

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

March 31, 2003 and 2004

	<u>2003</u>	<u>2004</u>
	(Yen in millions)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Losses and claims (Note 9):		
Reported and estimated losses and claims	¥ 630,581	693,332
Adjustment expenses	<u>29,597</u>	<u>35,728</u>
Total losses and claims	<u>660,178</u>	<u>729,060</u>
Unearned premiums	1,209,348	1,285,551
Future policy benefits for life insurance contracts	444,041	528,263
Investment deposits by policyholders (Notes 10 and 13)	2,507,250	2,405,099
Indebtedness to affiliates	1,700	6,899
Accrued income taxes (Note 6):		
Payable	22,181	20,830
Deferred applicable to:		
Unrealized gains on investments	281,695	448,356
Other	<u>(27,385)</u>	<u>21,354</u>
Total accrued income taxes	<u>276,491</u>	<u>490,540</u>
Retirement and severance benefits (Note 8)	210,143	177,085
Ceded reinsurance balances payable	81,520	87,138
Short-term debt (Note 7)	22,647	942
Long-term debt (Notes 7 and 13)	1,100	500
Other liabilities	<u>118,318</u>	<u>143,944</u>
Total liabilities	<u>5,532,736</u>	<u>5,855,021</u>
Minority interests	<u>853</u>	<u>1,596</u>
Shareholders' equity:		
Common stock :		
Authorized – 3,000,000,000 shares;		
issued – 1,479,894,005 shares in 2003 and		
1,513,184,880 shares in 2004 (Note 16)	126,376	137,495
Other shareholders' equity:		
Additional paid-in capital (Note 16)	75,372	86,490
Retained earnings:		
Appropriated (Note 17):		
Legal reserve	38,953	41,167
Reserve for price fluctuation	6,831	13,438
Unappropriated (Note 18)	1,077,797	1,174,185
Accumulated other comprehensive income (Note 19)	233,696	539,976
Treasury stock, 28,301,836 shares in 2003 and		
58,261,697 shares in 2004, at cost	<u>(15,972)</u>	<u>(42,452)</u>
Total shareholders' equity	<u>1,543,053</u>	<u>1,950,299</u>
Commitments and contingent liabilities (Note 15)		
Total liabilities and shareholders' equity	¥ <u>7,076,642</u>	<u>7,806,916</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2002, 2003 and 2004

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(Yen in millions, except per share data)		
Revenue:			
Net premiums written	¥ 1,232,000	1,300,681	1,375,973
Less increase in unearned premiums	<u>49,325</u>	<u>72,681</u>	<u>67,914</u>
Net premiums earned (Note 11)	1,182,675	1,228,000	1,308,059
Premium income for life insurance contracts (Note 11)	137,324	147,761	157,840
Investment income, net of investment expenses (Note 3)	124,029	116,603	118,603
Realized gains (losses) on investments (Note 3)	<u>(7,318)</u>	<u>(2,159)</u>	<u>88,807</u>
Total revenue	<u>1,436,710</u>	<u>1,490,205</u>	<u>1,673,309</u>
Expenses:			
Losses, claims and loss adjustment expenses (Note 11):			
Losses and claims incurred and provided for	649,284	681,539	735,670
Related adjustment expenses	57,779	64,216	67,937
Policyholder benefits for life insurance contracts (Note 11)	120,727	129,829	133,846
Policy acquisition costs	330,871	364,655	371,458
Investment income credited to investment deposits by policyholders (Note 10)	69,440	63,597	56,330
Other expenses (Note 5)	<u>155,983</u>	<u>118,038</u>	<u>117,492</u>
Total expenses	<u>1,384,084</u>	<u>1,421,874</u>	<u>1,482,733</u>
Income before income taxes	52,626	68,331	190,576
Income taxes (Note 6):			
Current	17,862	34,489	37,342
Deferred	<u>8,090</u>	<u>(4,600)</u>	<u>37,099</u>
Total income taxes	<u>25,952</u>	<u>29,889</u>	<u>74,441</u>
Minority interests	<u>153</u>	<u>130</u>	<u>18</u>
Income before cumulative effect of change in accounting principle	26,521	38,312	116,117
Cumulative effect of change in accounting principle, net of tax (Note 2(o)):	<u>(540)</u>	-	-
Net income	<u>¥ 25,981</u>	<u>38,312</u>	<u>116,117</u>
Earnings per share (Notes 2(p) and 18):			
Income before cumulative effect of change in accounting principle:			
Basic	¥ 17.94	26.29	80.61
Diluted	<u>16.87</u>	<u>24.93</u>	<u>78.87</u>
Net income:			
Basic	¥ 17.58	26.29	80.61
Diluted	<u>16.53</u>	<u>24.93</u>	<u>78.87</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2002, 2003 and 2004

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(Yen in millions)		
Net income	¥ 25,981	38,312	116,117
Other comprehensive income (loss), net of tax (Note 19):			
Foreign currency translation adjustments	5,042	(4,650)	(7,103)
Unrealized gains (losses) on securities	(188,030)	(257,372)	295,335
Net gains (losses) on derivative instruments	852	(398)	(235)
Minimum pension liability adjustment	<u>8,678</u>	<u>(44,689)</u>	<u>18,283</u>
Other comprehensive income (loss)	<u>(173,458)</u>	<u>(307,109)</u>	<u>306,280</u>
Comprehensive income (loss)	¥ <u>(147,477)</u>	<u>(268,797)</u>	<u>422,397</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended March 31, 2002, 2003 and 2004

