 52, “Foreign Currency Translation.” Under this statement, assets and liabilities of the Company’s subsidiaries and affiliates located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from the translation of foreign currency financial statements are excluded from the consolidated statements of income and are accumulated in “Foreign currency translation adjustments,” which is included in accumulated other comprehensive income.

Gains or losses resulting from foreign currency transactions have been included in other expenses in the accompanying consolidated statements of income as gains of ¥3,666 million, losses of ¥3,327 million and losses of ¥115 million ($1,075 thousand) for the years ended March 31, 2003, 2004 and 2005, respectively.

(o) Derivatives

All derivatives are recognized on the balance sheet at their fair value in accordance with SFAS No. 133, “Accounting for Derivative Instruments and Certain Hedging Activities,” and SFAS No. 138, “Accounting for Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS No. 133.”

On the date a derivative contract is entered into for hedging purposes, the Company designates the derivative as (1) a hedge of subsequent changes in the fair value of a recognized asset or liability (“fair value hedge”) or (2) a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (“cash flow hedge”). Fair value and cash flow hedges may involve foreign-currency risk (“foreign-currency hedge”). Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, along with the loss or gain on the hedged item that is attributable to the hedged risk, are recorded in earnings. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item.

The Company documents all relationships between hedging instruments and hedged items, as well as its risk management objectives for undertaking various hedge transactions. The Company assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of hedged items. A hedging relationship is considered highly effective when the changes in the fair value or cash flow of the hedged item are within a ratio of 80%–125%. If the result of the assessment is considered as not highly effective, the Company discontinues hedge accounting.
(p) Net Income per Share
SFAS No. 128, "Earnings per Share," requires dual presentation of basic and diluted earnings per share ("EPS") with an appropriate reconciliation of both computations (see Note 19). Basic EPS is computed based on the average number of shares of common stock outstanding during each period. Diluted EPS assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

(q) Reclassification
Certain amounts as of and for the years ended March 31, 2003 and 2004 have been reclassified in the accompanying consolidated financial statements to conform with the March 31, 2005 presentation.

(r) Goodwill
Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. In accordance with SFAS 142, "Goodwill and Other Intangible Assets," goodwill is tested for impairment at least annually, or more often if events or circumstances indicate there may be impairment.

(s) New Accounting Standards
In December 2003, SFAS No. 132 (revised), "Employers' Disclosures about Pensions and Other Postretirement Benefits," was issued. SFAS No. 132 (revised) prescribes employers' disclosures about pension plans and other postretirement benefit plans; it does not change the measurement or recognition of those plans. The statement retains and revises the disclosure requirements contained in the original SFAS No. 132. It also requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. SFAS No. 132 (revised) generally is effective for fiscal years ending after December 15, 2003. The Company's disclosures in Note 8 incorporate the requirements of SFAS No. 132 (revised).

In November 2003, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 03-1, "The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments." EITF Issue No. 03-1 establishes additional disclosure requirements for each category of SFAS No. 115 investments in a loss position. In March 2004, the EITF also reached a consensus on the additional accounting guidance for other-than-temporary impairments and its application to debt and equity investments. In accordance with the new disclosure requirements under EITF Issue No. 03-1, Note 3 has been expanded to include certain additional information regarding the Company's securities investments.

(3) Investments
The amortized cost of fixed maturity securities or cost of equity securities and money trusts and related fair values at March 31, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th>(Securities held to maturity)</th>
<th>Yen in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2004</td>
<td></td>
</tr>
<tr>
<td>Fixed maturity securities:</td>
<td></td>
</tr>
<tr>
<td>Governments and government agencies</td>
<td>¥1,637 ¥—¥—¥1,637</td>
</tr>
<tr>
<td>other than U.S.</td>
<td>323 6 — 329</td>
</tr>
<tr>
<td>Total securities held to maturity</td>
<td>¥1,960 ¥6 ¥— ¥1,966</td>
</tr>
<tr>
<td>March 31, 2005</td>
<td></td>
</tr>
<tr>
<td>Fixed maturity securities:</td>
<td></td>
</tr>
<tr>
<td>Governments and government agencies</td>
<td>¥178,761 ¥4,846 ¥— ¥183,607</td>
</tr>
<tr>
<td>other than U.S.</td>
<td>2,824 3 — 2,827</td>
</tr>
<tr>
<td>Other corporate bonds</td>
<td></td>
</tr>
<tr>
<td>Total securities held to maturity</td>
<td>¥181,585 ¥4,849 ¥— ¥186,434</td>
</tr>
<tr>
<td>March 31, 2005 (Dollars in thousands)</td>
<td></td>
</tr>
<tr>
<td>Fixed maturity securities:</td>
<td></td>
</tr>
<tr>
<td>Governments and government agencies</td>
<td>$1,670,664 $45,290 $— $1,715,954</td>
</tr>
<tr>
<td>other than U.S.</td>
<td>26,392 28 — 26,420</td>
</tr>
<tr>
<td>Other corporate bonds</td>
<td></td>
</tr>
<tr>
<td>Total securities held to maturity</td>
<td>$1,697,056 $45,318 $— $1,742,374</td>
</tr>
</tbody>
</table>
### Securities available for sale

<table>
<thead>
<tr>
<th>March 31, 2004:</th>
<th>Yen in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost or Amortized Cost</strong></td>
<td><strong>Gross Unrealized Gains</strong></td>
</tr>
<tr>
<td>Fixed maturity securities:</td>
<td></td>
</tr>
<tr>
<td>U.S. government and government agencies and authorities ..........</td>
<td>¥ 61,635</td>
</tr>
<tr>
<td>U.S. municipalities and political subdivisions...</td>
<td>1</td>
</tr>
<tr>
<td>Other governments and government agencies and authorities ..........</td>
<td>566,406</td>
</tr>
<tr>
<td>Other municipalities and political subdivisions ...............</td>
<td>971,876</td>
</tr>
<tr>
<td>Convertibles and bonds with warrants attached ................</td>
<td>45,016</td>
</tr>
<tr>
<td>Other corporate bonds....</td>
<td>1,318,102</td>
</tr>
<tr>
<td><strong>Total fixed maturity securities</strong> ...............</td>
<td>2,962,836</td>
</tr>
<tr>
<td><strong>Equity securities</strong>................</td>
<td>993,147</td>
</tr>
<tr>
<td><strong>Total securities available for sale</strong>...........</td>
<td>¥3,955,983</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>March 31, 2005:</th>
<th>Yen in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost or Amortized Cost</strong></td>
<td><strong>Gross Unrealized Gains</strong></td>
</tr>
<tr>
<td>Fixed maturity securities:</td>
<td></td>
</tr>
<tr>
<td>U.S. government and government agencies and authorities ..........</td>
<td>¥ 86,580</td>
</tr>
<tr>
<td>U.S. municipalities and political subdivisions...</td>
<td>115</td>
</tr>
<tr>
<td>Other governments and government agencies and authorities ..........</td>
<td>510,880</td>
</tr>
<tr>
<td>Other municipalities and political subdivisions ...............</td>
<td>870,954</td>
</tr>
<tr>
<td>Convertibles and bonds with warrants attached ................</td>
<td>14,628</td>
</tr>
<tr>
<td>Other corporate bonds....</td>
<td>1,318,102</td>
</tr>
<tr>
<td><strong>Total fixed maturity securities</strong> ...............</td>
<td>2,933,535</td>
</tr>
<tr>
<td><strong>Equity securities</strong>................</td>
<td>1,015,978</td>
</tr>
<tr>
<td><strong>Total securities available for sale</strong>...........</td>
<td>¥3,949,513</td>
</tr>
</tbody>
</table>

### Dollars in thousands

<table>
<thead>
<tr>
<th>March 31, 2005:</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost or Amortized Cost</strong></td>
<td><strong>Gross Unrealized Gains</strong></td>
</tr>
<tr>
<td>Fixed maturity securities:</td>
<td></td>
</tr>
<tr>
<td>U.S. government and government agencies and authorities ..........</td>
<td>$ 809,159</td>
</tr>
<tr>
<td>U.S. municipalities and political subdivisions...</td>
<td>1,075</td>
</tr>
<tr>
<td>Other governments and government agencies and authorities ..........</td>
<td>4,774,579</td>
</tr>
<tr>
<td>Other municipalities and political subdivisions ...............</td>
<td>8,139,757</td>
</tr>
<tr>
<td>Convertibles and bonds with warrants attached ................</td>
<td>136,710</td>
</tr>
<tr>
<td>Other corporate bonds....</td>
<td>13,554,935</td>
</tr>
<tr>
<td><strong>Total fixed maturity securities</strong> ...............</td>
<td>27,416,215</td>
</tr>
<tr>
<td><strong>Equity securities</strong>................</td>
<td>9,495,122</td>
</tr>
<tr>
<td><strong>Total securities available for sale</strong>...........</td>
<td>$36,911,337</td>
</tr>
</tbody>
</table>

### Trading securities

<table>
<thead>
<tr>
<th>March 31, 2004:</th>
<th>Yen in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost or Amortized Cost</strong></td>
<td><strong>Gross Unrealized Gains</strong></td>
</tr>
<tr>
<td>Money trusts included in short-term investments ...............</td>
<td>¥22,875</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>March 31, 2005:</th>
<th>Yen in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost or Amortized Cost</strong></td>
<td><strong>Gross Unrealized Gains</strong></td>
</tr>
<tr>
<td>Money trusts included in short-term investments ...............</td>
<td>¥22,875</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>March 31, 2005:</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost or Amortized Cost</strong></td>
<td><strong>Gross Unrealized Gains</strong></td>
</tr>
<tr>
<td>Money trusts included in short-term investments ...............</td>
<td>$22,875</td>
</tr>
</tbody>
</table>

The changes in net unrealized gains and losses on trading securities have been included in the accompanying consolidated statements of income as losses of ¥3,624 million, gains of ¥2,713 million and losses of ¥554 million ($5,178 thousand) for the years ended March 31, 2003, 2004 and 2005, respectively.
The amortized cost and fair values of investments in fixed maturity securities held to maturity and available for sale at March 31, 2005 by contractual maturity were as follows:

(Securities held to maturity)

<table>
<thead>
<tr>
<th>March 31, 2005:</th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>¥ 1,564</td>
<td>¥ 1,564</td>
</tr>
<tr>
<td>Due after one year through five years</td>
<td>2,821</td>
<td>2,824</td>
</tr>
<tr>
<td>Due after five years through ten years</td>
<td>155,235</td>
<td>159,502</td>
</tr>
<tr>
<td>Due after ten years</td>
<td>21,965</td>
<td>22,544</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥181,585</td>
<td>¥186,434</td>
</tr>
</tbody>
</table>

(Securities available for sale)

<table>
<thead>
<tr>
<th>March 31, 2005:</th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>¥ 339,171</td>
<td>¥ 349,928</td>
</tr>
<tr>
<td>Due after one year through five years</td>
<td>1,264,530</td>
<td>1,315,350</td>
</tr>
<tr>
<td>Due after five years through ten years</td>
<td>1,136,471</td>
<td>1,173,619</td>
</tr>
<tr>
<td>Due after ten years</td>
<td>193,363</td>
<td>204,954</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥2,933,535</td>
<td>¥3,043,851</td>
</tr>
</tbody>
</table>

Actual maturities may differ from contractual maturities because some issuers have the right to call or prepay obligations with or without call or prepayment penalties.

The methods of determining the fair value of the Company’s fixed maturity and equity securities are described in Note 13.

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2005, were as follows:

(Securities available for sale)

<table>
<thead>
<tr>
<th>March 31, 2005:</th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed maturities</td>
<td>¥ 46,126</td>
<td>¥ (3,127)</td>
</tr>
<tr>
<td>Equity securities</td>
<td>231,464</td>
<td>(6,029)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥277,590</td>
<td>¥(9,156)</td>
</tr>
</tbody>
</table>

In evaluating the factors for securities available for sale, the Company presumes a decline in value to be other than temporary if the fair value of the securities is 20 percent or more below its original cost for an expected period of time.

At March 31, 2005, the Company determined that the decline in value for securities with unrealized losses is not other than temporary in nature.

Gross realized and unrealized gains and losses from investments for the years ended March 31, 2003, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Maturities</td>
<td>¥14,065</td>
<td>¥ (11,485)</td>
</tr>
<tr>
<td>Equity Securities</td>
<td>(4,739)</td>
<td>(2,159)</td>
</tr>
<tr>
<td>Combined realized and unrealized gains (losses)</td>
<td>¥70,225</td>
<td>¥204,214</td>
</tr>
<tr>
<td>2004:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Maturities</td>
<td>¥ (4,437)</td>
<td>¥ 89,406</td>
</tr>
<tr>
<td>Equity Securities</td>
<td>558,459</td>
<td>(933)</td>
</tr>
<tr>
<td>Combined realized and unrealized gains (losses)</td>
<td>¥12,638</td>
<td>¥78,708</td>
</tr>
<tr>
<td>2005:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Maturities</td>
<td>2,476</td>
<td>¥51,081</td>
</tr>
<tr>
<td>Equity Securities</td>
<td>(2,565)</td>
<td>(88,807)</td>
</tr>
<tr>
<td>Combined realized and unrealized gains (losses)</td>
<td>¥15,114</td>
<td>¥75,992</td>
</tr>
</tbody>
</table>
Realized gains (losses)........... $ 23,140 $477,393 $(23,972) $476,561
Unrealized gains (losses) ........... 118,112 258,196 (1,009) 375,299
Combined realized and unrealized gains (losses)........... $141,252 $735,589 $(24,981) $851,860

The net effect on shareholders’ equity of unrealized gains and losses on available-for-sale securities at March 31, 2004 and 2005 was as follows:

April 30, 2004: Realized gains (losses)........... ¥97,678 ¥1,150,796 ¥(33) ¥1,248,441
Deferred income taxes........................ (653,420) ¥ 595,021

April 30, 2005: Realized gains (losses)........... ¥110,316 ¥1,178,424 ¥(142) ¥1,288,598
Deferred income taxes........................ (668,712) ¥ 619,886

Proceeds and gross realized gains and losses from sales of securities available for sale for the years ended March 31, 2003, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th>Maturities</th>
<th>Securities</th>
<th>Other Investments</th>
<th>Total Gains</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005:</td>
<td>Dollars in thousands</td>
<td>Dollars in thousands</td>
<td></td>
</tr>
<tr>
<td>Realized gains (losses)</td>
<td>$ 23,140</td>
<td>$477,393</td>
<td>$(23,972)</td>
</tr>
<tr>
<td>Unrealized gains (losses)</td>
<td>118,112</td>
<td>258,196</td>
<td>(1,009)</td>
</tr>
<tr>
<td>Combined realized and unrealized gains (losses)</td>
<td>$141,252</td>
<td>$735,589</td>
<td>$(24,981)</td>
</tr>
</tbody>
</table>

The Company engages in securities lending transactions whereby certain securities from its portfolio are loaned to other institutions for short periods and cash collateral is obtained for some transactions. The loaned securities remain as recorded assets of the Company and the amount of the cash collateral is recorded as cash and cash equivalents. The carrying amounts of loaned securities recorded as securities available for sale at March 31, 2004 and 2005 were ¥103,856 million and ¥54,574 million ($510,037 thousand), respectively.

The Company engages in reverse repurchase agreements whereby certain securities are purchased under resale agreements. The amount of the purchased securities are recorded as assets of the Company and accounted for under the accrual method. The amount booked as cash and cash equivalents was ¥4,000 million at March 31, 2004.

Mortgage loans on real estate are primarily mortgage loans on land and commercial buildings.

Policy loans are made to policyholders of long-term comprehensive insurance, long-term family traffic accident insurance and other long-term policies with refund at maturity. The maximum amount of loans is limited to 90% of return premiums on the policies.

Other long-term investments at March 31, 2004 and 2005 included the following:

<table>
<thead>
<tr>
<th>Maturities</th>
<th>Securities</th>
<th>Other Investments</th>
<th>Total Gains</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004:</td>
<td>Dollars in thousands</td>
<td>Dollars in thousands</td>
<td></td>
</tr>
<tr>
<td>Gross realized gains (losses)</td>
<td>$ 19,165</td>
<td>$3,115</td>
<td>$10,785</td>
</tr>
<tr>
<td>Net realized gains (losses)</td>
<td>$(4,117)</td>
<td>$(1,327)</td>
<td>$(8,309)</td>
</tr>
<tr>
<td>Proceeds from fixed maturity securities</td>
<td>¥325,388</td>
<td>¥553,264</td>
<td>¥659,959</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Maturities</th>
<th>Securities</th>
<th>Other Investments</th>
<th>Total Gains</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005:</td>
<td>Dollars in thousands</td>
<td>Dollars in thousands</td>
<td></td>
</tr>
<tr>
<td>Gross realized gains (losses)</td>
<td>$ 42,163</td>
<td>$125,318</td>
<td>$59,954</td>
</tr>
<tr>
<td>Gross realized losses (gain)</td>
<td>$(14,834)</td>
<td>$(20,045)</td>
<td>$(1,077)</td>
</tr>
<tr>
<td>Net realized gains (losses)</td>
<td>$ 28,329</td>
<td>$105,273</td>
<td>$58,877</td>
</tr>
<tr>
<td>Proceeds from equity securities</td>
<td>¥106,234</td>
<td>¥666,968</td>
<td>¥144,463</td>
</tr>
</tbody>
</table>

Bonds carried at ¥49,081 million at March 31, 2004 and ¥46,174 million ($431,533 thousand) at March 31, 2005, short-term investments carried at ¥58 million at March 31, 2004 and ¥52 million ($466 thousand) at March 31, 2005 and cash equivalents carried at ¥4,565 million at March 31, 2004 and ¥6,610 million ($61,776 thousand) at March 31, 2005 were deposited with certain foreign government authorities and certain other parties as required by law and/or for other purposes.

The Company engages in securities lending transactions whereby certain securities from its portfolio are loaned to other institutions for short periods and cash collateral is obtained for some transactions. The loaned securities remain as recorded assets of the Company and the amount of the cash collateral is recorded as cash and cash equivalents. The carrying amounts of loaned securities recorded as securities available for sale at March 31, 2004 and 2005 were ¥103,856 million and ¥54,574 million ($510,037 thousand), respectively.

The Company engages in reverse repurchase agreements whereby certain securities are purchased under resale agreements. The amount of the purchased securities are recorded as assets of the Company and accounted for under the accrual method. The amount booked as cash and cash equivalents was ¥4,000 million at March 31, 2004.

