MSIG

Mitsui Sumitomo Insurance Group Holdings, Inc.

ANNUAL REPORT 2008

CONTENTS

Profile of Mitsui Sumitomo Insurance Group

Mitsui Sumitomo Insurance Group ("MSIG") is an insurance and financial group broadly conducting domestic non-life insurance business, life insurance business, overseas business, financial services business, and risk-related business. The core company of MSIG is Mitsui Sumitomo Insurance Company, Limited ("MSI"), a leader in Japan's non-life insurance industry.

On April 1, 2008, we established Mitsui Sumitomo Insurance Group Holdings, Inc. ("MSIGH") and shifted to a holding company structure. MSI was placed directly under MSIGH on April 1, 2008 along with Mitsui Sumitomo Kirameki Life Insurance Company, Limited ("Kirameki Life"), Mitsui Sumitomo MetLife Insurance Co., Ltd. ("MSI MetLife"), and Mitsui Direct General Insurance Co., Ltd. ("Mitsui Direct") on July 1, 2008. Thus, a new group structure has been completed.

MSIGH has overall control of the Group while the four Group companies focus on implementation within their respective business domains, thereby enabling MSIG to accelerate growth of its five principal businesses.

TO OUR SHAREHOLDERS AND INVESTORS

In April 2007, we initiated our "New Challenge 10" medium-term management plan, under which we have set various targets for fiscal 2010, the plan's final year. New Challenge 10 is the Group's new management plan formulated for the purpose of realizing "a company that puts the first priority on the customer's perspective." It is an aggregate of the vision MSIG aspires to achieve by fiscal 2010, the strategy to substantiate the vision, and the values for all Group officers and employees to share and respect.

The vision MSIG aspires to achieve by fiscal 2010 is "to become a world's top-level insurance and financial group seeking sustainable development with corporate quality as the main source of competitiveness." The cornerstone of our three strategies for realizing this vision is the Basic Group Strategy: "Achieving CSR management through 'quality' improvement from the customer's perspective, 'trust,' and 'growth'." This strategy means sustaining continuous quality improvement through a virtuous cycle consisting of the following three steps.

1) Attain trust from customers by conducting activities to improve the quality of products and services as a top priority
2) Achieve growth of businesses through enhanced trust from more customers
3) Invest managerial resources gained from the growth of businesses in activities for further quality improvement

THREE STRATEGIES OF NEW CHALLENGE 10

In fiscal 2007, the first year of New Challenge 10, all officers and employees devoted their efforts toward "quality improvement from the customer's perspective." In working toward this goal, we implemented such quality improvement measures as strengthening our structure for making fair and equitable payment of insurance claims without any omissions and implementing the "Confirm the contents of insurance contracts carefully" campaign for ascertaining that the contents of an insurance contract are suited to the needs and risks of each customer. Thanks to these measures, we believe that an awareness of quality improvement and related activities have become firmly instilled in each employee day by day. In fiscal 2007, we held numerous on-site meetings in which management and employees had discussions. In the meetings that we personally attended, both of us felt clearly that awareness of quality improvement and related activities have widely permeated the Group. In fiscal 2007, MSIG recorded an increase in net premiums written and generally attained the first-year target for Group Core Profit, an indicator for profit under New Challenge 10.

Looking ahead, fiscal 2008 will be a year in which we conduct activities to improve the quality of our products and services as a top priority by actively allocating managerial resources, earn even greater levels of trust from our customers, and solidify our foundation for attaining major growth in pursuing the fiscal 2010 targets of New Challenge 10.

As previously mentioned, on April 1, 2008, MSIG shifted to a holding company structure as part of reinforcing of the base of business administration to ensure implementation of our Group Business Strategy. Under the holding company structure, we are resolved to deploy the total power of the Group and to maximize our corporate value in keeping with the watchwords "optimization of the Group as a whole." We ask our shareholders and investors for ongoing support taking a long-term perspective.

July 2008

Yoshiaki Shin, Chairman

Toshiaki Egashira, President

INTERVIEW WITH THE PRESIDENT

FISCAL 2007 BUSINESS RESULTS

Q. 1 First, could you describe the consolidated business results for MSIG in fiscal 2007, ended March 31, 2008?

A. 1 We achieved a 3.0% increase in consolidated net premiums written to ¥1,536.5 billion, contributed by a large increase in net premiums written by subsidiaries. MSIG ranks second in terms of consolidated net premiums written among insurance and financial groups whose bases of business are the domestic non-life insurance business in Japan. To our regret, net income declined ¥20.7 billion to ¥40.0 billion compared with the previous fiscal year, attributable to deterioration in net losses on derivative transactions and other factors.

