

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

March 31, 2002 and 2003

	<u>2002</u>	<u>2003</u>
	(Yen in millions)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Losses and claims (Note 22):		
Reported and estimated losses and claims	¥ 573,087	630,581
Adjustment expenses	<u>28,996</u>	<u>29,597</u>
Total losses and claims	<u>602,083</u>	<u>660,178</u>
Unearned premiums	1,109,904	1,209,348
Future policy benefits for life insurance contracts	356,724	444,041
Investment deposits by policyholders (Notes 8 and 11)	2,677,232	2,507,250
Indebtedness to affiliates	2,167	1,700
Accrued income taxes (Note 5):		
Payable	3,381	22,181
Deferred applicable to:		
Unrealized gains on investments	425,529	281,695
Other	<u>3,981</u>	<u>(27,385)</u>
Total accrued income taxes	<u>432,891</u>	<u>276,491</u>
Retirement and severance benefits (Note 7)	145,195	210,143
Ceded reinsurance balances payable	65,326	81,520
Short-term debt (Note 6)	64,148	22,647
Long-term debt (Notes 6 and 11)	22,500	1,100
Other liabilities	<u>109,880</u>	<u>118,318</u>
Total liabilities	<u>5,588,050</u>	<u>5,532,736</u>
Minority interests	<u>1,236</u>	<u>853</u>
Shareholders' equity:		
Common stock :		
Authorized – 3,000,000,000 shares;		
issued – 1,479,894,005 shares in 2002 and		
2003 (Notes 6 and 14)	126,376	126,376
Other shareholders' equity:		
Additional paid-in capital (Note 14)	75,372	75,372
Retained earnings:		
Appropriated (Note 15):		
Legal reserve	36,585	38,953
Reserve for price fluctuation	20,663	6,831
Unappropriated (Note 16)	1,038,971	1,077,797
Accumulated other comprehensive income (Note 17)	540,805	233,696
Treasury stock, 19,921,884 shares in 2002 and		
28,301,836 shares in 2003, at cost	<u>(11,603)</u>	<u>(15,972)</u>
Total shareholders' equity	<u>1,827,169</u>	<u>1,543,053</u>
Commitments and contingent liabilities (Notes 9 and 13)		
Total liabilities and shareholders' equity	¥ <u>7,416,455</u>	<u>7,076,642</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2001, 2002 and 2003

	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Yen in millions, except per share data)		
Revenue:			
Net premiums written	¥ 1,195,450	1,232,000	1,300,681
Less increase in unearned premiums	<u>41,025</u>	<u>49,325</u>	<u>72,681</u>
Net premiums earned (Note 9)	1,154,425	1,182,675	1,228,000
Premium income for life insurance contracts (Note 9)	116,369	137,324	147,761
Investment income, net of investment expenses (Note 3)	137,310	124,029	116,603
Realized gains (losses) on investments (Note 3)	<u>30,262</u>	<u>(7,318)</u>	<u>(2,159)</u>
Total revenue	<u>1,438,366</u>	<u>1,436,710</u>	<u>1,490,205</u>
Expenses:			
Losses, claims and loss adjustment expenses (Note 9):			
Losses and claims incurred and provided for	663,855	649,284	681,539
Related adjustment expenses	61,443	57,779	64,216
Policyholder benefits for life insurance contracts (Note 9)	97,304	120,727	129,829
Policy acquisition costs	367,520	330,871	364,655
Investment income credited to investment deposits by policyholders (Note 8)	76,847	69,440	63,597
Other expenses (Note 21)	<u>117,190</u>	<u>155,983</u>	<u>118,038</u>
Total expenses	<u>1,384,159</u>	<u>1,384,084</u>	<u>1,421,874</u>
Income before income taxes	54,207	52,626	68,331
Income taxes (Note 5):			
Current	14,628	17,862	34,489
Deferred	<u>1,349</u>	<u>8,090</u>	<u>(4,600)</u>
Total income taxes	<u>15,977</u>	<u>25,952</u>	<u>29,889</u>
Minority interests	<u>247</u>	<u>153</u>	<u>130</u>
Income before cumulative effect of change in accounting principle	37,983	26,521	38,312
Cumulative effect of change in accounting principle, net of tax (Note 2(o)):	-	(540)	-
Net income	<u>¥ 37,983</u>	<u>25,981</u>	<u>38,312</u>
Earnings per share (Notes 2(p) and 16):			
Income before cumulative effect of change in accounting principle:			
Basic	¥ 25.41	17.94	26.29
Diluted	<u>23.71</u>	<u>16.87</u>	<u>24.93</u>
Net income:			
Basic	¥ 25.41	17.58	26.29
Diluted	<u>23.71</u>	<u>16.53</u>	<u>24.93</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2001, 2002 and 2003

	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Yen in millions)		
Net income	¥ 37,983	25,981	38,312
Other comprehensive loss, net of tax (Note 17):			
Foreign currency translation adjustments	2,699	5,042	(4,650)
Unrealized losses on securities	(186,859)	(188,030)	(257,372)
Net gains (losses) on derivative instruments	-	852	(398)
Minimum pension liability adjustment	<u>(6,017)</u>	<u>8,678</u>	<u>(44,689)</u>
Other comprehensive loss	<u>(190,177)</u>	<u>(173,458)</u>	<u>(307,109)</u>
Comprehensive income (loss)	¥ <u>(152,194)</u>	<u>(147,477)</u>	<u>(268,797)</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended March 31, 2001, 2002 and 2003