Mortgage loans on real estate are primarily mortgage loans on land and commercial buildings.

Policy loans are made to policyholders of long-term comprehensive insurance, long-term family traffic accident insurance and other long-term policies with refund at maturity. The maximum amount of loans is limited to 90% of return premiums on the policies.

Other long-term investments at March 31, 2004 and 2005 included the following:

<table>
<thead>
<tr>
<th>Maturities</th>
<th>Securities</th>
<th>Other Investments</th>
<th>Total Gains</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004:</td>
<td>Dollars in thousands</td>
<td>Dollars in thousands</td>
<td></td>
</tr>
<tr>
<td>Mortgage loans on vessels</td>
<td>¥1,738</td>
<td>¥844</td>
<td>$ 7,888</td>
</tr>
<tr>
<td>Collateral and guaranteed loans</td>
<td>300,570</td>
<td>332,455</td>
<td>3,107,056</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>384,694</td>
<td>387,487</td>
<td>3,621,374</td>
</tr>
<tr>
<td>Other investments</td>
<td>257</td>
<td>423</td>
<td>3,953</td>
</tr>
<tr>
<td>Total</td>
<td>¥687,259</td>
<td>¥721,209</td>
<td>$6,740,271</td>
</tr>
</tbody>
</table>

Mortgage loans on vessels and facilities are generally joint loans in which other financial institutions participate. The Company participates in the hull insurance on these vessels.
Collateral loans are made generally to commercial enterprises and are secured principally by listed stocks and/or bonds of Japanese corporations. A portion of the loans is made jointly with other insurance companies.

Guaranteed loans are made generally to commercial enterprises, and payment is guaranteed principally by banks.

Unsecured loans are made to political subdivisions and independent government agencies and, on a selective basis, to corporate borrowers.

Short-term investments at March 31, 2004 and 2005 included the following:

<table>
<thead>
<tr>
<th></th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>Money trusts</td>
<td>¥24,663</td>
<td>¥55,382</td>
</tr>
<tr>
<td></td>
<td>¥21,157</td>
<td>20,346</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>13,083</td>
<td>122,271</td>
</tr>
<tr>
<td>Other</td>
<td>10,916</td>
<td>9,993</td>
</tr>
<tr>
<td></td>
<td>¥56,736</td>
<td>¥98,804</td>
</tr>
</tbody>
</table>

Call loans are short-term (overnight to three weeks) loans made to money market dealers and banks or securities houses through money market dealers. Call loans to money market dealers are secured by Japanese government bonds. Call loans to banks or securities houses are unsecured. The balance of call loans included in cash and cash equivalents as of March 31, 2004 and 2005 was ¥64,000 million and ¥36,000 million ($336,449 thousand), respectively.

The total recorded investment in impaired loans and the amount of the total valuation allowance at March 31, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>Recorded investment in impaired loans:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage loans on real estate</td>
<td>¥ 2,397</td>
<td>¥ 2,139</td>
</tr>
<tr>
<td>Mortgage loans on vessels and facilities</td>
<td>843</td>
<td>22</td>
</tr>
<tr>
<td>Collateral and guaranteed loans</td>
<td>1,183</td>
<td>22</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>23,224</td>
<td>15,434</td>
</tr>
<tr>
<td></td>
<td>¥27,647</td>
<td>¥17,595</td>
</tr>
<tr>
<td>Valuation allowance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage loans on real estate</td>
<td>¥ 490</td>
<td>¥ 557</td>
</tr>
<tr>
<td>Mortgage loans on vessels and facilities</td>
<td>147</td>
<td>1</td>
</tr>
<tr>
<td>Collateral and guaranteed loans</td>
<td>41</td>
<td>9</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>15,252</td>
<td>12,037</td>
</tr>
<tr>
<td></td>
<td>¥15,930</td>
<td>¥12,595</td>
</tr>
</tbody>
</table>

The recorded investment in loans of nonaccrual status was approximately ¥19,100 million and ¥14,975 million ($139,953 thousand) as of March 31, 2004 and 2005, respectively. The recorded investment in loans past due 90 days or more and still accruing interest was approximately ¥670 million and ¥544 million ($5,084 thousand) as of March 31, 2004 and 2005, respectively.

An analysis of activity in the total allowance for credit losses related to loans during the years ended March 31, 2003, 2004 and 2005 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>¥18,703</td>
<td>¥20,235</td>
<td>¥19,314</td>
</tr>
<tr>
<td>Charge (credit) to income</td>
<td>3,675</td>
<td>754</td>
<td>(1,108)</td>
</tr>
<tr>
<td>Principal charge-offs</td>
<td>(2,143)</td>
<td>(1,675)</td>
<td>(3,707)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥20,235</td>
<td>¥19,314</td>
<td>¥14,499</td>
</tr>
</tbody>
</table>

The total allowance for credit losses related to loans at March 31, 2004 and 2005 includes an allowance for doubtful accounts in the amount of ¥3,384 million and ¥1,904 million ($17,795 thousand), respectively, relating to loans which were not categorized in the above impaired loans. This allowance for doubtful accounts has been calculated by multiplying actual bad debt ratios computed based on the actual bad debt amounts during the past periods against outstanding balances.

The average recorded investment in impaired loans was approximately ¥32,851 million, ¥29,445 million and ¥22,621 million ($211,411 thousand) in the years ended March 31, 2003, 2004 and 2005, respectively. The Company recognized interest income from impaired loans of ¥516 million, ¥454 million and ¥344 million ($3,215 thousand) in the years ended March 31, 2003, 2004 and 2005, respectively, on a cash basis.

Other long-term investments include loans of ¥39 million as of March 31, 2004 and ¥30 million ($280 thousand) as of March 31, 2005 which had been non-income producing for the 12 months preceding each balance sheet date.
The components of net investment income for the years ended March 31, 2003, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on fixed</td>
<td>¥73,460</td>
<td>¥71,758</td>
<td>¥72,056</td>
<td>$673,421</td>
</tr>
<tr>
<td>maturities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from</td>
<td>26,722</td>
<td>31,887</td>
<td>32,269</td>
<td>301,579</td>
</tr>
<tr>
<td>equity securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on mortgages</td>
<td>799</td>
<td>704</td>
<td>529</td>
<td>4,944</td>
</tr>
<tr>
<td>Real estate</td>
<td>7,940</td>
<td>6,846</td>
<td>5,976</td>
<td>55,850</td>
</tr>
<tr>
<td>Interest on policy loans</td>
<td>1,205</td>
<td>1,195</td>
<td>1,203</td>
<td>11,243</td>
</tr>
<tr>
<td>Interest on other</td>
<td>14,859</td>
<td>13,280</td>
<td>12,353</td>
<td>115,449</td>
</tr>
<tr>
<td>long-term investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on short-term</td>
<td>1,636</td>
<td>1,225</td>
<td>1,562</td>
<td>14,598</td>
</tr>
<tr>
<td>investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on call loans</td>
<td>2</td>
<td>2</td>
<td>21</td>
<td>196</td>
</tr>
<tr>
<td>Other</td>
<td>3,594</td>
<td>3,752</td>
<td>4,753</td>
<td>44,421</td>
</tr>
<tr>
<td>Gross investment income</td>
<td>130,217</td>
<td>130,667</td>
<td>130,722</td>
<td>1,221,701</td>
</tr>
<tr>
<td>Less investment expenses</td>
<td>13,614</td>
<td>12,064</td>
<td>11,243</td>
<td>105,075</td>
</tr>
<tr>
<td>Net investment</td>
<td>¥116,603</td>
<td>¥118,603</td>
<td>¥119,479</td>
<td>$1,116,626</td>
</tr>
<tr>
<td>income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In accordance with the Company’s internal policy, the Company’s portfolio is broadly diversified to ensure that there is no significant concentration of credit risk with any individual counterparties or group of counterparties. The concentrations of credit risk exceeding 10 percent of total shareholders’ equity as of March 31, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese government</td>
<td>¥746,272</td>
<td>¥854,959</td>
</tr>
<tr>
<td>Toyota Motor Corporation</td>
<td>414,889</td>
<td>423,532</td>
</tr>
<tr>
<td>and its affiliates</td>
<td></td>
<td>3,958,243</td>
</tr>
</tbody>
</table>

(4) Property and Equipment

A summary of property and equipment as of March 31, 2004 and 2005 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>¥86,644</td>
<td>¥79,483</td>
</tr>
<tr>
<td>Buildings</td>
<td>277,075</td>
<td>268,235</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>100,137</td>
<td>101,772</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>867</td>
<td>324</td>
</tr>
<tr>
<td>Less accumulated</td>
<td>464,723</td>
<td>449,814</td>
</tr>
<tr>
<td>depreciation</td>
<td>(236,282)</td>
<td>(240,856)</td>
</tr>
<tr>
<td></td>
<td>¥228,441</td>
<td>¥208,958</td>
</tr>
</tbody>
</table>

Property and equipment acquired in settling insurance claims included in other assets were ¥21,394 million and ¥829 million ($7,748 thousand) as of March 31, 2004 and 2005, respectively. A part of these property and equipment amounting to ¥8,772 million and nil were pledged as collateral as of March 31, 2004 and 2005, respectively.

(5) Impairment Losses of Long-Lived Assets

The carrying amounts of long-lived assets held for sale as of March 31, 2004 and 2005 were ¥1,295 million and ¥501 million ($4,682 thousand), respectively. The impairment losses on long-lived assets held for sale, included in other expenses, were ¥466 million and ¥260 million ($2,430 thousand) for the years ended March 31, 2004 and 2005, respectively. Those impairment losses on long-lived assets were recognized in the property and casualty insurance segment under SFAS No. 131.

The impairment loss on long-lived assets to be held and used, which arose from investment real estate, was included in realized gains (losses) on investments in the amount of ¥6,401 million and ¥5,889 million ($55,037 thousand) for the years ended March 31, 2004 and 2005, respectively. Those impairment losses on long-lived assets were recognized in the property and casualty insurance segment under SFAS No. 131.

(6) Income Taxes

Total income taxes for the years ended March 31, 2003, 2004 and 2005 were allocated as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes on income</td>
<td>¥29,889</td>
<td>¥74,441</td>
<td>¥25,136</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$124,916</td>
</tr>
<tr>
<td>Taxes on other comprehensive income (loss):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gains (losses) on investments</td>
<td>(144,683)</td>
<td>146,684</td>
<td>15,292</td>
</tr>
<tr>
<td>on investments</td>
<td></td>
<td></td>
<td>142,916</td>
</tr>
<tr>
<td>Net losses on derivative investments</td>
<td>(224)</td>
<td>(132)</td>
<td>(52)</td>
</tr>
<tr>
<td>Investment</td>
<td></td>
<td></td>
<td>486(</td>
</tr>
<tr>
<td>Minimum pension</td>
<td>(25,138)</td>
<td>10,284</td>
<td>21,832</td>
</tr>
<tr>
<td>liability adjustment</td>
<td></td>
<td></td>
<td>204,037</td>
</tr>
<tr>
<td></td>
<td>(140,156)</td>
<td>(251,777)</td>
<td>652,208</td>
</tr>
<tr>
<td></td>
<td>$581,383</td>
<td>$581,383</td>
<td>$581,383</td>
</tr>
</tbody>
</table>

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 36%.
The effective tax rates of the Company for the years ended March 31, 2003, 2004 and 2005 differed from the Japanese statutory income tax rates for the following reasons:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese statutory income tax rate</td>
<td>36.0%</td>
<td>36.0%</td>
<td>36.0%</td>
</tr>
<tr>
<td>Tax credit for dividends received</td>
<td>(4.0)</td>
<td>(1.3)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes</td>
<td>2.4</td>
<td>0.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>7.7</td>
<td>0.9</td>
<td>7.3</td>
</tr>
<tr>
<td>Other</td>
<td>2.4</td>
<td>3.4</td>
<td>(4.0)</td>
</tr>
</tbody>
</table>

Effective tax rate: 43.7% in 2003, 39.1% in 2004, and 37.5% in 2005.

The tax effects of temporary differences that gave rise to significant portions of deferred tax assets and deferred tax liabilities at March 31, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Yes in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred taxes applicable to items other than unrealized gains on investments and derivatives:</td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported and estimated losses and claims</td>
<td>¥25,257</td>
<td>¥36,162</td>
</tr>
<tr>
<td>Adjustment expenses</td>
<td>¥8,704</td>
<td>¥8,752</td>
</tr>
<tr>
<td>Retirement and severance benefits</td>
<td>¥53,733</td>
<td>¥26,368</td>
</tr>
<tr>
<td>Computer software</td>
<td>¥15,912</td>
<td>¥15,057</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>¥52,710</td>
<td>¥50,865</td>
</tr>
<tr>
<td>Gains on sales of investments not recognized for financial statement purposes</td>
<td>¥40,388</td>
<td>¥38,711</td>
</tr>
<tr>
<td>Other</td>
<td>¥16,557</td>
<td>¥12,306</td>
</tr>
</tbody>
</table>

Total gross deferred tax assets: ¥213,261 million, ¥197,340 million, and ¥192,467 million in 2004, 2005, and 2006, respectively.

Less valuation allowance: (¥15,921) million, (¥20,823) million, and (¥19,408) million in 2004, 2005, and 2006, respectively.

Deferred tax liabilities: ¥218,694 million, ¥221,497 million, and ¥2,070,065 million in 2004, 2005, and 2006, respectively.


In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax-planning strategies relating to the future reversal of temporary differences.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, and the uncertainty of the future reversal of temporary differences, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the recorded valuation allowances, at March 31, 2005.

A significant portion of the valuation allowance was provided for impairment losses on real estate and equity securities amounting to ¥15,771 million and ¥20,364 million ($190,318 thousand) as of March 31, 2004 and 2005, respectively. The net change in total valuation allowance for the years ended March 31, 2003, 2004 and 2005 was an increase of ¥5,274 million, ¥1,763 million and ¥4,902 million ($45,813 thousand, respectively).

(7) Short-Term Debt and Long-Term Debt

Short-term debt and long-term debt as of March 31, 2004 and 2005 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>Yes in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.4% Japanese yen debentures, due 2007</td>
<td>—</td>
<td>¥30,000</td>
</tr>
<tr>
<td>0.8% Japanese yen debentures, due 2009</td>
<td>—</td>
<td>¥70,000</td>
</tr>
<tr>
<td>Bank loans with weighted average interest of 1.31%, due 2005</td>
<td>1,442</td>
<td>500</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>13,083</td>
<td>122,271</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>13,583</td>
<td>127,271</td>
</tr>
</tbody>
</table>


In November 2004, the Company issued ¥30,000 million ($280,374 thousand) of 0.4% unsecured debentures and ¥70,000 million ($654,206 thousand) of 0.8% unsecured debentures, with bullet repayment of maturity of December 20, 2007 and December 18, 2009, respectively.

(8) Retirement and Severance Benefits

The Company has an unfunded lump-sum payment benefit plan and funded non-contributory pension plan covering substantially all employees. Under the plans, employees are entitled to lump-sum or annuity payments based on the current rate of pay and length of service at retirement or termination of employment for reasons other than dismissal for cause. Directors and statutory auditors are not covered by the above plans and their benefits are accrued as earned.
In addition to the aforementioned plans, the Company had an Employees' Pension Fund ("EPF") plan, which was a defined benefit pension plan established under the Japanese Welfare Pension Insurance Law ("JWPL"). The plan was composed of (a) a substitutional portion based on the pay-related part of the old-age pension benefits prescribed by the JWPL and (b) a corporate portion based on a non-contributory defined benefit pension arrangement.

On April 1, 2003, the Company obtained an approval from the Japanese Ministry of Health, Labour and Welfare ("JMHLW") for an exemption from the obligation for benefits related to future employee service under the substitutional portion. After the approval, the Company made applications for the exemption from the obligation to pay benefits for past employee service related to the substitutional portion of the EPF and received an approval from the JMHLW, on April 1, 2004. As a result of the transfer of the substitutional portion, the Company established its own non-contributory defined benefit plan for its employees, which replaced the corporate portion of the EPF.

Based on the approval, the Company transferred the benefit obligation and the related government-specified portion of the plan assets of the EPF to the government on December 21, 2004. In accordance with EITF No. 03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities," the Company recognized the difference of ¥52,189 million ($487,748 thousand) between the substitutional portion of accumulated benefit obligation settled and the related plan assets transferred to the Japanese government as a subsidy from the government. The Company also recognized derecognition of previously accrued salary progression of ¥7,192 million ($67,215 thousand) and a settlement loss for the proportionate amount of the net unrecognized loss attributable to the substitutional portion of ¥37,379 million ($349,337 thousand). The net gain of ¥22,002 million ($205,626 thousand) of the subsidy from the government, derecognition of previously accrued salary progression and the settlement loss is included in other expenses in the consolidated statements of income for the year ended March 31, 2005.