As for a breakdown of net premiums written between MSI on a non-consolidated basis and subsidiaries, net premiums written by MSI on a non-consolidated basis declined ¥17.5 billion, or 1.3%, to ¥1,306.8 billion (see Note). Conversely, net premiums written by subsidiaries surged ¥61.8 billion, or 36.9%, to ¥229.6 billion (see the table "Trends in Key Financial Indicators (Consolidated) for MSI"). The decline in net premiums written by MSI on a non-consolidated basis reflected severe environmental factors for voluntary automobile insurance and fire insurance, which are MSI's main products, such as a decline in new car sales and a decrease in new housing starts. I think the same factors also affected Japan's entire domestic non-life insurance industry. The increase in net premiums written by subsidiaries was driven by two factors. First, overseas subsidiaries, mainly those in Europe, posted a ¥35.4 billion increase. Second, the inclusion of Mitsui Direct into our consolidated account provided an additional ¥26.4 billion in net premiums written. As a result, we posted an increase of ¥44.3 billion, or 3.0%, in consolidated net premiums written.

The decline in net income accompanied a ¥16.9 billion decrease in net income by MSI on a non-consolidated basis to ¥38.3 billion, stemming mainly from a deterioration in net losses on derivative transactions. This mirrored a sharp drop in the mark-to-market value of credit derivatives at fiscal year-end resulting from the severe global credit tightening from summer 2007 triggered by the non-performing subprime loan issue in the United States.

Note: For the purpose of easy comparison with other non-life insurance companies, net premiums written exclude "Modo-rich" funds. "Modo-rich" funds refer to Good Result Return (GRR) premiums of the automobile insurance product "Modo-rich," which contains a special clause that provides for premium adjustment and refund at maturity. All further references to net premiums written exclude "Modo-rich" funds unless otherwise noted.

TRENDS IN KEY FINANCIAL INDICATORS (CONSOLIDATED) FOR MSI

(¥ billions)

Fundamentals	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Net premiums written	1,382.5	1,403.2	1,469.7	1,492.2	1,536.5
Non-consolidated	1,293.0	1,310.2	1,338.4	1,324.4	1,306.8
Subsidiaries	89.4	92.9	131.2	167.7	229.6
Ordinary profit	174.9	87.5	127.7	91.6	60.8
Net income	77.7	65.7	71.7	60.7	40.0
Non-consolidated	72.9	60.7	64.8	55.3	38.3
Subsidiaries	5.6	8.5	2.6	10.9	6.8
Consolidation adjustment	(0.8)	(3.5)	4.1	(5.4)	(5.2)
Net assets	1,401.9	1,461.6	2,027.5	2,182.9	1,671.5
Total assets	7,127.0	7,402.3	8,592.9	9,011.7	8,397.7
Return on equity (ROE) (%)	6.4	4.6	4.1	2.9	2.1
Group Core Profit	—	—	73.9	64.9	66.0
ROE based on Group Core Profit (%)	—	—	4.2	3.1	3.4
Per share data					
Earnings per share (EPS) (¥)	53.94	45.51	50.27	42.82	28.37
Net assets per share (¥)	963.5	1,021.1	1,427.2	1,536.7	1,178.5
Cash dividends per share (annual) (¥)	8.5	9.5	13.0	14.0	16.0
Stock-related data					
Total shares issued (as of end of March) (thousand)	1,454,923	1,431,265	1,420,621	1,411,202	1,404,402
Stock prices (end of March) (¥)	1,108	983	1,601	1,479	1,007
Price earnings ratio (PER) (times)	20.5	21.6	31.8	34.5	35.5
Price-to-book ratio (PBR) (times)	1.15	0.96	1.12	0.96	0.85

Note: The figures for business results, business results forecast, and targets in the medium-term management plan are based on Japan GAAP. Business results based on U.S. GAAP will be posted separately on our website upon completion.