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(Yen in millions, except per share data)		
Common stock:			
Balance at beginning of year	¥ 126,374	126,376	126,376
Conversion of convertible debentures	<u>2</u>	<u>-</u>	<u>11,119</u>
Balance at end of year	<u>126,376</u>	<u>126,376</u>	<u>137,495</u>
Additional paid-in capital:			
Balance at beginning of year	75,369	75,372	75,372
Conversion of convertible debentures	3	-	11,116
Gain on sales of treasury stock	<u>-</u>	<u>-</u>	<u>2</u>
Balance at end of year	<u>75,372</u>	<u>75,372</u>	<u>86,490</u>
Legal reserve:			
Balance at beginning of year	34,257	36,585	38,953
Transfer from unappropriated retained earnings (Note 17)	<u>2,328</u>	<u>2,368</u>	<u>2,214</u>
Balance at end of year	<u>36,585</u>	<u>38,953</u>	<u>41,167</u>
Reserve for price fluctuation:			
Balance at beginning of year	19,713	20,663	6,831
Transfer from (to) unappropriated retained earnings (Note 17)	<u>950</u>	<u>(13,832)</u>	<u>6,607</u>
Balance at end of year	<u>20,663</u>	<u>6,831</u>	<u>13,438</u>
Unappropriated retained earnings:			
Balance at beginning of year	1,026,541	1,038,971	1,077,797

Net income for the year	25,981	38,312	116,117
Dividends paid (Note 18)	(10,273)	(10,950)	(10,886)
Transfers from (to) (Note 17):			
Legal reserve	(2,328)	(2,368)	(2,214)
Reserve for price fluctuation	(950)	13,832	(6,607)
Other	-	-	(22)
Balance at end of year (Note 18)	<u>1,038,971</u>	<u>1,077,797</u>	<u>1,174,185</u>
Accumulated other comprehensive income (Note 19):			
Balance at beginning of year	714,263	540,805	233,696
Other comprehensive income (loss), net of tax	<u>(173,458)</u>	<u>(307,109)</u>	<u>306,280</u>
Balance at end of year	<u>540,805</u>	<u>233,696</u>	<u>539,976</u>
Treasury stock:			
Balance at beginning of year	-	(11,603)	(15,972)
Purchase of common share	(11,603)	(4,369)	(26,499)
Reissuance of common share	-	-	19
Balance at end of year	<u>(11,603)</u>	<u>(15,972)</u>	<u>(42,452)</u>
Total shareholders' equity	¥ <u>1,827,169</u>	<u>1,543,053</u>	<u>1,950,299</u>
Cash dividends per share (Note 18)	¥ <u>6.94</u>	<u>7.50</u>	<u>7.50</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2002, 2003 and 2004

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(Yen in millions)		
Net cash provided by operating activities (Note 20)	¥ <u>187,442</u>	<u>243,453</u>	<u>280,735</u>
Cash flows from investing activities:			
Proceeds from:			
Securities available for sale:			
Fixed maturities	295,243	325,388	553,264
Equity securities	84,592	106,234	666,968
Fixed maturities available for sale matured	222,581	229,194	177,498
Fixed maturities held to maturity matured	4,100	3,568	629
Investment real estate	-	3,210	172
Collection of:			
Mortgage loans on real estate	29,884	11,047	10,013
Policy loans	36,947	26,841	31,063
Other long-term investments	265,020	206,131	155,358
Purchases of:			
Securities available for sale:			
Fixed maturities	(692,980)	(622,497)	(1,009,872)
Equity securities	(43,035)	(100,020)	(530,084)
Securities held to maturity:			
Fixed maturities	-	(1,634)	(485)
Investments in:			
Mortgage loans on real estate	(3,874)	(7,537)	(4,469)
Investment real estate	-	(1,030)	-
Policy loans	(36,854)	(27,893)	(30,255)
Other long-term investments	(185,131)	(175,782)	(208,589)
Increase in cash received under securities lending transactions	-	-	43,989
Decrease in short-term investments, net	18,002	36,585	1,834
Decrease (increase) in investments in and indebtedness from affiliates	3,039	(5,236)	(18,239)
Decrease (increase) in property and equipment, net	(16,259)	(8,155)	2,119
Business acquired, net of cash acquired	-	-	2,988
Business disposed of, net of cash held by the disposed business	-	(1,781)	(190)
Other, net	<u>2,966</u>	<u>5,518</u>	<u>5,108</u>
Net cash provided by (used in) investing activities	<u>(15,759)</u>	<u>2,151</u>	<u>(151,180)</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
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CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years ended March 31, 2002, 2003 and 2004

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(Yen in millions)		
Cash flows from financing activities:			
Decrease in investment deposits by policyholders	¥ (159,054)	(169,560)	(102,445)
Decrease in short-term debt, net	(19,854)	(64,148)	(70)
Proceeds from long-term debt	-	1,369	-
Repayment of long-term debt	(450)	-	-
Acquisition of treasury stock	(11,598)	(4,369)	(26,499)
Dividends paid to shareholders	(10,328)	(11,247)	(10,928)
Other, net	<u>(3)</u>	<u>(194)</u>	<u>(174)</u>
Net cash used in financing activities	<u>(201,287)</u>	<u>(248,149)</u>	<u>(140,116)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,103</u>	<u>883</u>	<u>1,252</u>
Net change in cash and cash equivalents	(28,501)	(1,662)	(9,309)
Cash and cash equivalents at beginning of year	<u>401,282</u>	<u>372,781</u>	<u>371,119</u>
Cash and cash equivalents at end of year	¥ <u>372,781</u>	<u>371,119</u>	<u>361,810</u>