The components of net periodic benefit cost for the years ended March 31, 2003, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Components of net periodic benefit cost:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>¥13,171</td>
<td>¥12,915</td>
<td>¥13,540</td>
<td>$126,542</td>
</tr>
<tr>
<td>Interest cost</td>
<td>8,025</td>
<td>6,114</td>
<td>5,766</td>
<td>53,888</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(4,177)</td>
<td>(4,409)</td>
<td>(5,247)</td>
<td>(49,038)</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>(2,450)</td>
<td>(2,450)</td>
<td>(2,450)</td>
<td>(22,897)</td>
</tr>
<tr>
<td>Recognized actuarial loss</td>
<td>5,146</td>
<td>13,018</td>
<td>8,664</td>
<td>80,972</td>
</tr>
<tr>
<td>Net periodic benefit cost</td>
<td>¥19,715</td>
<td>¥25,188</td>
<td>¥20,273</td>
<td>$189,467</td>
</tr>
</tbody>
</table>

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets for the years ended March 31, 2003, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in benefit obligations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit obligations at beginning of year</td>
<td>¥321,835</td>
<td>¥407,704</td>
<td>¥414,350</td>
<td>$3,872,430</td>
</tr>
<tr>
<td>Adjustment in connection with the acquisition</td>
<td>—</td>
<td>—</td>
<td>349</td>
<td>3,262</td>
</tr>
<tr>
<td>Service cost</td>
<td>13,171</td>
<td>12,915</td>
<td>13,540</td>
<td>126,542</td>
</tr>
<tr>
<td>Interest cost</td>
<td>8,025</td>
<td>6,114</td>
<td>5,766</td>
<td>53,888</td>
</tr>
<tr>
<td>Plan participants' contributions</td>
<td>1,380</td>
<td>168</td>
<td>46</td>
<td>430</td>
</tr>
<tr>
<td>Actuarial loss (gain)</td>
<td>75,007</td>
<td>(604)</td>
<td>(35,670)</td>
<td>(333,365)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(11,714)</td>
<td>(11,947)</td>
<td>(10,450)</td>
<td>(97,664)</td>
</tr>
<tr>
<td>Benefit obligation transferred to government plan</td>
<td>—</td>
<td>—</td>
<td>(108,132)</td>
<td>(1,010,579)</td>
</tr>
<tr>
<td>Benefit obligations at end of year</td>
<td>¥407,704</td>
<td>¥414,350</td>
<td>¥279,799</td>
<td>$2,614,944</td>
</tr>
</tbody>
</table>

Change in plan assets:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets at beginning of year</td>
<td>¥139,233</td>
<td>¥146,966</td>
<td>¥187,244</td>
<td>$1,749,944</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(6,527)</td>
<td>22,378</td>
<td>4,834</td>
<td>45,178</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>—</td>
<td>18,104</td>
<td>539,289</td>
<td>499,134</td>
</tr>
<tr>
<td>Plan participants' contributions</td>
<td>—</td>
<td>(6,224)</td>
<td>(5,579)</td>
<td>(4,433)</td>
</tr>
<tr>
<td>Assets transferred to government plan</td>
<td>—</td>
<td>—</td>
<td>(48,751)</td>
<td>(455,617)</td>
</tr>
<tr>
<td>Fair value of plan assets at end of year</td>
<td>¥146,966</td>
<td>¥187,244</td>
<td>¥159,474</td>
<td>$1,490,411</td>
</tr>
</tbody>
</table>
Dollars in Yen in millions thousands

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded status</td>
<td>¥(260,738)</td>
<td>¥(227,106)</td>
<td>¥(120,325)</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>158,403</td>
<td>126,812</td>
<td>45,512</td>
</tr>
<tr>
<td>Net amount recognized</td>
<td>¥(120,932)</td>
<td>¥(116,442)</td>
<td>¥ (88,511)</td>
</tr>
<tr>
<td>Retirement and severance benefits</td>
<td>¥(210,143)</td>
<td>¥(177,085)</td>
<td>¥(88,511)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income, gross of tax</td>
<td>89,211</td>
<td>60,643</td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation</td>
<td>¥ 407,704</td>
<td>¥ 414,350</td>
<td>¥ 279,799</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>146,966</td>
<td>187,244</td>
<td>159,474</td>
</tr>
<tr>
<td>Weighted-average assumptions used to determine benefit obligations at March 31, 2003, 2004 and 2005 were as follows:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>1.50%</td>
<td>1.50%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Rate of increase in future compensation</td>
<td>3.90 to 4.60</td>
<td>3.90 to 4.60</td>
<td>3.90 to 4.60</td>
</tr>
</tbody>
</table>

The Company determines its expected long-term rate of return based on the expected long-term return of various asset categories in which it invests in consideration of the current expectations for future returns and the historical returns of each plan asset category.

The Company’s investment policies are designed to be long-range stability of investment profit for ensuring adequate plan assets are available to provide future payments of pension benefits to eligible participants. The Company endeavors to obtain better performance more than earnings from the expected long-term rate of return on plan assets. Plan assets are invested in individual equities and fixed maturities using the guidelines of the model portfolio with a consideration of its performance, expected returns and risks. The Company evaluates its categories of plan assets allocation and can change its portfolios when it is needed.

The Company forecasts to contribute ¥8,941 million ($83,561 thousand) to the defined benefit pension plans in the year ending March 31, 2006.

Expected future benefit payments for the defined benefit pension plan are as follows:

<table>
<thead>
<tr>
<th>Year ending March 31</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollars in thousands</td>
<td>¥ 8,722</td>
<td>¥ 9,403</td>
<td>¥ 10,063</td>
<td>¥ 10,582</td>
<td>¥ 10,741</td>
<td>¥ 61,196</td>
</tr>
</tbody>
</table>

Weighted-average assumptions used to determine benefit costs for the years ended March 31, 2003, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>2.50%</td>
<td>1.50%</td>
<td>1.50%</td>
</tr>
<tr>
<td>Expected long-term return on plan assets</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Rate of increase in future compensation</td>
<td>3.90 to 4.60</td>
<td>3.90 to 4.60</td>
<td>3.90 to 4.60</td>
</tr>
</tbody>
</table>
Activities in the liabilities for losses and claims and claim adjustment expenses for the years ended March 31, 2003, 2004 and 2005 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning</td>
<td>¥602,083</td>
<td>¥660,178</td>
<td>¥729,060</td>
<td>¥6,813,645</td>
</tr>
<tr>
<td>Less: reinsurance</td>
<td>126,149</td>
<td>143,597</td>
<td>151,635</td>
<td>1,417,150</td>
</tr>
<tr>
<td>Net balance at</td>
<td>475,934</td>
<td>516,581</td>
<td>577,425</td>
<td>5,396,495</td>
</tr>
<tr>
<td>beginning of year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incurred related to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year’s</td>
<td>781,055</td>
<td>844,417</td>
<td>1,012,380</td>
<td>9,461,496</td>
</tr>
<tr>
<td>insured events</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior year’s insured events</td>
<td>9,020</td>
<td>13,855</td>
<td>22,206</td>
<td>207,533</td>
</tr>
<tr>
<td>Total incurred</td>
<td>790,075</td>
<td>858,272</td>
<td>1,034,586</td>
<td>9,669,029</td>
</tr>
<tr>
<td>Paid related to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year’s insured events</td>
<td>493,468</td>
<td>517,844</td>
<td>598,761</td>
<td>5,595,898</td>
</tr>
<tr>
<td>Prior year’s insured events</td>
<td>255,960</td>
<td>279,584</td>
<td>325,235</td>
<td>3,039,579</td>
</tr>
<tr>
<td>Total paid</td>
<td>749,428</td>
<td>797,428</td>
<td>923,996</td>
<td>8,635,477</td>
</tr>
<tr>
<td>Adjustment in connection with the acquisition</td>
<td>—</td>
<td>—</td>
<td>14,945</td>
<td>139,673</td>
</tr>
<tr>
<td>Net balance at end of year</td>
<td>516,581</td>
<td>577,425</td>
<td>702,960</td>
<td>6,569,720</td>
</tr>
<tr>
<td>Plus reinsurance recoverable</td>
<td>143,597</td>
<td>151,635</td>
<td>234,097</td>
<td>2,187,822</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥660,178</td>
<td>¥729,060</td>
<td>¥937,057</td>
<td>¥8,757,542</td>
</tr>
</tbody>
</table>

(10) Investment Deposits by Policyholders

Certain property and casualty insurance policies offered by the Company include a savings feature in addition to the insurance coverage provided under the policy. In addition, certain types of personal injury and fire insurance policies are available with a deposit premium rider. The premium received from the policyholder is split between the insurance coverage and the savings portion of the policy based upon rates approved by the Financial Services Agency of Japan. Policy terms are mainly from 3 to 10 years.

The key terms of this type of policy are fixed at the inception of the policy and remain in effect during the policy period. The policyholder can terminate the savings-type insurance contract before the maturity date with a payment of a commission to the Company that equals the interest earned for approximately six months. The policyholder is informed at policy inception of the maturity value related to the savings portion of the policy. The maturity value of the policy represents the savings portion of the premium paid by the policyholder plus credited interest. The maturity value is paid on the policy maturity date unless a total loss as defined by the policy occurs during the policy term. No amount is paid under the savings portion of the policy if a total loss occurs during the policy term.

It is regarded as a total loss when an aggregate amount of claims paid in connection with accidents covered by the policy occurs within any one insurance year during the policy terms of insurance, regardless of whether claims are caused by one or more accidents, and reaches the insured amount covered by the policy. If a total loss occurs, the policy is immediately terminated. The annual frequency of total loss of major savings-type insurance contracts ranges from 0.04% to 0.12%.

The contractual rate of interest credited to the policy varies by product and is established at the beginning of the policy. The committed interest rate cannot be changed by the Company at any time during the policy term. Committed interest rates ranged from 0.1% to 1.5% for the years ended March 31, 2003, 2004 and 2005.

Premiums paid for the indemnity portion are allocated to income ratably over the terms of the related insurance contract. Premiums paid for the savings portion are credited to investment deposits by policyholders. Interest credited to investment deposits by policyholders is charged to income and presented as investment income credited to investment deposits by policyholders in the accompanying consolidated statements of income. When a total loss occurs, the remaining balance in investment deposits by policyholders corresponding to the total loss contract is reversed and recorded as premium revenue.

(11) Reinsurance

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. The Company cedes to reinsurers a portion of the risks it underwrites and pays reinsurance premiums to the reinsurers based upon the risks
The Company utilizes a variety of reinsurance arrangements, which are classified into two basic types: proportional reinsurance and excess-of-loss reinsurance. Proportional reinsurance is the type of reinsurance where the share of claims carried is proportionate to the share of premiums received. This type of reinsurance is used as a means to limit a loss amount on an individual-risk basis. The excess-of-loss type of reinsurance indemnifies the ceding company against a specified level of losses on underlying insurance policies in excess of a specified agreed amount. Excess-of-loss reinsurance is usually arranged in layers to secure greater capacity by offering various levels of risk exposure with different terms for reinsurers with different preferences. Although a reinsurer is liable to the Company to the extent of the risks assumed, the Company remains liable as the direct insurer to policyholders on all such risks. Failure of reinsurers to honor their obligations could result in losses to the Company. Because of the large amount of funds held by the Company under reinsurance treaties and the Company's favorable experience with its reinsurers, no material amount is believed to be uncollectible and no provision has been made for this contingency.

At March 31, 2005, there were no significant concentrations with a single reinsurer for reinsurance receivables and prepaid reinsurance premiums.

The effects of reinsurance on the results of operations of property and casualty insurance and life insurance for the years ended March 31, 2003, 2004 and 2005 were as follows:

(Property and casualty insurance)

<table>
<thead>
<tr>
<th>Year</th>
<th>Premiums written (Yen in millions)</th>
<th>Premiums written (Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>¥1,373,688</td>
<td>$13,739,215</td>
</tr>
<tr>
<td>2004</td>
<td>¥1,470,096</td>
<td>$13,739,215</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(12) Derivative Financial Instruments

The Company utilizes derivative financial instruments (a) to manage interest rate risk and foreign exchange risk arising from its fixed maturities portfolio and (b) to generate trading revenues and fee income. All derivatives are recognized on the consolidated balance sheets at fair value as other assets or other liabilities.

All derivative transactions are controlled in accordance with the Company’s risk management rules. Under these rules, the
purpose of derivative financial instruments is predetermined in writing, the balance of trading derivatives is limited to the extent permitted by the internal guidelines and derivative instruments entered into for hedging purposes require the advance approval of management. The Company's portfolio is broadly diversified to ensure that there is no significant concentration of credit risk with any individual counterparty or group of counterparties. The Company's policies prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis. Back-office functions, such as settlements or monitoring, are designed independently from the function responsible for dealings.

**Derivatives Used for Interest Rate Risk and Foreign Exchange Risk Management**

The Company uses interest rate swaps, currency swaps and foreign exchange forward contracts to hedge the exposure to variability in expected future cash flows arising from fixed maturity securities available for sale. Such swaps are accounted for as cash flow hedges, in which changes in the fair value of the hedging derivatives are reported in accumulated other comprehensive income. Such deferred amounts are subsequently reclassified into net investment income when the hedged interest cash flows affect earnings. The Company estimates that the net amount of existing gains at March 31, 2005 that will be reclassified into earnings within the next 12 months is ¥151 million ($1,411 thousand). The amounts of the hedges' ineffectiveness or components of derivative instruments' gain or loss excluded from the assessment of hedge effectiveness for the years ended March 31, 2004 and 2005 were insignificant.

**Derivatives Trading Revenues**

The Company uses a variety of derivative instruments, such as interest rate futures, forwards and options, interest rate and currency swaps, bond futures and options, foreign exchange forwards and options and credit derivatives, and non-derivative instruments, such as weather derivatives, to generate trading revenues and fee income. Changes in fair value of these derivatives are reported in realized gains (losses) on investments.

**Fair Value of Financial Instruments**

The estimated fair values of the financial instruments at March 31, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th>Financial assets:</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying Amount</td>
<td>Fair Value</td>
<td>Carrying Amount</td>
</tr>
<tr>
<td>Equity securities</td>
<td>2,143,944</td>
<td>2,143,944</td>
</tr>
<tr>
<td>Mortgage loans on real estate</td>
<td>21,573</td>
<td>21,247</td>
</tr>
<tr>
<td>Other long-term investments</td>
<td>687,259</td>
<td>676,876</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>361,810</td>
<td>361,810</td>
</tr>
<tr>
<td>Indebtedness from affiliates</td>
<td>1,575</td>
<td>1,593</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>21,696</td>
<td>21,696</td>
</tr>
<tr>
<td>Premiums receivable and agents' balances</td>
<td>120,593</td>
<td>120,593</td>
</tr>
<tr>
<td>Weather derivatives</td>
<td>172</td>
<td>172</td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>4,573</td>
<td>4,573</td>
</tr>
<tr>
<td>Bond and equity index contracts</td>
<td>1,644</td>
<td>1,644</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>1,213</td>
<td>1,213</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial liabilities:</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying Amount</td>
<td>Fair Value</td>
<td>Carrying Amount</td>
</tr>
<tr>
<td>Investment deposit by policyholders</td>
<td>(2,405,099)</td>
<td>(2,733,231)</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>(942)</td>
<td>(942)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>(500)</td>
<td>(500)</td>
</tr>
<tr>
<td>Weather derivatives</td>
<td>(371)</td>
<td>(371)</td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>(2,205)</td>
<td>(2,205)</td>
</tr>
<tr>
<td>Bond and equity index contracts</td>
<td>(1,196)</td>
<td>(1,196)</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>(1,269)</td>
<td>(1,269)</td>
</tr>
</tbody>
</table>
## Table: Dollars in Thousands

<table>
<thead>
<tr>
<th></th>
<th>2005 Carrying Amount</th>
<th>2005 Estimated Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed maturities</td>
<td>$30,144,262</td>
<td>$30,189,580</td>
</tr>
<tr>
<td>Equity securities</td>
<td>20,508,430</td>
<td>20,508,430</td>
</tr>
<tr>
<td>Mortgage loans on real estate</td>
<td>178,019</td>
<td>175,673</td>
</tr>
<tr>
<td>Policy loans</td>
<td>326,150</td>
<td>326,150</td>
</tr>
<tr>
<td>Other long-term investments</td>
<td>6,740,271</td>
<td>6,652,178</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>923,402</td>
<td>923,402</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3,422,692</td>
<td>3,422,692</td>
</tr>
<tr>
<td>Indebtedness from affiliates</td>
<td>16,888</td>
<td>16,888</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>195,505</td>
<td>195,505</td>
</tr>
<tr>
<td>Premiums receivable and agents' balances</td>
<td>1,099,037</td>
<td>1,099,037</td>
</tr>
<tr>
<td>Weather derivatives</td>
<td>5,514</td>
<td>5,514</td>
</tr>
<tr>
<td>Derivative assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>17,551</td>
<td>17,551</td>
</tr>
<tr>
<td>Interest rate contracts</td>
<td>14,224</td>
<td>14,224</td>
</tr>
<tr>
<td>Bond and equity index contracts</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>10,196</td>
<td>10,196</td>
</tr>
<tr>
<td><strong>Financial liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment deposits by policyholders</td>
<td>(21,768,393)</td>
<td>(24,364,271)</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>(126,944)</td>
<td>(126,944)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>(934,533)</td>
<td>(934,533)</td>
</tr>
<tr>
<td>Weather derivatives</td>
<td>(2,617)</td>
<td>(2,617)</td>
</tr>
<tr>
<td>Derivative liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>(63,159)</td>
<td>(63,159)</td>
</tr>
<tr>
<td>Interest rate contracts</td>
<td>(13,243)</td>
<td>(13,243)</td>
</tr>
<tr>
<td>Bond and equity index contracts</td>
<td>(28)</td>
<td>(28)</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>(4,037)</td>
<td>(4,037)</td>
</tr>
</tbody>
</table>

The methodologies and assumptions used to estimate the fair values of financial instruments are as follows:

The carrying amounts of cash and cash equivalents, policy loans, accrued investment income, premiums receivable and agents’ balances and short-term debt approximate their fair values due to the short-term maturities of these instruments.

(a) Investments in Fixed Maturities and Equity Securities
The fair values of fixed maturity securities are estimated based on quoted market prices for these or similar securities.

The fair values of equity securities are estimated based on quoted market prices.

(b) Investments in Mortgage Loans and Other Long-Term Investments
The fair values of loans and other long-term investments with fixed interest rates are estimated by discounting future cash flows using estimates of market rates for securities with similar characteristics.

The carrying amounts of investments with floating interest rates approximate their fair values. The fair value of consumer loans, which are included in other long-term investments, in the amount of ¥276,789 million and ¥311,738 million (2,913,439 thousand) at March 31, 2004 and 2005, respectively, approximates the carrying amount. The floating and fixed rates on consumer loans in the years ended March 31, 2003, 2004 and 2005 range from approximately 1.0% to 9.0%, and the remaining loan periods are from approximately three months to 35 years.

(c) Short-Term Investments
The fair values of short-term investments where quoted market prices are available are estimated using quoted market prices. The carrying amounts for other instruments approximate their fair values because of the short maturities of such instruments.

(d) Indebtedness from Affiliates
The fair values of loans to affiliates with fixed interest rates are estimated by discounting future cash flows using the long-term prime rate at the end of the year. The carrying amounts for other indebtedness approximate their fair values.

(e) Investment Deposits by Policyholders
The fair values of investment deposits by policyholders are estimated by discounting future cash flows using the interest rates currently being offered for similar contracts.

(f) Long-Term Debt
The fair values of long-term debt are estimated using quoted market prices for instruments with similar characteristics.

(g) Derivative Financial Instruments
Fair values of forward and futures contracts are estimated based on the closing market prices at the major markets. Fair values of swap contracts are estimated based on the discounted values of future cash flows. Fair values of option contracts and credit derivative contracts are estimated based on internally established models with consideration given to external models or based on quotes from brokers.
(14) Variable Interest Entities

The Company consolidates three entities under the provision of FIN46R.