FISCAL 2008 BUSINESS RESULTS FORECAST

Q. 2 What is the outlook for your consolidated business results in fiscal 2008, ending March 31, 2009?

A. 2 To our regret, we are forecasting a 2.7% decrease in consolidated net premiums written to ¥1,495.0 billion due mainly to the effects of a reduction in compulsory automobile liability insurance (CALI) premium rates. On the other hand, we expect net income to rise ¥12.0 billion to ¥52.0 billion (see Note).

As for a breakdown of net premiums written between MSI on a non-consolidated basis and other Group companies, we expect net premiums written by MSI on a non-consolidated basis to decline ¥36.8 billion, or 2.8%, to ¥1,270.0 billion, due mainly to the effects of a reduction in CALI premium rates. When excluding CALI, however, we are forecasting a 0.3% increase. We expect net premiums written by the Group companies other than MSI on a non-consolidated basis (overseas subsidiaries of MSI and Mitsui Direct) to decline ¥4.7 billion, or 2.0%, to ¥225.0 billion, owing to a projected ¥6.3 billion decrease in net premiums written by overseas subsidiaries of MSI due to the impact of the strong yen.

We expect an increase in net income for the following two reasons. First, MSI on a non-consolidated basis is projected to record an ¥11.6 billion increase to ¥50.0 billion in net income, supported by a recovery in net losses on derivative transactions that deteriorated in the previous fiscal year. Second, we expect overseas subsidiaries of MSI to post a ¥3.1 billion increase in net income to ¥16.7 billion owing to a recovery in results from the previous year when profits in Europe were eroded by historically unprecedented flood damage in the United Kingdom.

Note: Because CALI is a so-called "no-loss/no-profit" scheme, any reduction in its premiums does not affect profit.

STATE OF PROGRESS OF NEW CHALLENGE 10

Q. 3 Next we would like to ask you about New Challenge 10, MSIG's medium-term management plan that runs from fiscal 2007 to fiscal 2010. Would you update us on the state of progress toward the numerical targets of New Challenge 10 during fiscal 2007, the first year of the plan?

A. 3 **I am pleased to report that the results were almost satisfactory. During fiscal 2007, we secured Group Core Profit of ¥66.0 billion** (see Note)**, which is extremely close to our target of ¥68.1 billion. We attained ROE based on Group Core Profit of 3.4%, up 0.3 percentage point.**

We have defined Group Core Profit and ROE based on Group Core Profit as MSIG's unique indicators of profitability (see the detailed definitions below). Group Core Profit aims to indicate ordinary profit that is realized, and therefore excludes gains (losses) on sale of shares held for strategic purposes as well as evaluation gains (losses) on credit derivatives.

We have set the targets of attaining Group Core Profit of ¥100.0 billion or more and ROE based on Group Core Profit of 5.0% or higher in fiscal 2010. I am confident that we made steady strides toward achieving both of these targets in fiscal 2007 (see the graphs below).

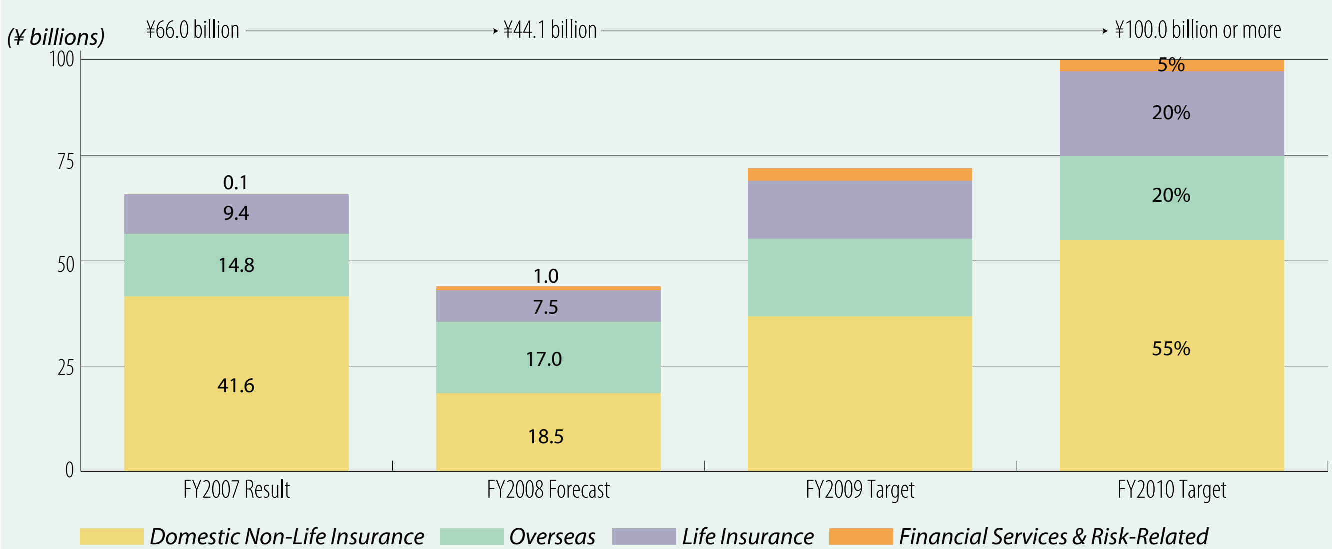
Note: Because Group Core Profit is not influenced by a marked deterioration in net losses on derivative transactions, which was the main reason for a decrease in net income, it increased ¥1.1 billion in fiscal 2007.