	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Yen in millions, except per share data)		
Common stock:			
Balance at beginning of year	¥ 128,071	126,374	126,376
Conversion of convertible debentures	2	2	-
Redemption and cancellation of common stock (Note 14)	<u>(1,699)</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>126,374</u>	<u>126,376</u>	<u>126,376</u>
Additional paid-in capital:			
Balance at beginning of year	93,775	75,369	75,372
Conversion of convertible debentures	2	3	-
Redemption and cancellation of common stock (Note 14)	<u>(18,408)</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>75,369</u>	<u>75,372</u>	<u>75,372</u>
Legal reserve:			
Balance at beginning of year	31,964	34,257	36,585
Transfer from unappropriated retained earnings (Note 15)	<u>2,293</u>	<u>2,328</u>	<u>2,368</u>
Balance at end of year	<u>34,257</u>	<u>36,585</u>	<u>38,953</u>
Reserve for price fluctuation:			
Balance at beginning of year	15,601	19,713	20,663
Transfer from (to) unappropriated retained earnings (Note 15)	<u>4,112</u>	<u>950</u>	<u>(13,832)</u>
Balance at end of year	<u>19,713</u>	<u>20,663</u>	<u>6,831</u>
Unappropriated retained earnings:			
Balance at beginning of year	1,005,481	1,026,541	1,038,971
Net income for the year	37,983	25,981	38,312
Dividends paid (Note 16)	(10,518)	(10,273)	(10,950)
Transfers from (to) (Note 15):			
Legal reserve	(2,293)	(2,328)	(2,368)
Reserve for price fluctuation	<u>(4,112)</u>	<u>(950)</u>	<u>13,832</u>
Balance at end of year (Note 16)	<u>1,026,541</u>	<u>1,038,971</u>	<u>1,077,797</u>
Accumulated other comprehensive income (Notes 3, 5, 7 and 17):			
Balance at beginning of year	904,440	714,263	540,805
Other comprehensive loss, net of tax	<u>(190,177)</u>	<u>(173,458)</u>	<u>(307,109)</u>
Balance at end of year	<u>714,263</u>	<u>540,805</u>	<u>233,696</u>
Treasury stock:			
Balance at beginning of year	-	-	(11,603)
Purchase of common stock	<u>-</u>	<u>(11,603)</u>	<u>(4,369)</u>
Balance at end of year	<u>-</u>	<u>(11,603)</u>	<u>(15,972)</u>
Total shareholders' equity	¥ <u>1,996,517</u>	<u>1,827,169</u>	<u>1,543,053</u>
Cash dividends per share (Note 16)	¥ <u>6.94</u>	<u>6.94</u>	<u>7.50</u>

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2001, 2002 and 2003

	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Yen in millions)		
Net cash provided by operating activities (Note 18)	¥ <u>205,178</u>	<u>187,442</u>	<u>243,453</u>
Cash flows from investing activities:			
Proceeds from:			
Securities available for sale:			
Fixed maturities	289,121	295,243	325,388
Equity securities	97,836	84,592	106,234
Trading securities:			
Fixed maturities	1,944	-	-
Equity securities	1,739	-	-
Fixed maturities available for sale matured	266,059	222,581	229,194
Fixed maturities held to maturity matured	1,415	4,100	3,568
Investment real estate	2	-	3,210
Collection of:			
Mortgage loans on real estate	15,871	29,884	11,047
Policy loans	50,716	36,947	26,841
Other long-term investments	306,855	265,020	206,131
Purchases of:			
Securities available for sale:			
Fixed maturities	(689,604)	(692,980)	(622,497)
Equity securities	(89,599)	(43,035)	(100,020)
Securities held to maturity:			
Fixed maturities	(13,615)	-	(1,634)
Investments in:			
Mortgage loans on real estate	(7,210)	(3,874)	(7,537)
Investment real estate	(299)	-	(1,030)
Policy loans	(49,183)	(36,854)	(27,893)
Other long-term investments	(174,197)	(185,131)	(175,782)
Decrease in short-term investments, net	30,184	18,002	36,585
Decrease (increase) in investments in and indebtedness from affiliates	(1,476)	3,039	(5,236)
Increase in property and equipment, net	(4,696)	(16,259)	(8,155)
Business acquired, net of cash acquired	13,744	-	-
Business disposed of, net of cash held by the disposed business	-	-	(1,781)
Other, net	<u>(986)</u>	<u>2,966</u>	<u>5,518</u>
Net cash provided by (used in) investing activities	<u>44,621</u>	<u>(15,759)</u>	<u>2,151</u>

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MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
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CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years ended March 31, 2001, 2002 and 2003

	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Yen in millions)		
Cash flows from financing activities:			
Decrease in commercial paper	(30,000)	-	-
Decrease in investment deposits by policyholders	(140,359)	(159,054)	(169,560)
Repayment of short-term debt	-	(19,854)	(64,148)
Proceeds from long-term debt	500	-	1,369
Repayment of long-term debt	-	(450)	-
Redemption and cancellation of common stock	(20,106)	-	-
Acquisition of treasury stock	-	(11,598)	(4,369)
Dividends paid to shareholders	(10,526)	(10,328)	(11,247)
Other, net	<u>(570)</u>	<u>(3)</u>	<u>(194)</u>
Net cash used in financing activities	<u>(201,061)</u>	<u>(201,287)</u>	<u>(248,149)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>4,275</u>	<u>1,103</u>	<u>883</u>
Net change in cash and cash equivalents	53,013	(28,501)	(1,662)
Cash and cash equivalents at beginning of year	<u>348,269</u>	<u>401,282</u>	<u>372,781</u>
Cash and cash equivalents at end of year	¥ <u>401,282</u>	<u>372,781</u>	<u>371,119</u>