In December 2004, the Company purchased the subordinated notes issued by a VIE formed for the purpose of guaranteeing the obligation of the Company under the reinsurance agreements. The VIE holds U.S. government securities to collateralize the guarantee and the Company absorbs a majority of the VIE’s expected losses and receives a majority of the VIE’s expected residual returns. The carrying value of the VIE’s investments was ¥9,761 million ($91,224 thousand) at March 31, 2005, which was included in the consolidated balance sheets.

The Company provides guarantee insurance on credit derivative contracts engaged between a VIE. The VIE holds the credit derivative contracts with other entities and transfers the risk of the referenced credit to the Company through the guarantee insurance contract. The Company absorbs a majority of the VIE’s expected losses. The liabilities of the VIE amounted to ¥43 million ($402 thousand) at March 31, 2005, which were included in the consolidated balance sheets.

The Company engages in certain structured transactions, mainly securitization of independent third parties’ assets, through a VIE. The Company provides guarantee insurance for the VIE which is involved in the asset-backed securities business where it helps meet customers’ financing needs by providing access to the commercial paper markets. The Company guarantees the redemption of commercial paper issued by the VIE and the Company absorbs a majority of the VIE’s expected losses. The assets and liabilities of the VIE amounted to ¥13,084 million ($122,280 thousand) at March 31, 2005, which were included in the consolidated balance sheets.

Additionally, the Company and consolidated subsidiaries hold significant variable interests in the VIEs, which transact credit derivative contracts with other entities and transfer the risk of the referenced credit to the Company and consolidated subsidiaries through the guarantee insurance contracts. The Company and consolidated subsidiaries do not retain a first-risk-of-loss position and do not absorb a majority of the VIEs’ expected losses. The maximum potential loss associated with those VIEs is estimated to be ¥28,682 million ($268,056 thousand) as of March 31, 2005.

(15) Goodwill

In February 2005, the Company acquired the general insurance operations in Asia from Aviva plc incorporated in the United Kingdom, for a cost of ¥36,669 million ($342,701 thousand). The excess of the cost over the fair values of assets acquired and liabilities assumed was allocated to goodwill. Goodwill of ¥31,132 million ($290,953 thousand) was recognized on the consolidated balance sheets and was assigned to the property and casualty insurance segment. No impairment loss was recorded for the year ended March 31, 2005.

(16) Commitments and Contingent Liabilities

The Company is contingently liable for various financial guarantees totaling ¥10,470 million as of March 31, 2004 and ¥10,295 million ($96,215 thousand) as of March 31, 2005. Fees related to these guarantees totaling ¥335 million, ¥143 million and ¥99 million ($925 thousand) were recorded as revenue on an accrual basis by the Company for the years ended March 31, 2003, 2004 and 2005, respectively. These guarantees are provided in the ordinary course of business and include guarantees with respect to asset-backed securities, bonds, loans and other financial obligations. The contractual amounts of the financial guarantees reflect the Company’s maximum exposure to credit loss in the event of nonperformance. The guarantees of ¥2,400 million ($22,430 thousand) outstanding as of March 31, 2005 will mature within a year. The Company’s policy related to providing these financial guarantees limits transactions to those with credit ratings of an investment grade or equivalent creditworthiness and limits the amount of a guarantee on any individual transaction.

Other than the financial guarantee contracts described above, the Company provides guarantees for reinsurance transactions written by Mitsui Sumitomo Insurance USA Inc., a wholly owned subsidiary of the Company. The maximum potential future payment associated with these transactions is estimated to be ¥12,065 million ($112,757 thousand) as of March 31, 2005. A liability of ¥18 million ($168 thousand) was recorded in connection with the guarantees as of March 31, 2005.

At March 31, 2005, the Company had a ¥3,747 million ($35,019 thousand) investment in a limited partnership with overseas partners. A condition of the support agreement is that additional investment shall be made by the limited
partners, based on the pro rata share in the partnership, should there be a shortage of funds in the partnership. Considering the latest financial information of the partnership available to the Company as of February 25, 2005, its most recent balance sheet date, management believes the likelihood of an additional capital requirement is remote. In addition to the above commitment, the Company had a contract that would have provided a financial guarantee to the limited partnership; however, the amount of potential payment based on the contract was zero as of March 31, 2005. The obligation of the Company under the guarantee was fully collateralized with securities, and no net exposure existed as of March 31, 2005.

In the normal course of business, the Company enters into credit derivative transactions mainly as a protection seller. The maximum potential loss associated with these transactions was ¥448,632 million ($4,192,822 thousand) as of March 31, 2005. A liability of ¥389 million ($3,636 thousand) was recorded in connection with these transactions as of March 31, 2005.

The Company had loan commitment agreements amounting to ¥3,140 million ($29,346 thousand) as of March 31, 2005. The Company’s policy to provide loan commitment agreements is basically the same as that of guarantee contracts.

The Company occupies certain offices and other facilities under lease arrangements. The following is a schedule by years of future minimum rental payments required under non-cancelable operating leases that have initial or remaining lease terms in excess of one year as of March 31, 2005:

<table>
<thead>
<tr>
<th>Years ending March 31</th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>¥940</td>
<td>$8,785</td>
</tr>
<tr>
<td>2007</td>
<td>878</td>
<td>8,205</td>
</tr>
<tr>
<td>2008</td>
<td>699</td>
<td>6,533</td>
</tr>
<tr>
<td>2009</td>
<td>356</td>
<td>3,327</td>
</tr>
<tr>
<td>2010</td>
<td>52</td>
<td>486</td>
</tr>
<tr>
<td>Later years</td>
<td>1,411</td>
<td>13,187</td>
</tr>
<tr>
<td>Total future minimum rental payments</td>
<td>¥4,336</td>
<td>$40,523</td>
</tr>
</tbody>
</table>

Rental expenses for the years ended March 31, 2003, 2004 and 2005 were ¥13,987 million, ¥13,346 million and ¥12,862 million ($120,206 thousand), respectively.

(17) Common Stock

During the year ended March 31, 2004, the Company issued 33,290,875 shares of common stock in connection with conversions of convertible debentures. Conversions into common stock of convertible debentures were accounted for by crediting one-half of the conversion price to the common stock account and the remainder of the price to additional paid-in capital.

The amounts of statutory capital and surplus of the Company, on a non-consolidated basis, as of March 31, 2004 and 2005 are presented as follows:

<table>
<thead>
<tr>
<th>Statutory shareholders’ equity</th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>1,422,186</td>
<td>$13,356,691</td>
</tr>
<tr>
<td>2005</td>
<td>1,400,074</td>
<td>$13,376,093</td>
</tr>
</tbody>
</table>

The Company’s statutory basis net income for the years ended March 31, 2004 and 2005 was ¥72,956 million and ¥60,765 million ($567,897 thousand), respectively.

The minimum capital requirement of the Insurance Business Law of Japan for a Japanese insurance company is ¥1,000 million ($9,346 thousand) on a statutory basis.

The Company and its domestic life insurance subsidiary are required to maintain solvency margin ratios of 200% or higher in accordance with the solvency margin regulations stipulated by the Japanese regulatory authorities. The solvency margin regulations are based on factors mainly for underwriting risks, investment risks and large catastrophe risks. The solvency margin must be supported by equity and other resources, including unrealized gains and losses on certain investments and catastrophe reserves based on the financial accounting standards of Japan. The solvency margin ratios of the Company and its domestic life insurance subsidiary at March 31, 2005 were 1,026.0% and 1,807.9%, respectively.

The minimum capital requirement of the Insurance Business Law of Japan for a Japanese insurance company is ¥1,000 million ($9,346 thousand) on a statutory basis.

The amounts of statutory net income for the years ended March 31, 2003, 2004 and 2005 and shareholders’ equity at March 31, 2004 and 2005 of the consolidated insurance subsidiaries were as follows:

<table>
<thead>
<tr>
<th>Statutory shareholders’ equity</th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1,294,113</td>
<td>$12,729,174</td>
</tr>
<tr>
<td>2004</td>
<td>1,390,596</td>
<td>$13,043,187</td>
</tr>
<tr>
<td>2005</td>
<td>1,400,074</td>
<td>$13,376,093</td>
</tr>
</tbody>
</table>

The aggregate market value of the investments in affiliates for which a quoted market price is available amounted to ¥2,711 million ($25,336 thousand) at March 31, 2005.
(18) Appropriated Retained Earnings

(a) Legal Reserve
Article 14 of the Insurance Business Law of Japan requires insurance companies to set aside an amount equal to at least 20% of all appropriations paid in cash, such as cash dividends and bonuses to directors, as legal reserve until the aggregate amount of such reserve and additional paid-in capital reaches stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital. The Company’s appropriations charged to unappropriated retained earnings for the year ended March 31, 2005 were subject to the legal reserve requirement.

(b) Reserve for Price Fluctuation
The reserve for price fluctuation is required under Article 115 of the Insurance Business Law of Japan. This reserve provides for possible losses arising from price fluctuations of securities and adverse changes in foreign exchange rates. The Company may reduce this reserve by (1) the amount of net loss resulting from sales of securities or (2) the amount for which permission is granted by the Financial Services Agency of Japan, for any other purpose.

(19) Unappropriated Retained Earnings, Dividends and Net Income per Share
The amount of retained earnings available for dividends under the Japanese Commercial Code is based on the amount recorded in the Company’s non-consolidated books of account as unappropriated retained earnings in accordance with the financial accounting standards of Japan and was ¥103,945 million ($971,449 thousand) as of March 31, 2005. The adjustments included in the accompanying consolidated financial statements to have them conform with U.S. GAAP, but not recorded in the books of account, have no effect on the determination of retained earnings available for dividends under the Japanese Commercial Code.

Cash dividends and appropriations to the legal reserve charged to unappropriated retained earnings for the years ended March 31, 2003, 2004 and 2005 represent dividends paid out during those years and the related appropriations to the legal reserve. Provision has neither been made in the accompanying consolidated financial statements for the annual dividends of ¥9.50 ($0.09) per share totaling ¥13,597 million ($127,075 thousand), subsequently proposed by the Board of Directors and, on June 28, 2005, approved by the shareholders nor for the related appropriation to the legal reserve.

A reconciliation of the components of the basic and diluted net income per share computations is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income available to</td>
<td>¥38,996</td>
<td>¥116,122</td>
<td>¥41,814</td>
<td>$390,785</td>
</tr>
<tr>
<td>common shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of dilutive securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.6% convertible debentures</td>
<td>173</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>0.7% convertible debentures</td>
<td>177</td>
<td>5</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1.2% convertible debentures</td>
<td>334</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Diluted net income</td>
<td>¥38,996</td>
<td>¥116,122</td>
<td>¥41,814</td>
<td>$390,785</td>
</tr>
</tbody>
</table>

Number of shares in thousands

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted common shares outstanding</td>
<td>1,564,547</td>
<td>1,472,364</td>
<td>1,442,627</td>
</tr>
</tbody>
</table>

Yen Dollars

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>¥26.29</td>
<td>¥80.61</td>
<td>¥28.98</td>
</tr>
<tr>
<td>Diluted</td>
<td>24.93</td>
<td>78.87</td>
<td>28.98</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average common shares outstanding</td>
<td>1,457,297</td>
<td>1,440,548</td>
<td>1,442,627</td>
</tr>
<tr>
<td>Dilutive effect of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.6% convertible debentures</td>
<td>13,473</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>0.7% convertible debentures</td>
<td>60,464</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1.2% convertible debentures</td>
<td>33,313</td>
<td>31,816</td>
<td>—</td>
</tr>
<tr>
<td>Diluted common shares outstanding</td>
<td>1,564,547</td>
<td>1,472,364</td>
<td>1,442,627</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>¥26.29</td>
<td>¥28.98</td>
<td></td>
</tr>
<tr>
<td>Diluted</td>
<td>24.93</td>
<td>28.98</td>
<td>28.98</td>
</tr>
</tbody>
</table>
(20) Other Comprehensive Income

Changes in accumulated other comprehensive income for the years ended March 31, 2003, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td><strong>Foreign currency translation adjustments, net of tax:</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>¥ (4,699)</td>
</tr>
<tr>
<td>Current-period change</td>
<td>(4,650)</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>¥ (9,349)</td>
</tr>
<tr>
<td><strong>Unrealized gains on securities, net of tax:</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>¥557,058</td>
</tr>
<tr>
<td>Current-period change</td>
<td>(257,372)</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>¥299,686</td>
</tr>
<tr>
<td><strong>Net gains on derivative instruments, net of tax:</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>¥852</td>
</tr>
<tr>
<td>Current-period change</td>
<td>(398)</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>¥454</td>
</tr>
<tr>
<td><strong>Minimum pension liability adjustment, net of tax:</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>¥ (12,406)</td>
</tr>
<tr>
<td>Current-period change</td>
<td>(44,689)</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>¥ (57,095)</td>
</tr>
</tbody>
</table>

The total accumulated other comprehensive income, net of tax:

<table>
<thead>
<tr>
<th></th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of period</td>
<td>¥540,805</td>
</tr>
<tr>
<td>Current-period change</td>
<td>(307,109)</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>¥233,696</td>
</tr>
</tbody>
</table>

The tax effect allocated to each component of other comprehensive income (loss) and the reclassification adjustment for the years ended March 31, 2003, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td><strong>Foreign currency translation adjustments, net of tax:</strong></td>
<td></td>
</tr>
<tr>
<td>Unrealized losses on securities:</td>
<td></td>
</tr>
<tr>
<td>Unrealized holding losses arising during period</td>
<td>(338,898)</td>
</tr>
<tr>
<td>Less: reclassification adjustment for losses realized in net income</td>
<td>(63,157)</td>
</tr>
<tr>
<td>Net unrealized losses</td>
<td>(402,055)</td>
</tr>
<tr>
<td><strong>Other comprehensive income:</strong></td>
<td>¥477,154</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td><strong>Foreign currency translation adjustments, net of tax:</strong></td>
<td></td>
</tr>
<tr>
<td>Unrealized losses on securities:</td>
<td></td>
</tr>
<tr>
<td>Unrealized holding losses arising during period</td>
<td>552,921</td>
</tr>
<tr>
<td>Less: reclassification adjustment for losses realized in net income</td>
<td>(90,902)</td>
</tr>
<tr>
<td>Net unrealized gains</td>
<td>462,019</td>
</tr>
<tr>
<td><strong>Other comprehensive income:</strong></td>
<td>¥483,116</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td><strong>Foreign currency translation adjustments, net of tax:</strong></td>
<td></td>
</tr>
<tr>
<td>Unrealized losses on securities:</td>
<td></td>
</tr>
<tr>
<td>Unrealized holding losses arising during period</td>
<td>136,915</td>
</tr>
<tr>
<td>Less: reclassification adjustment for losses realized in net income</td>
<td>(96,758)</td>
</tr>
<tr>
<td>Net unrealized gains</td>
<td>40,157</td>
</tr>
<tr>
<td><strong>Other comprehensive income:</strong></td>
<td>¥100,988</td>
</tr>
</tbody>
</table>
(22) Supplementary Cash Flow Information

The Company operates principally in two business segments: property and casualty insurance and life insurance. The property and casualty insurance segment offers automobile, fire, personal accident, liability and other forms of property and casualty insurance products. The Company's financial services business, financial guarantee business and derivatives business are classified within the property and casualty insurance segment. Life insurance operations are conducted by its wholly owned subsidiary, Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., which offers a wide range of traditional life insurance products, such as term-life, whole-life and annuity insurance and a joint venture company, Mitsui Sumitomo Citibusiness Life Insurance Co., Ltd.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on income before income taxes. Intersegment revenues, primarily for services provided, are recorded based upon the agreed-upon fees for such services.