* DEFINITION OF GROUP CORE PROFIT

= Consolidated net income − Net capital gain on stock portfolio − Net evaluation gains on credit derivatives − Other incidental factors − Consolidated net income attributable to life insurance subsidiaries + Kirameki Life income before provision of standard underwriting policy reserves + MSI MetLife equity in earnings under US GAAP + Others

* DEFINITION OF ROE BASED ON GROUP CORE PROFIT = Group Core Profit ÷ Consolidated shareholders' equity (average of starting and ending amounts)

TARGETS, STATE OF PROGRESS, AND OUTLOOK FOR GROUP CORE PROFIT UNDER NEW CHALLENGE 10



Note: Mitsui Direct was not included into our consolidated account until the end of fiscal 2006, and was positioned as the Risk-Related business in and before fiscal 2007. Thus, Mitsui Direct's net income is included in Core Profit of the Risk-Related business from fiscal 2007 to fiscal 2010.

HOLDING COMPANY STRUCTURE

Q. 4 On April 1, 2008, MSIGH initiated operations as a holding company. Subsequently, on July 1, 2008, three Group companies, Kirameki Life, MSI MetLife, and Mitsui Direct, were placed under the direct control of the holding company (see chart below). Can you explain the purposes of the shift to a holding company structure and what changes investors can expect from this shift?

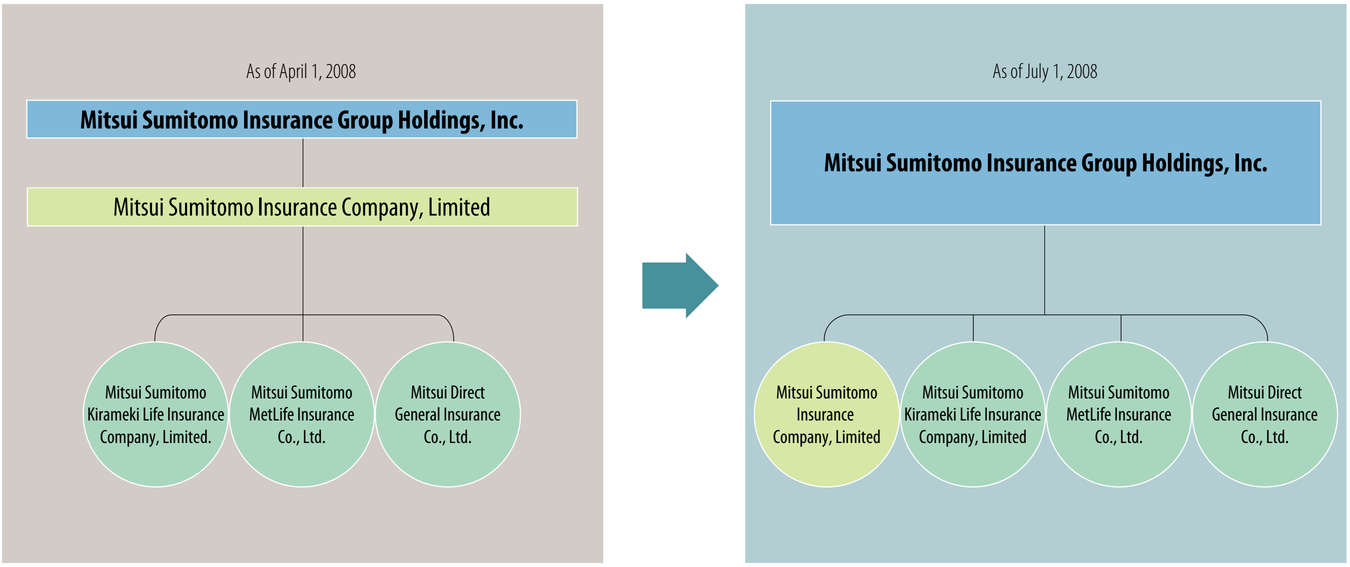
A. 4 We have three overriding purposes for our shift to a holding company structure: "reinforcement of our business administration structure and the pursuit of Group synergies," "flexible response to market changes," and "development of human resources through diversified business structures and personnel management systems." I believe investors can expect us to raise corporate value by shifting managerial resources flexibly from traditional markets to new markets within a variety of markets in which MSIG operates.