Summarized financial information with respect to the business segments as of and for the years ended March 31, 2003, 2004 and 2005 is as follows:

<table>
<thead>
<tr>
<th>Year in millions</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from external customers:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>$1,228,000</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Premium income for life insurance contracts</td>
<td>—</td>
<td>147,761</td>
<td>—</td>
</tr>
<tr>
<td>Intersegment revenues</td>
<td>333</td>
<td>(333)</td>
<td>—</td>
</tr>
<tr>
<td>Investment revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment revenue</td>
<td>109,898</td>
<td>7,038</td>
<td>(333)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>23,054</td>
<td>134</td>
<td>—</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>62,324</td>
<td>6,007</td>
<td>—</td>
</tr>
<tr>
<td>Other liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>10,579</td>
<td>48</td>
<td>—</td>
</tr>
<tr>
<td>Segment assets</td>
<td>$5,868,834</td>
<td>518,690</td>
<td>(31,882)</td>
</tr>
<tr>
<td>Yen in millions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dollars in thousands</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and Casualty Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elimination</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(23) Segment Information
### Property and Casualty Life Insurance

#### Japan Overseas Consolidated

**2003:**
- Premiums earned: ¥1,286,178
- Long-lived assets: ¥314,529

**2004:**
- Premiums earned: ¥1,345,461
- Long-lived assets: 283,445

**2005:**
- Premiums earned: ¥1,404,239
- Long-lived assets: 283,505

#### Dollars in thousands

**2005:**
- Premiums earned: $13,123,729
- Long-lived assets: $2,649,580

---

### Selected geographic information as of and for the years ended March 31, 2003, 2004 and 2005 is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Property and Casualty Insurance</th>
<th>Life Insurance</th>
<th>Elimination</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2004:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues from external customers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>¥1,308,059</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥1,308,059</td>
</tr>
<tr>
<td>Premium income for life insurance contracts</td>
<td>—</td>
<td>157,840</td>
<td>—</td>
<td>157,840</td>
</tr>
<tr>
<td>Intersegment revenues</td>
<td>299</td>
<td>(299)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net investment revenues</td>
<td>110,869</td>
<td>8,033</td>
<td>(299)</td>
<td>118,603</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>19,729</td>
<td>134</td>
<td>—</td>
<td>19,863</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>183,333</td>
<td>7,243</td>
<td>—</td>
<td>190,576</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>7,241,425</td>
<td>506,002</td>
<td>(30,511)</td>
<td>7,806,916</td>
</tr>
</tbody>
</table>

| **2005:** |                                 |                |             |              |
| Revenues from external customers: |                                 |                |             |              |
| Net premiums earned | ¥1,357,748 | ¥ — | ¥ — | ¥1,357,748 |
| Premium income for life insurance contracts | — | 175,169 | — | 175,169 |
| Intersegment revenues | 294 | (294) | — | — |
| Net investment revenues | 110,334 | 9,439 | (294) | 119,479 |
| Depreciation expense | 18,819 | 156 | — | 18,975 |
| Income before income taxes | 57,969 | 9,104 | — | 67,073 |
| Capital expenditures | 7,539,417 | 733,779 | (55,867) | 8,217,329 |

---

<table>
<thead>
<tr>
<th>Year</th>
<th>Property and Casualty Insurance</th>
<th>Life Insurance</th>
<th>Elimination</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2003:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premiums earned</td>
<td>¥1,286,178</td>
<td>¥ 89,583</td>
<td>¥1,375,761</td>
<td></td>
</tr>
<tr>
<td>Long-lived assets</td>
<td>314,529</td>
<td>37,245</td>
<td>351,774</td>
<td></td>
</tr>
</tbody>
</table>

| **2004:** |                                 |                |             |              |
| Premiums earned | ¥1,345,461 | ¥120,438 | ¥1,465,899 |
| Long-lived assets | 283,445 | 26,204 | 309,649 |

| **2005:** |                                 |                |             |              |
| Premiums earned | ¥1,404,239 | ¥128,678 | ¥1,532,917 |
| Long-lived assets | 283,505 | 7,829 | 291,334 |

---

<table>
<thead>
<tr>
<th>Year</th>
<th>Property and Casualty Insurance</th>
<th>Life Insurance</th>
<th>Elimination</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2004:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premiums earned</td>
<td>$12,689,234</td>
<td>$ —</td>
<td>$ —</td>
<td>$12,689,234</td>
</tr>
<tr>
<td>Premium income for life insurance contracts</td>
<td>—</td>
<td>1,637,093</td>
<td>—</td>
<td>1,637,093</td>
</tr>
<tr>
<td>Intersegment revenues</td>
<td>2,748</td>
<td>(2,748)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net investment revenues</td>
<td>1,031,159</td>
<td>88,215</td>
<td>(2,748)</td>
<td>1,116,626</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>175,878</td>
<td>1,458</td>
<td>—</td>
<td>177,336</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>1,051,159</td>
<td>88,215</td>
<td>(2,748)</td>
<td>1,116,626</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>125,047</td>
<td>1,878</td>
<td>—</td>
<td>126,925</td>
</tr>
<tr>
<td>Segment assets</td>
<td>70,461,841</td>
<td>6,857,748</td>
<td>(52,122)</td>
<td>76,797,467</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ REPORT

The Board of Directors
Mitsui Sumitomo Insurance Company, Limited:

We have audited the accompanying consolidated balance sheets of Mitsui Sumitomo Insurance Company, Limited and subsidiaries as of March 31, 2004 and 2005, and the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows for each of the years in the three-year period ended March 31, 2005. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsui Sumitomo Insurance Company, Limited and subsidiaries as of March 31, 2004 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

KPMG

Tokyo, Japan
August 31, 2005
FINANCIAL SECTION

GAAP in Japan (Unaudited)

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Consolidated Balance Sheets 66
Consolidated Statements of Income 68
Consolidated Statements of Shareholders’ Equity 69
Consolidated Statements of Cash Flows 70
Notes to Consolidated Financial Statements 71
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
March 31, 2004 and 2005

<table>
<thead>
<tr>
<th>Assets</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits</td>
<td>¥ 287,588</td>
<td>¥ 321,686</td>
<td>$ 3,006,411</td>
</tr>
<tr>
<td>Call loans</td>
<td>64,000</td>
<td>36,000</td>
<td>336,448</td>
</tr>
<tr>
<td>Securities bought under resale agreements</td>
<td>3,999</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Monetary claims bought</td>
<td>42,834</td>
<td>63,039</td>
<td>589,149</td>
</tr>
<tr>
<td>Money trust</td>
<td>28,045</td>
<td>57,421</td>
<td>536,644</td>
</tr>
<tr>
<td>Investments in securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic bonds</td>
<td>2,277,134</td>
<td>2,323,913</td>
<td>21,718,813</td>
</tr>
<tr>
<td>Domestic stocks</td>
<td>1,913,060</td>
<td>1,951,221</td>
<td>18,235,710</td>
</tr>
<tr>
<td>Foreign securities</td>
<td>975,184</td>
<td>1,077,170</td>
<td>10,067,009</td>
</tr>
<tr>
<td>Other securities</td>
<td>88,335</td>
<td>101,892</td>
<td>952,261</td>
</tr>
<tr>
<td>Total investments in securities</td>
<td>5,253,715</td>
<td>5,454,198</td>
<td>50,973,813</td>
</tr>
<tr>
<td>Loans (Note 3):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy loans</td>
<td>33,103</td>
<td>34,897</td>
<td>326,140</td>
</tr>
<tr>
<td>Others</td>
<td>724,813</td>
<td>752,447</td>
<td>7,032,214</td>
</tr>
<tr>
<td>Total loans</td>
<td>757,917</td>
<td>787,345</td>
<td>7,358,364</td>
</tr>
<tr>
<td>Property and equipment:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>99,396</td>
<td>89,950</td>
<td>840,654</td>
</tr>
<tr>
<td>Buildings</td>
<td>381,246</td>
<td>348,973</td>
<td>3,261,429</td>
</tr>
<tr>
<td>Furniture, equipment and other</td>
<td>101,585</td>
<td>102,278</td>
<td>955,869</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>582,228</td>
<td>541,202</td>
<td>5,057,962</td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>284,186</td>
<td>288,924</td>
<td>2,700,224</td>
</tr>
<tr>
<td>Premiums receivable and agents’ balances</td>
<td>121,475</td>
<td>113,700</td>
<td>1,062,616</td>
</tr>
<tr>
<td>Reinsurance receivable and recoverable on paid losses</td>
<td>68,996</td>
<td>83,925</td>
<td>784,345</td>
</tr>
<tr>
<td>Other assets</td>
<td>213,428</td>
<td>235,657</td>
<td>2,202,401</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>439</td>
<td>308</td>
<td>2,878</td>
</tr>
<tr>
<td>Consolidated goodwill</td>
<td>—</td>
<td>5,372</td>
<td>50,205</td>
</tr>
<tr>
<td>Customers’ liability under guarantees and acceptances</td>
<td>10,470</td>
<td>10,295</td>
<td>96,214</td>
</tr>
<tr>
<td>Reserve for bad debts</td>
<td>(23,990)</td>
<td>(18,915)</td>
<td>(176,775)</td>
</tr>
<tr>
<td>Total assets</td>
<td>¥7,126,961</td>
<td>¥7,402,311</td>
<td>$69,180,476</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
<table>
<thead>
<tr>
<th>Liabilities, Minority Interests and Shareholders’ Equity</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underwriting fund:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding claims</td>
<td>¥ 533,042</td>
<td>¥ 625,547</td>
<td>$ 5,846,233</td>
</tr>
<tr>
<td>Underwriting reserves</td>
<td>4,623,379</td>
<td>4,676,355</td>
<td>43,704,252</td>
</tr>
<tr>
<td>Short-term debt (Note 4)</td>
<td>942</td>
<td>500</td>
<td>4,672</td>
</tr>
<tr>
<td>Long-term debt (Note 4)</td>
<td>500</td>
<td>100,000</td>
<td>934,579</td>
</tr>
<tr>
<td>Reinsurance payable and due to other insurance companies</td>
<td>82,810</td>
<td>87,351</td>
<td>816,364</td>
</tr>
<tr>
<td>Reserve for employees’ retirement and severance benefits</td>
<td>136,037</td>
<td>84,884</td>
<td>793,308</td>
</tr>
<tr>
<td>Accrued bonuses for employees</td>
<td>13,174</td>
<td>14,046</td>
<td>131,271</td>
</tr>
<tr>
<td>Reserve for loss on valuation of real estate</td>
<td>1,220</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reserve for EXPO 2005 Aichi</td>
<td>70</td>
<td>140</td>
<td>1,308</td>
</tr>
<tr>
<td>Reserve for price fluctuation</td>
<td>13,437</td>
<td>20,461</td>
<td>191,224</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>160,384</td>
<td>127,628</td>
<td>1,192,785</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>145,218</td>
<td>187,859</td>
<td>1,755,691</td>
</tr>
<tr>
<td>Liability under guarantees and acceptances</td>
<td>10,470</td>
<td>10,295</td>
<td>96,214</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>5,156,421</td>
<td>5,301,902</td>
<td>49,550,485</td>
</tr>
<tr>
<td><strong>Minority interests</strong></td>
<td>4,362</td>
<td>5,665</td>
<td>52,943</td>
</tr>
<tr>
<td><strong>Shareholders’ equity (Note 8):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, no par value:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized—3,000,000,000 shares; issued and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>outstanding—1,513,184,880 shares as of March 31,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004 and 1,513,184,880 shares as of March 31, 2005</td>
<td>139,595</td>
<td>139,595</td>
<td>1,304,626</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>93,110</td>
<td>93,118</td>
<td>870,261</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>471,421</td>
<td>524,708</td>
<td>4,903,813</td>
</tr>
<tr>
<td>Unrealized gains on investments, net of tax</td>
<td>751,571</td>
<td>779,842</td>
<td>7,288,242</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(11,335)</td>
<td>(11,177)</td>
<td>(104,457)</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(42,451)</td>
<td>(64,511)</td>
<td>(602,906)</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>1,401,911</td>
<td>1,461,575</td>
<td>13,659,579</td>
</tr>
<tr>
<td><strong>Commitments and contingent liabilities (Note 7)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities, minority interests and shareholders’ equity</strong></td>
<td>¥7,126,961</td>
<td>¥7,402,311</td>
<td>$69,180,476</td>
</tr>
</tbody>
</table>
## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries

For the years ended March 31, 2003, 2004 and 2005

<table>
<thead>
<tr>
<th>Ordinary income and expenses:</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Underwriting expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written</td>
<td>¥1,303,946</td>
<td>¥1,379,119</td>
<td>¥1,407,328</td>
<td>$13,152,598</td>
</tr>
<tr>
<td>Deposit premiums from policyholders</td>
<td>306,757</td>
<td>300,819</td>
<td>272,692</td>
<td>2,548,523</td>
</tr>
<tr>
<td>Investment income on deposits by policyholders, etc.</td>
<td>65,442</td>
<td>59,812</td>
<td>58,549</td>
<td>547,186</td>
</tr>
<tr>
<td>Life insurance premiums</td>
<td>124,516</td>
<td>128,104</td>
<td>141,785</td>
<td>1,325,093</td>
</tr>
<tr>
<td>Other underwriting income</td>
<td>801</td>
<td>304</td>
<td>838</td>
<td>7,831</td>
</tr>
<tr>
<td><strong>Total underwriting expenses</strong></td>
<td>¥1,801,464</td>
<td>¥1,968,160</td>
<td>¥1,881,195</td>
<td>17,381,261</td>
</tr>
<tr>
<td><strong>Underwriting expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net claims paid</td>
<td>646,557</td>
<td>680,271</td>
<td>811,183</td>
<td>7,581,149</td>
</tr>
<tr>
<td>Loss adjustment expenses</td>
<td>59,783</td>
<td>58,965</td>
<td>58,707</td>
<td>548,663</td>
</tr>
<tr>
<td>Commission and collection expenses</td>
<td>228,342</td>
<td>237,994</td>
<td>243,778</td>
<td>2,278,299</td>
</tr>
<tr>
<td>Maturity refunds to policyholders</td>
<td>558,281</td>
<td>461,718</td>
<td>400,319</td>
<td>3,741,299</td>
</tr>
<tr>
<td>Dividends to policyholders</td>
<td>79</td>
<td>145</td>
<td>184</td>
<td>1,719</td>
</tr>
<tr>
<td>Life insurance claims</td>
<td>16,871</td>
<td>17,951</td>
<td>17,549</td>
<td>164,009</td>
</tr>
<tr>
<td>Provision for outstanding claims</td>
<td>28,939</td>
<td>30,463</td>
<td>92,708</td>
<td>866,429</td>
</tr>
<tr>
<td>Provision for underwriting reserve</td>
<td>17,503</td>
<td>99,609</td>
<td>46,273</td>
<td>432,457</td>
</tr>
<tr>
<td>Other underwriting expenses</td>
<td>1,005</td>
<td>1,579</td>
<td>1,412</td>
<td>13,196</td>
</tr>
<tr>
<td><strong>Total underwriting expenses</strong></td>
<td>1,537,363</td>
<td>1,588,600</td>
<td>1,672,117</td>
<td>15,627,261</td>
</tr>
<tr>
<td><strong>Gross underwriting profit</strong></td>
<td>264,100</td>
<td>279,560</td>
<td>209,077</td>
<td>1,953,990</td>
</tr>
<tr>
<td><strong>Investment income (expenses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>129,332</td>
<td>128,710</td>
<td>127,581</td>
<td>1,192,345</td>
</tr>
<tr>
<td>Investment gain (loss) on money trust, net</td>
<td>(2,475)</td>
<td>4,372</td>
<td>910</td>
<td>8,504</td>
</tr>
<tr>
<td>Investment gain on trading securities, net</td>
<td>467</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Gain on sales or redemption of investments in securities, net</td>
<td>31,881</td>
<td>77,450</td>
<td>55,368</td>
<td>517,457</td>
</tr>
<tr>
<td>Loss on devaluation of investment securities</td>
<td>(56,647)</td>
<td>(2,522)</td>
<td>(4,072)</td>
<td>(45,719)</td>
</tr>
<tr>
<td>Gain (loss) on derivative transactions, net</td>
<td>(3,025)</td>
<td>7,121</td>
<td>1,903</td>
<td>17,785</td>
</tr>
<tr>
<td>Provision for losses on investment in securities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other investment expenses, net</td>
<td>(4,647)</td>
<td>(4,064)</td>
<td>(2,593)</td>
<td>(24,233)</td>
</tr>
<tr>
<td>Transfer to investment income on deposits by policyholders, etc.</td>
<td>(65,442)</td>
<td>(59,812)</td>
<td>(58,549)</td>
<td>(547,186)</td>
</tr>
<tr>
<td><strong>Net investment profit</strong></td>
<td>35,439</td>
<td>161,255</td>
<td>119,727</td>
<td>1,118,943</td>
</tr>
<tr>
<td><strong>Operating expenses and general administrative expenses</strong></td>
<td>247,709</td>
<td>245,554</td>
<td>237,967</td>
<td>2,223,990</td>
</tr>
<tr>
<td><strong>Other ordinary expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expenses</td>
<td>879</td>
<td>95</td>
<td>469</td>
<td>4,383</td>
</tr>
<tr>
<td>Provision for bad debt and bad debt written off</td>
<td>69</td>
<td>4,538</td>
<td>177</td>
<td>1,654</td>
</tr>
<tr>
<td>Equity in losses of affiliates</td>
<td>546</td>
<td>1,708</td>
<td>736</td>
<td>6,878</td>
</tr>
<tr>
<td>Other ordinary expenses, net</td>
<td>778</td>
<td>3,977</td>
<td>1,876</td>
<td>17,532</td>
</tr>
<tr>
<td><strong>Total other ordinary expenses</strong></td>
<td>2,273</td>
<td>10,319</td>
<td>3,260</td>
<td>30,467</td>
</tr>
<tr>
<td><strong>Ordinary profit</strong></td>
<td>49,557</td>
<td>174,943</td>
<td>87,577</td>
<td>818,476</td>
</tr>
<tr>
<td><strong>Extraordinary losses (income):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss (gain) on sales of properties and equipment, net</td>
<td>(1,855)</td>
<td>2,467</td>
<td>(1,977)</td>
<td>(18,476)</td>
</tr>
<tr>
<td>Impairment of long-lived assets</td>
<td>—</td>
<td>16,460</td>
<td>153,831</td>
<td></td>
</tr>
<tr>
<td>Provision for price fluctuation reserve</td>
<td>6,607</td>
<td>7,024</td>
<td>65,644</td>
<td></td>
</tr>
<tr>
<td>Reversal of price fluctuation reserve</td>
<td>(13,832)</td>
<td>—</td>
<td>(40,578)</td>
<td>(379,233)</td>
</tr>
<tr>
<td>Other extraordinary losses (income), net</td>
<td>9,836</td>
<td>48,371</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net extraordinary losses (income)</strong></td>
<td>(5,851)</td>
<td>57,446</td>
<td>(19,071)</td>
<td>(178,233)</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>55,408</td>
<td>117,496</td>
<td>106,648</td>
<td>996,710</td>
</tr>
<tr>
<td>Income taxes—current (Note 10)</td>
<td>34,846</td>
<td>37,771</td>
<td>14,203</td>
<td>132,738</td>
</tr>
<tr>
<td>Income taxes—deferred</td>
<td>(12,753)</td>
<td>1,362</td>
<td>25,561</td>
<td>242,266</td>
</tr>
<tr>
<td>Minority interests</td>
<td>502</td>
<td>576</td>
<td>758</td>
<td>7,084</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>¥32,812</td>
<td>¥77,787</td>
<td>¥65,725</td>
<td>$614,252</td>
</tr>
</tbody>
</table>

| Net income per share (Note 1 (t)): | | | | |
| Basic | ¥22.46 | ¥53.94 | ¥45.51 | $0.42 |
| Diluted | 21.35 | 52.78 | — | — |

See accompanying notes to consolidated financial statements.
### CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY (UNAUDITED)

**Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries**
For the years ended March 31, 2003, 2004 and 2005

<table>
<thead>
<tr>
<th>In thousands</th>
<th>Yen in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Shares of Common Stock</td>
<td>Common Stock</td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2002</strong></td>
<td>1,479,894</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>—</td>
</tr>
<tr>
<td>Bonuses to directors</td>
<td>—</td>
</tr>
<tr>
<td>Adjustment due to changes of accounting policies of subsidiaries</td>
<td>—</td>
</tr>
<tr>
<td>Adjustment due to changes of investments in subsidiaries</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2003</strong></td>
<td>1,479,894</td>
</tr>
<tr>
<td>Shares issued upon conversion of convertible bonds</td>
<td>33,290</td>
</tr>
<tr>
<td>Gain on sales of treasury stock</td>
<td>—</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>—</td>
</tr>
<tr>
<td>Bonuses to directors</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2004</strong></td>
<td>1,513,184</td>
</tr>
<tr>
<td>Gain on sales of treasury stock</td>
<td>—</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>—</td>
</tr>
<tr>
<td>Bonuses to directors</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2005</strong></td>
<td>1,513,184</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dollars in thousands</th>
<th>Common Stock</th>
<th>Capital Surplus</th>
<th>Retained Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of March 31, 2004</strong></td>
<td>$1,304,626</td>
<td>$870,186</td>
<td>$4,405,803</td>
</tr>
<tr>
<td>Gain on sales of treasury stock</td>
<td>—</td>
<td>74</td>
<td>—</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>614,252</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>—</td>
<td>—</td>
<td>(115,570)</td>
</tr>
<tr>
<td>Bonuses to directors</td>
<td>—</td>
<td>—</td>
<td>(663)</td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2005</strong></td>
<td>$1,304,626</td>
<td>$870,261</td>
<td>$4,903,813</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
### CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2003, 2004 and 2005

<table>
<thead>
<tr>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>¥ 55,408</td>
<td>¥ 117,496</td>
</tr>
<tr>
<td>Depreciation</td>
<td>22,549</td>
<td>19,307</td>
</tr>
<tr>
<td>Impairment of long-lived assets</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of excess of cost of investment over underlying net assets</td>
<td>318</td>
<td>9</td>
</tr>
<tr>
<td>Increase in outstanding claims</td>
<td>28,939</td>
<td>30,463</td>
</tr>
<tr>
<td>Increase in underwriting reserves</td>
<td>15,633</td>
<td>139,054</td>
</tr>
<tr>
<td>Increase (decrease) in reserve for bad debts</td>
<td>(6,000)</td>
<td>3,971</td>
</tr>
<tr>
<td>Increase (decrease) in reserve for losses on investment securities</td>
<td>3</td>
<td>(12)</td>
</tr>
<tr>
<td>Decrease in reserve for employees’ retirement and severance benefits</td>
<td>(11,173)</td>
<td>(16,164)</td>
</tr>
<tr>
<td>Increase in reserve for accrued bonuses for employees</td>
<td>940</td>
<td>1,177</td>
</tr>
<tr>
<td>Decrease in reserve for losses on sales of loans</td>
<td>(1,619)</td>
<td>—</td>
</tr>
<tr>
<td>Increase in reserve for EXPO 2005 Arch</td>
<td>—</td>
<td>70</td>
</tr>
<tr>
<td>Increase (decrease) in reserve for price fluctuation</td>
<td>(13,832)</td>
<td>6,607</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>(129,332)</td>
<td>(128,710)</td>
</tr>
<tr>
<td>Losses (gains) on investment in securities</td>
<td>18,969</td>
<td>(75,110)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>879</td>
<td>95</td>
</tr>
<tr>
<td>Foreign exchange losses (gains)</td>
<td>(1,287)</td>
<td>(1,717)</td>
</tr>
<tr>
<td>(Losses) gains) on disposal of property and equipment</td>
<td>(636)</td>
<td>5,217</td>
</tr>
<tr>
<td>Equity in losses of affiliates</td>
<td>546</td>
<td>1,708</td>
</tr>
<tr>
<td>Acquisition of property and equipment for return of losses</td>
<td>(24,196)</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from property and equipment as subrogation of paid claim</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Increase in other assets</td>
<td>(14,530)</td>
<td>(7,426)</td>
</tr>
<tr>
<td>Increase (decrease) in other liabilities</td>
<td>6,691</td>
<td>(1,844)</td>
</tr>
<tr>
<td>Others</td>
<td>5,291</td>
<td>(8,079)</td>
</tr>
<tr>
<td></td>
<td>(46,438)</td>
<td>86,113</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>75,878</td>
<td>181,584</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities:** | | |
| Income before income taxes | ¥ 55,408 | ¥ 117,496 | ¥ 106,648 |
| Purchase of money trusts | — | — | ¥ 996,710 |
| Proceeds from sales of money trusts | 32,508 | 3,836 | ¥ 163,392 |
| Purchase of money trusts | 16,460 | 153,831 | 4,532 |
| Proceeds from sales and redemption of monetary claims bought | 5,692 | 2,848 | ¥ 481,317 |
| Proceeds from sales of property and equipment | 6,040 | 13,897 | 65,644 |
| Income tax paid | (13,832) | 6,607 | 6,878 |
| Net cash provided by operating activities | 2,213 | (222,940) | (2,083,551) |

| **Cash flows from financing activities:** | | |
| Net increase (decrease) in deposits at banks | 16,121 | 310 | (183) |
| Proceeds from sales and redemption of monetary claims bought | 5,692 | 2,848 | 28,766 |
| Purchase of money trusts | — | — | 26,196 |
| Proceeds from sales of money trusts | 32,508 | 3,836 | 75,878 |
| Purchase of securities | (730,143) | (1,563,483) | (1,106,855) |
| Proceeds from sales and redemption of securities | 664,744 | 1,397,047 | 9,546,261 |
| Investment in loans | (204,441) | (234,983) | (2,083,551) |
| Collection of loans | 239,115 | 193,489 | 2,115,925 |
| Proceeds from sales of property and equipment | 6,040 | 13,897 | 73,205 |
| Other | 4,114 | 6,125 | (2,820) |
| Net cash provided by (used in) investing activities | 2,213 | (222,940) | (2,083,551) |

| **Net cash provided by (used in) investing activities:** | | |
| Effect of exchange rate changes on cash and cash equivalents | 919 | 903 | 1,426 |
| Net change in cash and cash equivalents | 172 | (10,561) | 2,803 |
| Net change in cash and cash equivalents | 372,383 | 370,775 | 363,011 |
| Increase in and cash and cash equivalents related to a collective transfer of insurance portfolio | — | 2,988 | 2,988 |
| Decrease in cash and cash equivalents related to changes in investment in subsidiaries | (1,780) | (190) | — |
| Cash and cash equivalents at end of year | ¥ 370,775 | ¥ 363,011 | ¥ 355,815 |

See accompanying notes to consolidated financial statements.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries

(1) Summary of Significant Accounting Policies
(a) Basis of Presenting Financial Statements
Mitsui Sumitomo Insurance Company, Limited (“the Company”) maintains its accounting records and prepares its financial statements in Japanese yen in accordance with the provisions of the accounting standards for non-life insurance companies issued by the Financial Services Agency of Japan and in conformity with generally accepted accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in order to present them in a form which is more familiar to readers outside Japan.

The accompanying consolidated financial statements have been extracted and translated from the consolidated financial statements that are prepared for Japanese domestic purposes in accordance with the provisions of the Securities and Exchange Law of Japan and filed with the Ministry of Finance of Japan and stock exchanges in Japan.

The accompanying footnotes include information which is not required under Japan GAAP but is presented herein as additional information for the financial statements.

Amounts of less than one million yen and one thousand dollars have been eliminated. As a result, totals in yen and dollars shown herein do not necessarily agree with the sum of the individual amounts.

(b) Principles of Consolidation
The consolidated financial statements include the accounts of the parent company and its significant subsidiaries. All material intercompany balances and transactions are eliminated.

The Company consolidated 31 subsidiaries as of the fiscal year ended March 31, 2005. Major subsidiaries are as follows:

- Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
- Mitsui Sumitomo Insurance Group Holdings (U.S.A.), Inc.
- Mitsui Sumitomo Insurance Company (Europe), Limited
- Mitsui Sumitomo Insurance (Singapore) Pte Ltd.

In the year ended March 31, 2005, Aviva General Insurance Limited and five other companies were included in consolidation further to the acquisition of the general insurance operations in Asia from Aviva plc incorporated in the United Kingdom. Also, Thousand Fortune Islands Corporation has been included in consolidation from the current year due to the acquisition of control during the current year through ownership of the debentures which amount accounted for a majority of the amount financed by that company.

The Company accounted for 2 affiliates by the equity method in the year ended March 31, 2005. The affiliates are as follows:

- Mitsui Sumitomo CitinInsuranc Life Insurance Co., Ltd.
- Sumitomo Mitsui Asset Management Company, Limited

The investments in and the operating results of other subsidiaries are not significant to the Company. The scope of consolidation required under generally accepted accounting principles in the United States of America (“U.S. GAAP”) differs from that required under Japan GAAP.

(c) Foreign Currency Translations
(i) Foreign currency accounts
Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rate of exchange in effect at the balance sheet date.

All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions are made. The resulting exchange gains and losses are credited or charged to income.

(ii) Foreign currency financial statements of consolidated subsidiaries
Assets and liabilities of the consolidated subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from translation of foreign currency financial statements are excluded from the income statements and are accumulated and classified in “Foreign currency translation adjustments” in the consolidated balance sheets.

Foreign currency translation adjustments are included in “Shareholders’ equity” and “Minority interests” in accordance with the Regulation of Consolidated Financial Statements.
(d) Investments
The Company classified investments in securities as “Trading securities,” “Securities held to maturity,” “Stocks of subsidiaries and affiliates” and “Other securities.” The valuation policies and methods of each category are as follows:

- Trading securities are valued at fair value at the balance sheet date, and the cost of sale is calculated using the moving average method.
- Securities held to maturity are valued at amortized cost.
- Stocks of subsidiaries and affiliates are valued at cost using the moving average method.
- Other securities with fair values are valued at fair value at the balance sheet date. Net unrealized gains or losses are reported as a separate component of shareholders’ equity, and cost of sales is calculated using the moving average method.
- Other securities without fair values are valued at cost using the moving average method or at amortized cost.
- Securities managed as a major component of trust assets in the money trust are valued at fair value.

Market value is the primary standard and method used to evaluate marketable securities holdings of consolidated subsidiaries located outside Japan.

Derivative financial instruments are valued at fair value. Interest rate swaps and currency swaps that meet certain criteria are accounted for under exceptional methods, as regulated in the related accounting standards, as if the interest rates or currencies under those swaps were originally applied to underlying bonds or loans.

Profits and losses on stock price option contracts for the purpose of hedging risks arising from fluctuations in stock prices relating to holding stocks and currency swap contracts used for hedging risks of variability in the cash flows of foreign bonds arising from fluctuations of foreign exchange rates are accounted for under the deferral hedge accounting method. Interest rate swap contracts for hedging risks arising from fluctuations in the cash flows of loans or bonds relating to fluctuations in interest rates are accounted for under the deferral hedge accounting method or exceptional methods when they meet certain criteria, as mentioned previously.

The effectiveness of hedging is assessed semiannually based on an analysis comparing cumulative amounts of fluctuations of the prices or the cash flows between the hedged items and the hedging instruments during the periods from the start of hedging to the date of the assessment. When hedged items and hedging instruments are highly and clearly interrelated or when interest rate swap transactions meet the criteria for applying exceptional methods, the assessments for the effectiveness of hedging are omitted.

(e) Property and Equipment
Property and equipment are principally stated at cost less accumulated depreciation. Depreciation is computed mainly by the declining-balance method based on estimated useful lives, which are prescribed by Japanese income tax laws.

Depreciation of real estate and property belonging to consolidated subsidiaries located outside Japan is computed primarily by the straight-line method.

Properties to be disposed of, that were acquired to recover paid claims, are valued at the lower of cost or market value, and no depreciation is recorded.

(f) Reserve for EXPO 2005 Aichi
Reserve for EXPO 2005 Aichi provides for the future cost of the 2005 World Exposition held from March 25, 2005, by recognizing the estimated total exhibition costs under the exhibition agreement in equal installments over the period until March 2005.

(g) Leases
Under Japanese accounting standards for leases, finance leases that have been deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s consolidated financial statements.

(h) Policy Acquisition Costs
Policy acquisition costs are charged to income as incurred.
(i) Reserve for Outstanding Claims
In accordance with the regulations of the Insurance Business Law, a reserve for outstanding claims has been established in amounts estimated to be sufficient, in the opinion of management, to discharge claims incurred and reported.

A provision for losses incurred but not reported at the balance sheet date has also been made.

(j) Underwriting Reserves
Pursuant to the provisions of the Insurance Business Law and related rules and regulations, the Company is required to maintain underwriting reserves in amounts determined as follows:

(i) Premium reserve:
• Property and casualty insurance
  —Insurance other than Compulsory Automobile Liability Insurance and Earthquake Insurance
  Whichever is the greater of the unearned premiums or the underwriting balance at the end of the year for policies written during the year, by lines of insurance and types of policy.

—Compulsory Automobile Liability Insurance
  Accumulated total sum of premiums written less claims incurred and related net investment income less income taxes and contributions to the Japan Red Cross Society and other Japanese institutions. Insurance companies are not permitted to recognize any profit or loss from underwriting Compulsory Automobile Liability Insurance.

—Earthquake Insurance
  Accumulated total amounts of underwriting balance and related net investment income less income taxes.

In addition to the above, in order to provide for any extraordinary risks which might arise from a catastrophe, the Company is required to maintain a contingency reserve at an amount determined based on net premiums written by lines of business.

• Life insurance
  Future policy benefits for life insurance contracts are mainly calculated pursuant to the five-year Zillmerized reserve method.

(ii) Deposits by policyholders:
The Company maintains reserves for the deposit portion of premiums and investment income on such portion, which are refundable to policyholders under long-term insurance.

(k) Reserve for Bad Debts
The reserve for bad debts is established under the standard for self-assessment of assets and the policy for depreciation and provision. Loans to debtors who are legally deemed to be experiencing financial difficulties such as bankruptcy, special clearance or whose notes are under suspension at clearing-houses and loans to debtors who are substantially deemed to be experiencing financial difficulties are provided for based on the amount remaining after deducting the collateral’s resale value and collectible collateral amounts through guarantees.

Loans to debtors for which there is a probability of financial difficulties in the future are provided for based on the amount remaining after deducting the collateral’s resale value and amounts collectible from guarantees considering debtors’ abilities to repay the entire outstanding debt.

Loans other than those mentioned above are provided for by multiplying actual bad debt ratios computed based on the actual bad debt amounts during past periods against outstanding balances.

(l) Reserve for Losses on Investments
The reserve for losses on investments is established to provide for possible future losses arising from holding shares of investments.

(m) Reserve for Employees’ Retirement and Severance Benefits
The Company has an unfunded lump-sum payment benefit plan and funded non-contributory pension plan covering substantially all employees. Under the plans, employees are entitled to lump-sum or annuity payments based on the current rate of pay and length of service at retirement or termination of employment for reasons other than dismissal for cause. Directors and statutory auditors are not covered by the above plan.
In addition to the plans just described, substantially all employees of the Company are covered by a funded pension plan, the benefits of which are based on length of service and certain other factors.

Unrecognized net actuarial gains and losses are amortized from the next fiscal year using the straight-line method over periods within the estimated average remaining service years of employees.

Unrecognized prior service cost is amortized using the straight-line method over periods within the estimated average remaining service years of employees.

Reserve for pension and retirement benefits in the amount of ¥4,384 million ($40,971 thousand) is also established by the Company and the consolidated life insurance subsidiary to provide for future retirement benefits (including pension) for officers and operating officers. Retirement benefits for officers and operating officers were previously expensed when paid; however, effective from the current year, the cost for services rendered through the year ended March 31, 2005 is provided for as part of reserve for pension and retirement benefits.

This accounting change was intended for more appropriate interperiod cost allocation and for sound financial conditions, further to the resolution at the respective board meetings in the current second half-year to terminate retirement benefits for officers and commit to the amount of the cost of services rendered through the year ended March 31, 2005 as the amount of benefits to be paid at the time of retirement.

The effect of this change in the amount of ¥425 million ($3,971 thousand) that relates to the current year was included in loss adjustment expenses, operating expenses and general and administrative expenses. Prior service cost in the amount of ¥4,489 million ($41,953 thousand), including accrued pension cost for retirees, was recorded in other extraordinary losses. As a result, consolidated ordinary profit for the current year was increased by ¥104 million ($971 thousand) and consolidated income before income taxes was decreased by ¥4,384 million ($40,971 thousand) compared to the amounts that would have been reported under the previous method of accounting.

Pursuant to the enactment of Defined Benefit Corporate Pension Law in Japan, the Company obtained an approval from the Ministry of Health, Labour and Welfare on April 1, 2004 for returning the past benefit obligation of the substitu-tional portion of the Employees’ Pension Fund plan to the government and paid the relevant amount, which is equivalent to the minimum amount required for underwriting reserve, to the government on December 21, 2004. The effect of this transfer of the benefit obligation on income for the current year in the amount of ¥41,155 million ($384,626 thousand) was recorded in extraordinary income.

Pursuant to the enactment of the Defined Contribution Pension Law in Japan, the Company also transferred a certain portion of its tax qualified defined benefit pension plan to a defined contribution plan effective April 1, 2005. The effect of this change will be recognized in extraordinary income in the amount of ¥3,400 million ($31,775 thousand) in the following accounting period.

(n) Accrued Bonuses for Employees

Accrued bonuses for employees are provided for based on the estimated amounts to be paid allocated over the periods to which payment of bonuses are applicable.

(o) Reserve for Losses on Sales of Loans

The reserve for losses on sales of loans is established to provide for possible losses arising from a decline in the collateral values of loans sold to the Cooperative Credit Purchasing Company, Limited.

(p) Reserve for Loss on Valuation of Real Estate

The reserve for loss on valuation of real estate is established to provide for future possible losses in connection with future real estate transactions.

(q) Reserve for Price Fluctuation

In conformity with the Insurance Business Law (the “Law”), insurance companies must establish a provision for losses resulting from fluctuations in the price of securities, bank deposits and loans denominated in foreign currencies. The amount of the annual transfer to the “Reserve for price fluctua-tion” is calculated using percentages set forth in the Law for each type of security, and the balance limitation is also stipu-lated in the Law. Pursuant to the Law, the Company may reduce this reserve by: (1) the amount of the net loss resulting from sales and reappraisals of securities, etc., and (2) the amount for which permission is granted by the Financial Services Agency of Japan for any other reasons.
Deferred Assets under Article 113 of the Insurance Business Law

In conformity with Article 113 of the Insurance Business Law, insurance companies are permitted to capitalize the amount relating to the business expenses for the initial five fiscal years following the establishment of an insurance company. Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., a wholly owned life insurance subsidiary, is amortizing such amounts within 10 years following incorporation as permitted by the Law.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid debt instruments with an original maturity of three months or less.

Net Income per Share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.

As a result of a change to Japanese accounting standards, from the fiscal year ended March 31, 2003, net income is calculated by excluding figures not attributable to common stock.

Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year with an applicable adjustment for related interest expense, net of tax.

U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at ¥107=U.S.$1, the approximate rate prevailing at March 31, 2005. The translations should not be construed as representations that such yen amounts have been, could have been or could in the future be converted into U.S. dollars at that or any other rate.