The first purpose, "reinforcement of our business administration structure and the pursuit of Group synergies," means primarily to solidify the corporate governance structure of the Group, with MSIGH playing a central role. Next, adhering to the watchwords "optimization of the Group as a whole," we will emphasize the flexible reallocation of managerial resources toward the Overseas business and new markets that can be secured utilizing promising new sales channels that include bank counters and the Japan Post Group. In addition, we will realize greater synergies through developing a strategic approach across Group companies by taking advantage of the customer bases and business know-how of Group companies.

In pursuit of the second purpose, "flexible response to market changes," we will delegate authority to each Group company, enabling them to focus on implementation within their respective business domains. This structure will enable Group companies to understand changes in the business environment correctly and to respond to market changes more flexibly based on prompt decision making.

The third purpose, "development of human resources through diversified business structures and personnel management systems," means to broaden the areas of activities of the officers and employees of the Group and to bring their potential into full play by introducing a managerial and organizational structure and a personnel management system tailored in response to the business domains and market environments faced by each of the Group companies. We also aim to promote active interchanges among personnel at each Group company to reinforce human resources of the entire Group.

SHIFT TO A HOLDING COMPANY STRUCTURE



OUTLOOK FOR ATTAINING NUMERICAL TARGETS OF NEW CHALLENGE 10 AND THE DOMESTIC NON-LIFE INSURANCE BUSINESS

Q. 5 What is the outlook for attaining your targets for fiscal 2010, the final year of New Challenge 10? How will the Domestic Non-Life Insurance business contribute?

A. 5 As for net premiums written, we have set the target of ¥1,560.0 billion or more for MSIGH on a consolidated basis and ¥1,300.0 billion or more for MSI on a non-consolidated basis for fiscal 2010 (see Note 1).

As we expect net premiums written by MSI on a non-consolidated basis to become ¥1,270.0 billion for fiscal 2008, the target of ¥1,300.0 billion or more in fiscal 2010 may not seem to be very high. However, attaining this target implies that, when excluding CALI, we must secure annual increases close to 2.0% from fiscal 2008 to fiscal 2010 despite a harsh business environment in which the number of vehicles owned is trending downward. Such a level of expansion of premiums is not easy, but I believe we can realize such expansion in the following two ways. First, by attaining significant improvement in quality through “Business Process Innovation,” we will win the trust of customers and achieve business growth. Second, we will develop and create markets for new products that address emerging risks accompanying the diversification of society.

As for Group Core Profit, we have set the target of ¥100.0 billion or more for fiscal 2010 compared with ¥44.1 billion in our fiscal 2008 forecast. I believe that expanding Core Profit of the Domestic Non-Life Insurance business from ¥18.5 billion in our fiscal 2008 forecast to ¥55.0 billion in fiscal 2010 will be the key to attain our fiscal 2010 Group Core Profit target of ¥100.0 billion or more. We will achieve this expansion in Core Profit through “improving the earned-incurred loss ratio,” “reducing company expenses,” and “increasing investment income” (see Note 2).

An explanation of expansion of net premiums written and Core Profit in the Domestic Non-Life Insurance business by the aforementioned measures is provided later in the special feature section on “Expanding Revenues and Profit in the Domestic Non-Life Insurance Business.”