Loans

Loans as of March 31, 2004 and 2005 included "Loans to financially impaired parties," "Overdue loans," "Overdue loans more than 3 months past due" and "Restructured loans" as follows:

<table>
<thead>
<tr>
<th></th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans to financially impaired parties</td>
<td>¥356</td>
<td>$106</td>
</tr>
<tr>
<td>Overdue loans</td>
<td>¥18,743</td>
<td>$14,868</td>
</tr>
<tr>
<td>Overdue loans more than 3 months past due</td>
<td>¥670</td>
<td>$543</td>
</tr>
<tr>
<td>Restructured loans</td>
<td>¥8,525</td>
<td>$2,499</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥28,295</td>
<td>$18,017</td>
</tr>
</tbody>
</table>

Loans to financially impaired parties represent those loans on which accrued interest receivable is not recognized because repayments of principal or interest were overdue for considerable periods and they are regarded as not collectible (excluding the portion of the loans that were written off) and which meet the conditions described in Article 96, Sections 1-3, 4, of the Corporation Tax Enforcement Law (1965 Government Ordinance No. 97).

Overdue loans represent loans not accruing interest, excluding loans that have been granted grace for interest payments for the purpose of the restructuring of or the provision of support to debtors in financial difficulty and excluding loans to financially impaired parties.

Overdue loans more than 3 months past due represent loans for which the payment of principal or interest was more than 3 months after the contractual due date for the repayment of principal or interest and exclude loans to financially impaired parties and overdue loans.

Restructured loans have favorable terms to debtors such as interest exemption or reduction, grace on interest payments, grace on principal repayments or forgiveness of debts for the purpose of the restructuring of or the provision of support to debtors in financial difficulty. Loans to financially impaired parties, overdue loans and overdue loans more than 3 months past due are excluded.
(4) Short-Term Debt and Long-Term Debt

Short-term debt and long-term debt consist of the following as of March 31, 2004 and 2005:

<table>
<thead>
<tr>
<th>Description</th>
<th>2004</th>
<th>2005</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.4% Japanese yen debentures, due 2007</td>
<td>¥ —</td>
<td>¥ 30,000</td>
<td>¥ 280,373</td>
</tr>
<tr>
<td>0.8% Japanese yen debentures, due 2009</td>
<td>¥ 1,422</td>
<td>¥ 70,000</td>
<td>¥ 654,205</td>
</tr>
<tr>
<td>Bank loans</td>
<td>¥ 1,422</td>
<td>¥ 100,500</td>
<td>¥ 939,252</td>
</tr>
<tr>
<td>Less current portion classified as short-term</td>
<td>¥ 942</td>
<td>¥ 500</td>
<td>¥ 4,672</td>
</tr>
<tr>
<td>debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>¥ 100,000</td>
<td>¥ 934,579</td>
<td></td>
</tr>
</tbody>
</table>

(5) Impairment Losses on Fixed Assets


In the year ended March 31, 2005, impairment losses were recognized for the following assets:

<table>
<thead>
<tr>
<th>Use</th>
<th>Asset category</th>
<th>Description of assets</th>
<th>Yen in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental properties</td>
<td>Land and buildings</td>
<td>7 properties, including buildings for rent in Saitama Prefecture</td>
<td>¥ 2,123</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Land and buildings</td>
<td>¥ 2,232</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>¥ 347</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>¥ 5,260</td>
</tr>
<tr>
<td>Idle real estate and real estate for sale</td>
<td>Land and buildings</td>
<td>26 properties, including a computer center in Hyogo Prefecture</td>
<td>¥ 3,982</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Land and buildings</td>
<td>¥ 6,962</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>¥ 260</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>¥ 11,107</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use</th>
<th>Asset category</th>
<th>Description of assets</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental properties</td>
<td>Land and buildings</td>
<td>7 properties, including buildings for rent in Saitama Prefecture</td>
<td>$ 19,841</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Land and buildings</td>
<td>$ 24,601</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>$ 3,242</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>$ 47,685</td>
</tr>
<tr>
<td>Idle real estate and real estate for sale</td>
<td>Land and buildings</td>
<td>26 properties, including a computer center in Hyogo Prefecture</td>
<td>$ 36,841</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Land and buildings</td>
<td>$ 65,065</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>$ 2,429</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>$104,336</td>
</tr>
</tbody>
</table>

(6) Extraordinary Losses (Income)

Other extraordinary losses (income), net, in the year ended March 31, 2003 includes reversal of reserve for bad debts of ¥3,596 million. Also, other extraordinary losses (income), net, in the year ended March 31, 2003 includes miscellaneous expenses for the merger of ¥7,726 million, such expenses as those related to premium severance payments for a reemployment support system of ¥4,491 million and valuation losses on land and buildings of ¥1,215 million due to significant declines in fair values.

Other extraordinary losses (income), net, in the year ended March 31, 2004 includes reversal of reserve for losses on investment of ¥12 million. Also, other extraordinary losses (income), net, in the year ended March 31, 2004 includes extra losses due to a change in calculation method of underwriting the reserve for Housing Loan Guarantee Insurance of ¥41,104 million, such expenses as those related to premium severance payments for a reemployment support system of ¥4,529 million, valuation losses on land and buildings valued at the lower of cost or market value of ¥2,605 million and valuation losses on land and buildings of ¥143 million due to significant declines in fair values.

Other extraordinary losses (income), net, in the year ended March 31, 2005 includes gain on transfer to the Japanese Government of the substitutional portion of employee pension fund liabilities of ¥41,155 million ($384,626 thousand), reversal of bad debt reserve of ¥2,950 million ($27,570 thousand) and reversal of reserve for loss on valuation of real estate of ¥1,220 million ($11,401 thousand). Also, other extraordinary losses (income), net, in the year ended March 31, 2005 includes prior service cost of the Company and the consolidated life insurance subsidiary accounted for as provision for retirement benefits for officers and operating officers, including accrued pension cost for retirees, of ¥4,489 million ($41,953 thousand) and the valuation losses on land and buildings valued at the lower of cost or market value of ¥257 million ($2,401 thousand).
(7) Commitments and Contingent Liabilities

According to the Enforcement Regulations of the Insurance Business Law, “Liability under guarantees and acceptances” and “Customers’ liability under guarantees and acceptances” are presented in the consolidated balance sheets. These are provided in the ordinary course of business and include guarantees for the repayment of several types of asset-backed securities and Japanese city bank issued bonds. The contractual amounts of the financial guarantees reflect the Company’s maximum exposure to credit loss in the event of nonperformance.

Total payments for finance leases other than those which have been deemed to transfer ownership of the leased property to the lessee were ¥244 million and ¥120 million ($1,121 thousand) in the years ended March 31, 2004 and 2005, respectively. Lease property less accumulated depreciation and unexpended lease expenses for such financial leases amounted to ¥369 million ($3,448 thousand) in the year ended March 31, 2005.

(8) Shareholders’ Equity

Legal Reserve and Appropriations of Retained Earnings

The Insurance Business Law, which is applicable to the appropriations of retained earnings, requires that an amount equaling 20% or more of retained earnings appropriated for dividends be set aside as a reserve until the aggregate amount of such reserve and additional paid-in capital reaches the stated value of common stock. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. Voluntary reserves are available for future dividends subject to the approval of the shareholders and legal reserve requirements. At their general meeting on June 28, 2005, shareholders authorized the appropriation of retained earnings for the year ended March 31, 2005 as follows:

<table>
<thead>
<tr>
<th></th>
<th>Yen in millions</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal reserve</td>
<td>¥2,800</td>
<td>$26,168</td>
</tr>
<tr>
<td>Cash dividends, ¥9.5 ($0.09) per share</td>
<td>13,597</td>
<td>127,074</td>
</tr>
<tr>
<td>Bonuses to directors</td>
<td>99</td>
<td>551</td>
</tr>
<tr>
<td>Voluntary reserves</td>
<td>10,233</td>
<td>95,635</td>
</tr>
<tr>
<td>Total</td>
<td>¥26,689</td>
<td>$249,429</td>
</tr>
</tbody>
</table>

(9) Information for Statements of Cash Flows

Cash and cash equivalents reported on the consolidated balance sheets on March 31, 2003, 2004 and 2005 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits</td>
<td>¥386,953</td>
<td>¥287,588</td>
<td>¥321,686</td>
</tr>
<tr>
<td>Securities bought under resale agreements</td>
<td>5,000</td>
<td>64,000</td>
<td>36,000</td>
</tr>
<tr>
<td>Monetary claims bought</td>
<td>38,874</td>
<td>42,834</td>
<td>63,039</td>
</tr>
<tr>
<td>Monetary trust</td>
<td>26,803</td>
<td>28,045</td>
<td>57,421</td>
</tr>
<tr>
<td>Time deposits at banks with maturities over 3 months</td>
<td>(40,754)</td>
<td>(30,850)</td>
<td>(30,998)</td>
</tr>
<tr>
<td>Monetary claims bought with maturities over 3 months</td>
<td>(3,810)</td>
<td>(7,619)</td>
<td>(25,498)</td>
</tr>
<tr>
<td>Monetary trust with maturities over 3 months</td>
<td>(24,291)</td>
<td>(24,986)</td>
<td>(55,834)</td>
</tr>
<tr>
<td>Total</td>
<td>¥26,689</td>
<td>$249,429</td>
<td></td>
</tr>
</tbody>
</table>

(10) Income Taxes

The Company and its domestic subsidiaries are subject to corporate (national) and inhabitants’ (local) taxes based on income which, in the aggregate, resulted in a normal statutory tax rate of approximately 36% for the years ended March 31, 2003, 2004 and 2005.

Enterprise (local) tax was imposed on net domestic premiums written and was included in loss adjustment expenses, operating expenses and general and administrative expenses.
### (11) Segment Information

The Company operates principally in two business segments: property and casualty insurance and life insurance. Life insurance operations are mainly conducted by its wholly owned subsidiary Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., which offers mainly individual and group life policies. Summarized financial information with respect to the business segments is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Property and Casualty Insurance</th>
<th>Life Insurance</th>
<th>Adjustments and Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>¥1,857,644</td>
<td>¥133,056</td>
<td>¥(70,321)</td>
<td>¥1,920,379</td>
</tr>
<tr>
<td></td>
<td><strong>Ordinary expense</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥1,809,384</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary profit (loss)</strong></td>
<td>¥ 50,104</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Assets: ¥6,028,854, ¥479,272, ¥(30,513), ¥6,477,614
Depreciation: 22,415, 134, —, 22,549
Capital investment: 10,719, 47, —, 10,766

<table>
<thead>
<tr>
<th>March 31, 2004</th>
<th>Property and Casualty Insurance</th>
<th>Life Insurance</th>
<th>Adjustments and Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>¥1,929,830</td>
<td>¥136,670</td>
<td>—</td>
<td>¥2,066,500</td>
</tr>
<tr>
<td><strong>Ordinary expense</strong></td>
<td>1,839,198</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary profit (loss)</strong></td>
<td>¥ 90,632</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Assets: ¥6,714,708, ¥688,451, ¥(847), ¥7,402,311
Depreciation: 17,328, 155, —, 17,483
Impairment loss: 16,460, —, —, 16,460
Capital investment: 13,380, 201, —, 13,581

Eliminations in ordinary income include the transferred amount due to the inclusion of the provision for outstanding claims and for underwriting reserves of ordinary expense for the life insurance segment as a reversal of such amounts in the consolidated statements of income.

The portfolio investment activities are considered a part of the insurance business and not as an independent segment to be disclosed. Pursuant to the materiality rules of the applicable Japanese regulations, segment information by location and overseas sales amounts are not disclosed.
OVERSEAS NETWORK
(As of July 31, 2005)

ASIA AND OCEANIA

Singapore

- Mitsui Sumitomo Insurance (Singapore) Pte Ltd.
  16 Raffles Quay #24-01, Hong Leong Building, Singapore 048581
  Tel: 65-6220-9644~8
  Fax: 65-6225-6371 (24F Reception)
  /9201 (21F)
  /6324-0096 (Reins. Dept.)

- MSI Management (Singapore) Pte. Ltd.
  16 Raffles Quay #19-06, Hong Leong Building, Singapore 048581
  Tel: 65-6227-2130
  Fax: 65-6227-5547

- Mitsui Sumitomo Reinsurance Limited, Singapore Branch
  16 Raffles Quay #21-03, Hong Leong Building, Singapore 048581
  Tel: 65-6224-9962
  Fax: 65-6225-3477

- Interisk Asia Pte. Ltd.
  16 Raffles Quay #19-01, Hong Leong Building, Singapore 048581
  Tel: 65-6227-4576
  Fax: 65-6222-9575

- Aviva G.I. Asia Pte. Ltd.
  4 Shenton Way #01-01, SGX Centre 2, Singapore 068807
  Tel: 65-6827-7888
  Fax: 65-6827-7818

- Aviva General Insurance Pte. Ltd.
  4 Shenton Way #01-01, SGX Centre 2, Singapore 068807
  Tel: 65-6827-2720
  Fax: 65-6827-2701

Thailand

- Mitsui Sumitomo Insurance Co., Ltd., Thailand Branch
  14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khaewang Thungmahamek, Sathorn, Bangkok 10120, Thailand
  Tel: 66-2-679-6165–6187
  Fax: 66-2-679-6209–6214

- MSHolding (Thailand) Company Limited
  14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khaewang Thungmahamek, Sathorn, Bangkok 10120, Thailand
  Tel: 66-2-679-6209–6214

- THE AYUDHYA INSURANCE PUBLIC COMPANY LIMITED
  898 Phloenchit Tower, 7th Floor, Phloenchit Road, Bangkok 10330, Thailand
  Tel: 66-2-2263-0335 (Ext. 1122)
  Fax: 66-2-2263-0589

- MSI Adjusting (Thailand) Company Limited
  14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khaewang Thungmahamek, Sathorn, Bangkok 10120, Thailand
  Tel: 66-2-679-6165–6187
  Fax: 66-2-679-6209–6214

- Calm Sea Service Co., Ltd.
  14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khaewang Thungmahamek, Sathorn, Bangkok 10120, Thailand
  Tel: 66-2-679-6165–6187
  Fax: 66-2-679-6209–6214

- MBTS Broking Service Co., Ltd.
  14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khaewang Thungmahamek, Sathorn, Bangkok 10120, Thailand
  Tel: 66-2-679-6205–7
  Fax: 66-2-679-6208

- MBTS Life Insurance Broker Co., Ltd.
  14th Floor, Sathorn City Tower, No. 175 South Sathorn Road, Khaewang Thungmahamek, Sathorn, Bangkok 10120, Thailand
  Tel: 66-2-679-6209–6214

- Aviva Insurance (Thai) Company Limited
  Aviva Building, 1908 New Petchburi Road, Huay Kwang, Bangkok 10260, Thailand
  Tel: 66-2-318-8318
  Fax: 66-2-318-8466

- Yardimci Co., Ltd.
  25th Floor, Abdalhirm Place, 990 Rama IV Road, Silom, Bangrak, Bangkok, Thailand

Thailand

- Mitsui Sumitomo Insurance Co., Ltd., Head Office
  Overseas Subsidiaries and Affiliates
  Overseas Branches
  Overseas Offices
  Underwriting Agents for Mitsui Sumitomo Insurance Co., Ltd., Head Office

Malaysia

- Mitsui Sumitomo Insurance (Malaysia) Bhd.
  Level 22 Menara Weld No. 76, Jalan Raja Chulan, 50200 Kuala Lumpur, P.O. Box 11034, 50732 Malaysia
  Tel: 60-3-20508228
  Fax: 60-3-20701454

- MSI Risk Consultancy Services (Malaysia) Sdn. Bhd.
  Level 21 Menara Weld No. 76, Jalan Raja Chulan, 50200 Kuala Lumpur, P.O. Box 11034, 50732 Malaysia
  Tel: 60-3-20729711
  Fax: 60-3-20701454

- Mitsui Sumitomo Reinsurance Limited, Labuan Branch
  Level 13 (F2), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 WP Labuan, Malaysia
  Tel: 60-87-452748
  Fax: 60-87-452750

- Mitsui Sumitomo Insurance Co., Ltd., Labuan Branch
  Level 13 (F2), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 WP Labuan, Malaysia
  Tel: 60-87-452748
  Fax: 60-87-452750

Philippines

- BPMIIS Insurance Corporation
  16th Floor, Ayala-FGU Center, 8811 Ayala Avenue, 1226 Makati City, Philippines
  Tel: 63-2840-9000
  Fax: 63-2840-9229

- First Lepanto-Taisho Insurance Corp.
  16th Floor, Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City, Philippines
  Tel: 63-2882-2828
  Fax: 63-2812-3907

- Philippine Charter Insurance Corp.
  Skyland Plaza, Sen. Gil Puyat Avenue, Corner Tindalo Street, Makati City, Philippines
  P.O. Box 1893, MCP O1258, Makati City, Philippines
  Tel: 63-2844-7044
  Fax: 63-2815-7297
Indonesia
● P.T. Asuransi Mitsui Sumitomo Indonesia
Summitmas II, 15th Floor, Jalan Jenderal Sudirman, Kavliling 61-62, Jakarta 12190, Indonesia
Tel: 62-21-2523110
Fax: 62-21-2524308/2526040

The Republic of Korea
✩ Mitsui Sumitomo Insurance Co., Ltd., Korea Branch
23F, Young Poong Bldg. 33, Seorin-dong, Jongno-gu, Seoul 110-752, The Republic of Korea
Tel: 82-2-3702-5800
Fax: 82-2-3702-5900

People's Republic of China
✩ Mitsui Sumitomo Insurance Co., Ltd., Shanghai Branch
41st Floor, HSBC Tower Bldg., 101 Yin Cheng East Road, Pudong New Area, Shanghai 200120, People’s Republic of China
Tel: 86-21-6841-1034/0265/1922
Fax: 86-21-6841-0906/4998
★ China General Representative Office
Room No. 1608, Beijing Fortune Bldg., 5 Dong San Huan Bei-Lu, Chao Yang District, Beijing, People’s Republic of China
Tel: 86-10-6590-8500
Fax: 86-10-6590-8504
★ Beijing Representative Office
Room No. 1608, Beijing Fortune Bldg., 5 Dong San Huan Bei-Lu, Chao Yang District, Beijing, People’s Republic of China
Tel: 86-10-6590-8500
Fax: 86-10-6590-8504
★ Guangzhou Representative Office
Room No. 5905, Zhong Xin Guanyuan, 233 Tian He Bei-Lu, Guangzou, People’s Republic of China
Tel: 86-20-3877-2116
Fax: 86-20-3877-2161
★ Shenzhen Representative Office
28th Floor, Unit 16, Office Tower, Shun Hing Square, Di Wang Commercial Center, 5002 Shen Nan Dong Road, Shenzhen 518008, People’s Republic of China
Tel: 86-755-8246-1263/8246-3442/8246-3700
Fax: 86-755-8246-1267
★ Dalian Representative Office
21st Floor, Dalian Senmao Bldg., 147 Zhong Shan Road, Xi Gang District, Dalian, Liaoning Province, People’s Republic of China
Tel: 86-411-360-2076
Fax: 86-411-360-1814
★ Chengdu Representative Office
Room No. 669, Jinjiang Hotel, 80 2nd Section, Remnin South Ave., Chengdu, Sichuan, People’s Republic of China
Tel: 86-28-8559-4992
Fax: 86-28-8559-3565
★ Tianjin Representative Office
Room No. 2408, Tianjin International Building, No. 75 Nanjing Road, Tianjin, People’s Republic of China
Tel: 86-22-2330-4987
Fax: 86-22-2330-4986
★ Suzhou Representative Office
Room 3001, Gold River International Tower, 35 Shishan Road, Suzhou New District 215011 People’s Republic of China
Tel: 86-512-6807-1338
Fax: 86-512-6807-3228
★ Hangzhou Representative Office
Room 76E 7F, Merchants Bank Tower, Cyber Port, No. 36 Hong Kong Middle Road, Qianjiang 266071, People’s Republic of China
Tel: 86-571-8765-2853
Fax: 86-571-8765-2853
★ Qingdao Representative Office
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Fax: 86-532-667-9249

Hong Kong
● Mitsui Sumitomo Insurance Company (Hong Kong) Limited
Room No. 2308, Bank of America Tower, 12 Harcourt Road, Central, (G.P.O. Box 3027)
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Fax: 852-284-59255
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9F, Cityplaza One, 1111 King’s Road, Tai Kok Shing, Hong Kong
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Fax: 852-290-29116

Macau
✩ Mitsui Sumitomo Insurance Co., Ltd., Macau Branch
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Fax: 853-596667

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✩ Mitsui Sumitomo Insurance Co., Ltd., Taipei Branch
7th Floor, No. 260, Tun Hwa North Road, Taipei, Taiwan
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Fax: 886-2-8712-1370
★ Kaohsiung Representative Office
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Fax: 886-7-222-2348
★ Yangming Representative Office
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Fax: 886-2-2897-9171

Vietnam
● United Insurance Company of Vietnam
Hanoi Tung Shing Square, 11th Floor, 2 Ngo Quyen Street, Hoan Kiem District, Hanoi, Vietnam
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Fax: 84-4-8240496

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Fax: 852-284-59255
● Aviva General Insurance Limited
9F, Cityplaza One, 1111 King’s Road, Tai Kok Shing, Hong Kong
Tel: 852-298-40555
Fax: 852-290-29116

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Fax: 853-596667

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Fax: 886-2-8712-1370
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Fax: 886-7-222-2348
★ Yangming Representative Office
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Fax: 886-2-2897-9171

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● United Insurance Company of Vietnam
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Hanoi, Vietnam
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Fax: 84-4-8240496
★ Ho Chi Minh Representative Office
8th Floor, Sun Wah Tower,
115 Nguyen Hue Street, District 1,
Ho Chi Minh City, Vietnam
Tel: 84-8-8219030~1
Fax: 84-8-8219029

★ Hanoi Representative Office
Hanoi Tung Shing Square, 11th Floor,
2 Ngo Quyen Street, Hoan Kiem District,
Hanoi, Vietnam
Tel: 84-4-8240495
Fax: 84-4-8240496
★ Ho Chi Minh Representative Office
8th Floor, Sun Wah Tower,
115 Nguyen Hue Street, District 1,
Ho Chi Minh City, Vietnam
Tel: 84-8-8219030~1
Fax: 84-8-8219029

★ Sydney Representative Office
Level 12, The Chifley Tower, 2 Chifley Square,
Sydney, N.S.W. 2000, Australia
Tel: 61-2-9222-7600/7604/7607
Fax: 61-2-9232-7006
★ Melbourne Representative Office
Level 8, 15 William Street, Melbourne,
Victoria 3000, Australia
Tel: 61-3-9245-8188
Fax: 61-3-9614-2248

New Zealand
★ New Zealand Representative Office
Vero Center, 48 Shortland Street,
Auckland, New Zealand
Tel: 64-9-357-2394
Fax: 64-9-363-2328
★ Vero Insurance New Zealand Limited
Vero Center, 48 Shortland Street,
Private Bag 92120,
Auckland, New Zealand
Tel: 64-9-363-2222
Fax: 64-9-363-2350

Papua New Guinea
★ Papua New Guinea Representative Office
Level 3, Pacific Place, Musgrave Street,
Port Moresby, Papua New Guinea
Tel: 675-321-1600
Fax: 675-321-1658

THE AMERICAS

U.S.A.
★ Mitsui Sumitomo Insurance Group
Holdings (USA), Inc.
Corporation Trust Center,
1209 Orange Street, Wilmington,
Newcastle County, Delaware, U.S.A.
Tel: 1-908-604-2900
Fax: 1-908-604-2991
★ Mitsui Sumitomo Insurance
Company of America
560 Lexington Avenue, 20th Floor,
New York, NY 10022-6828, U.S.A.
Tel: 1-212-446-3600
Fax: 1-212-319-7001
★ Mitsui Sumitomo Insurance
U.S.A., Inc.
560 Lexington Avenue, 20th Floor,
New York, NY 10022-6828, U.S.A.
Tel: 1-212-446-3600
Fax: 1-212-319-7001
★ Mitsui Sumitomo Marine
Management (USA) Inc.
15 Independence Boulevard,
P.O. Box 4602, Warren,
NJ 07095, U.S.A.
Tel: 1-908-604-2900
Fax: 1-908-604-2991
★ MSI Risk Management Services, Inc.
312 Elm Street, Suite 1250,
Cincinnati, OH 45202, U.S.A.
Tel: 1-513-241-4071
★ Seven Hills Insurance Agency Inc.
312 Elm Street, Suite 1250,
Cincinnati, OH 45202, U.S.A.
Tel: 1-800-232-2200
Fax: 1-513-241-4071
★ Seven Hills Insurance Agency LLC.
312 Elm Street, Suite 1250,
Cincinnati, OH 45202, U.S.A.
Tel: 1-800-232-2200
Fax: 1-513-241-4071
★ Seven Seas Insurance Agency Inc.
312 Elm Street, Suite 1250,
Cincinnati, OH 45202, U.S.A.
Tel: 1-800-232-2200
Fax: 1-513-241-4071
★ MSCI Claims (USA), Inc.
560 Lexington Avenue, 20th Floor,
New York, NY 10022-6828, U.S.A.
Tel: 1-212-446-3640
Fax: 1-212-319-7071
★ MSCI Property (U.S.A.), Inc.
15 Independence Boulevard,
P.O. Box 4602, Warren,
NJ 07095, U.S.A.
Tel: 1-908-604-2989
Fax: 1-908-604-2991
★ New York Representative Office
560 Lexington Avenue, 20th Floor,
New York, NY 10022-6828, U.S.A.
Tel: 1-212-446-3600
Fax: 1-212-319-7001
★ Cincinnati Representative Office
312 Elm Street, Suite 1250,
Cincinnati, OH 45202, U.S.A.
Tel: 1-513-719-8524
Fax: 1-513-241-4071
Canada
★ Toronto Representative Office
One Financial Place, 14th Floor, 1 Adelaide St. East, Toronto, Ontario M5C 2V9, Canada
Tel: 1-416-359-3190
Fax: 1-416-863-9488
★ Chubb Insurance Company of Canada
One Financial Place, 1 Adelaide St. East, Toronto, Ontario M5C 2V9, Canada
Tel: 1-416-863-0550
Fax: 1-416-863-5010

Bermuda
★ MS Frontier Reinsurance Limited
Lobby Floor, Victoria Hall, 11 Victoria Street, Hamilton, HM11, Bermuda
Tel: 1-441-295-5795
Fax: 1-441-295-8384
★ SPAC Insurance (Bermuda) Ltd.
Lobby Floor, Victoria Hall, 11 Victoria Street, Hamilton, HM11, Bermuda
Tel: 1-441-295-5795
Fax: 1-441-295-8384
★ Interisk Global Management (Bermuda) Limited
Skandia International House, 16 Church Street, Hamilton, HM11, Bermuda

Guam (U.S.A.)
★ Cassidy’s Associated Insurers Inc.
376 W. O’Brien Drive, Agana, Guam 96910
Tel: 1-671-649-9358
Fax: 1-818-752-9329
★ Los Angeles Representative Office
10 Universal City Plaza, Suite 1700, Universal City, CA 91608, U.S.A.
Fax: 1-818-752-9329
Tel: 1-818-752-9329

Northern Marianas (U.S.A.)
★ Associated Insurance Underwriters of the Pacific Inc.
Beach Road, Garapan, AIUP P.O. Box, Saipan, MP 96950, Saipan
Tel: 1-670-234-3922
Fax: 1-671-646-3681
★ AON Insurance Micronesia (Guam)
718 North Marine Drive, Suite 303, East West Business Center, Tumon, Northern Marianas Islands
Tel: 1-671-649-9358
Fax: 1-671-649-9358

Colombia
★ Bogotá Representative Office
Calle 98, No. 9-03 Oficina 601, Santafe de Bogotá, Colombia
Tel: 57-1-610-4287/611-2605
Fax: 57-1-218-2358

Peru
★ Lima Representative Office
Calle Ernesto Dez Canseco 442 Oficina 202, Miraflores, Lima, Peru
Tel: 51-1-447-3313/3053
Fax: 51-1-447-3280

Argentina
★ Buenos Aires Representative Office
Reconquista 513, 4 Piso “A” (1003), Ciudad Autonoma de Buenos Aires, Republica Argentina
Tel: 54-11-5218-2396
Fax: 54-11-5218-2397

EUROPE, MIDDLE EAST, AND AFRICA
United Kingdom
★ Mitsui Sumitomo Insurance (London) Ltd.
4th Floor, 71 Fenchurch Street, London EC3M 4BS, U.K.
Tel: 44-20-7977-8300
Fax: 44-20-7977-8300
★ Mitsui Sumitomo Insurance (London Management) Ltd.
4th Floor, 71 Fenchurch Street, London EC3M 4BS, U.K.
Tel: 44-20-7702-6286~88
Fax: 44-20-7702-6286~88
★ Mitsui Sumitomo Insurance (London Corporate Capital Limited)
4th Floor, 71 Fenchurch Street, London EC3M 4BS, U.K.
Tel: 44-20-7702-6286~88
Fax: 44-20-7702-6286~88
★ Mitsui Sumitomo Insurance (London European Services Ltd.
6th Floor, New London House, 6 London Street, London EC3R 7LP, U.K.
Tel: 44-20-7702-6286~88
Fax: 44-20-7702-6286~88
★ Mitsui Sumitomo Insurance (London) Limited
One Aldgate, London EC3N 1LP, U.K.
Tel: 44-20-7702-0923
Fax: 44-20-7702-0923
Mitsui Sumitomo Insurance Co., Ltd.,
UK Branch
4th Floor, 71 Fenchurch Street,
London EC3M 4BS, U.K.
Tel: 44-20-7702-6286~88
Fax: 44-20-7977-8300

London Representative Office
6th Floor, New London House,
6 London Street,
London EC3R 7LP, U.K.
Tel: 44-20-7816-0321
Fax: 44-20-7816-0220

Derby Representative Office
Norman House, Heritage Gate,
Friar Gate, Derby DE1 1NU, U.K.
Tel: 44-1332-294565
Fax: 44-1332-342970

Mitsui Sumitomo Reinsurance Limited
4 Exchange Place,
Custom House Docks, I.F.S.C.,
Dublin 1, Ireland
Tel: 353-1-612-6120
Fax: 353-1-612-6121

Germany
Düsseldorf Representative Office
Georg-Glock-Str. 8,
40474 Düsseldorf, Germany
Tel: 49-211-493258-00
Fax: 49-211-493258-100

The Netherlands
Amsterdam Representative Office
2nd Floor Rivierstaete Building,
Amsteldijk 166, 1079 LH Amsterdam,
The Netherlands
Tel: 31-20-664-0211
Fax: 31-20-664-3216

France
Paris Representative Office
47 Rue de Ponthieu,
75008 Paris, France
Tel: 33-1-5836-0770
Fax: 33-1-5836-0790

Belgium
Brussels Representative Office
Av. Louise 287, Bte. B,
1050 Brussels, Belgium
Tel: 32-2-646-0940
Fax: 32-2-646-1129

Spain
Madrid Representative Office
Edificio Mapfre Luchana, Francisco de Rojas 12, Madrid 28010, Spain
Tel: 34-91-447-1600
Fax: 34-91-593-1764

Italy
Milan Representative Office
Foro Buonaparte, 63 20121
Milan, Italy
Tel: 39-02-8791431
Fax: 39-02-8791431

Austria
Vienna Representative Office
Stadtpark 1, Sky Offices OG13
TOP 05 A-1030, Vienna, Austria
Tel: 43-1-879-5057
Fax: 43-1-879-5057-14

Czech Republic
Prague Representative Office
IBC Building 3F, IBC-Pobrezni 3,
18600 Prague 8, Czech Republic
Tel: 420-2-2483-5400
Fax: 420-2-2232-2530

Russia
Moscow Representative Office
Smolenskaya Square 3,
Moscow, Russia
Tel: 7-095-933-1015
Fax: 7-095-937-8200

Turkey
Generali Sigorta, Mitsui Sumitomo Insurance Desk
Bankalar Caddest, Generali Han,
3133, K: 3 d: 44, Karakoy,
80000 Istanbul, Turkey
Tel: 90-212-243-9071
Fax: 90-212-243-9073

Saudi Arabia
Al Khobar Representative Office
c/o Arab Commercial Enterprises Ltd.,
P.O. Box 358, Al-Khobar 31952,
Saudi Arabia
Tel: 966-3-882-9266/9267
Fax: 966-3-882-9266/9267

Arab Commercial Enterprises (Group of Companies)
Al-Sudairy Building,
Sitteen Street (Near Gulf Bridge),
P.O. Box 667, Riyadh-11421,
Saudi Arabia
Tel: 966-1-477-4070
Fax: 966-1-477-2377

United Arab Emirates
Dubai Representative Office
Spectrum Building 109,
P.O. Box 25190,
Dubai, UAE
Tel: 971-4-336-5335
Fax: 971-4-336-6955

Abu Dhabi Representative Office
c/o Abu Dhabi National Insurance Co.,
P.O. Box 43040, Abu Dhabi, UAE
Tel: 971-2-627-4834
Fax: 971-2-627-5115

Saudi Arabian Insurance Company Ltd.
Office No. 202, 2nd Floor, Al Zubara Tower, Opposite Municipality Building,
Al Salam Street, P.O. Box 585,
Abu Dhabi, UAE
Tel: 971-2-645-8060/7070
Fax: 971-2-645-8050

Arab Commercial Enterprises Ltd.
Office No. 202, 2nd Floor, Al Zubara Tower, Opposite Municipality Building,
Al Salam Street, P.O. Box 585,
Abu Dhabi, UAE
Tel: 971-2-645-8060/7070
Fax: 971-2-645-8050
INVESTOR INFORMATION

Notes:
1. ROE = net income/average shareholders’ equity
2. ROA = net income/average total assets
3. Equity ratio = total shareholders’ equity/total assets
4. Solvency margin ratio = total shareholders’ equity/net premiums earned
5. Japan statutory basis solvency margin ratio = solvency margin total amount/total risk amount x 0.5
These values are calculated according to regulations set forth in the Japanese Ministry of Finance’s Notice No. 50, issued in 1996, and Articles 86 and 87 of the Enforcement Regulations of the Insurance Business Law of Japan.
6. The consolidated financial statements prior to the merger have been restated as if the companies had been combined for all periods presented.
CORPORATE DATA
(As of July 31, 2005, except where noted)

Mitsui Sumitomo Insurance Co., Ltd.
Head Office
27-2, Shinkawa 2-chome,
Chuo-ku, Tokyo 104-8252, Japan
Tel: 81-3-3297-1111

Date Established
October 21, 1918

Network
Domestic Offices: 733
Domestic Agents: 74,664 (As of March 31, 2005)
Overseas Branches and Offices: 61

Number of Employees
13,933

Stock Exchange Listings
The Company’s common stock is listed on the First Section of the Tokyo Stock Exchange and two other Japanese stock exchanges.

Transfer Agent
The Sumitomo Trust & Banking Co., Ltd.
5-33, Kitahama 4-chome, Chuo-ku,
Osaka 540-8639, Japan

Ordinary General Meeting of Shareholders
The Annual Meeting of Shareholders is held within the four-month period following April 1 in Tokyo, Japan.

Number of Shares of Common Stock
Authorized: 3,000,000,000
Issued: 1,513,184,880

Paid-in Capital
¥139,595 million

Auditor
KPMG AZSA & Co.

Lines of Business
Animal Insurance
Automobile Insurance
Aviation Insurance
Burglary Insurance
Commercial Credit Insurance
Compulsory Automobile Liability Insurance
Contractors’ All Risks Insurance
Fire Insurance
Liability Insurance
Machinery Insurance
Marine Insurance
Miscellaneous Pecuniary Insurance
Movables Comprehensive All Risks Insurance
Nuclear Energy Insurance
Personal Accident Insurance
Plate-Glass Insurance
Ships’ Passengers’ Accident Liability Insurance
Surety Bonds
Transit Insurance
Windstorm and Flood Insurance
Workers’ Compensation Insurance
Reinsurance with respect to the preceding items

Investor Relations
Investor Relations Department
Mitsui Sumitomo Insurance Co., Ltd.
27-2, Shinkawa 2-chome,
Chuo-ku, Tokyo 104-8252, Japan
Tel: 81-3-3297-1111
Fax: 81-3-3297-6888

Mitsui Sumitomo Insurance on the Internet
Key financial results and information about Mitsui Sumitomo Insurance can be found on Mitsui Sumitomo Insurance’s Home Page on the Internet at:
http://www.ms-ins.com