We expect that Group Core Profit will decrease to ¥44.1 billion in fiscal 2008 compared with ¥66.0 billion in fiscal 2007. The main reason for this is that we expect Core Profit in the Domestic Non-Life Insurance business to decline ¥23.1 billion to ¥18.5 billion in fiscal 2008. Within Core Profit, we are forecasting an approximately ¥11.2 billion decline in underwriting profit due mainly to an expected rise in natural disasters based on historical data. We expect net investment income to decrease about ¥11.6 billion along with a decline in net interest and dividend income, reflecting the effects of exchange rates and domestic and overseas stock price movements (figures are after-tax estimates).

Notes:
1. Among fiscal 2010 targets, Group Core Profit and ROE based on Group Core Profit remain unchanged, but consolidated net premiums written, net premiums written by MSI (non-consolidated), and the combined ratio have been revised as shown in the chart below. This revision was made because of the effects of the reduction in CALI premium rates.
2. Fiscal 2008 and fiscal 2010 Core Profit in each of the five businesses are explained in the graph under Question 3, “Targets, State of Progress, and Outlook for Group Core Profit under New Challenge 10.”

PARTIAL REVISION OF FISCAL 2010 TARGET FIGURES FOR NEW CHALLENGE 10

	< Before Revision >	< After Revision >
Group Core Profit	¥100.0 billion or more	¥100.0 billion or more (No change)
ROE based on Group Core Profit	5.0% or higher	5.0% or higher (No change)
Consolidated net premiums written	¥1,650.0 billion or more	¥1,560.0 billion or more
Net premiums written by MSI (non-consolidated)	¥1,370.0 billion or more	¥1,300.0 billion or more
Combined ratio	95.0% or lower	95.0% or lower (excluding CALI)

LIFE INSURANCE BUSINESS

Q. 6 In the Life Insurance business, Kirameki Life and MSI MetLife are steadily expanding their business results. Could you describe your growth strategy in the Life Insurance business?

A. 6 The Life Insurance business is a key driver of growth of MSIG. We have clarified the difference in strategic roles between Kirameki Life and MSI MetLife, and seek development and sustained growth of our own Life Insurance business with these two companies as the core.

The Life Insurance business is capable of producing stable earnings compared with the Non-Life Insurance business, which is more vulnerable to profit fluctuations caused by natural disasters and other events. Based on this recognition, we have positioned the Life Insurance business as an equally critical core business as the Domestic Non-Life Insurance business to serve as a pillar for improving the Group's performance in a stable fashion.

In fiscal 2007, Kirameki Life and MSI MetLife generated total Core Profit of ¥9.4 billion, or approximately 14% of Group Core Profit of ¥66.0 billion. Under New Challenge 10, our aim is for these two companies combined to achieve Core Profit of ¥20.0 billion or more, or 20% of Group Core Profit, in fiscal 2010.

Kirameki Life and MSI MetLife have distinct strategies in terms of customer segments, core products, and sales channels. Kirameki Life focuses on selling products with death benefits through cross-sales, utilizing MSI's agents as its primary sales channels, and targeting MSI's existing customers as primary prospective customers. MSI has an extensive customer base consisting of 18.74 million individual customers and 1.03 million corporate customers. Given that only a small portion of these customers has ever purchased Kirameki Life's products, we see significant opportunities for further growth through cross-sales. For MSIG as a whole, we are utilizing our network of non-life insurance sales agents across Japan as sales channels for the Life Insurance business to carry out highly efficient sales activities and realize synergies between the Domestic Non-Life Insurance and the Life Insurance businesses.

MSI MetLife, a joint venture with U.S.-based MetLife, Inc. and specializing in individual annuities, is a leading company for variable annuities in Japan. Tapping MetLife's wealth of know-how, MSI MetLife develops an assortment of products and offers individual annuities, mainly variable annuities, through its primary sales channels of financial institutions, particularly mega-banks, regional banks, and securities companies that have close relationships with MSI. MSI MetLife's customer base consists of existing customers of financial institutions, centering on relatively high-net-worth senior citizens who make large-amount, lump-sum payments of premiums. Variable annuities represent a new and rapidly growing segment of the Japanese life insurance market. We are confident that MSI MetLife can effectively deploy its existing business model to achieve major growth.

Banks and the Japan Post Group are sales channels in the domestic life insurance industry that promise high future growth. Having already commenced sales over bank counters and through the Japan Post Group, Kirameki Life and MSI MetLife will continue making maximum efforts to bolster their sales capabilities and drive future growth.

OVERSEAS BUSINESS

Q. 7 Could you describe your policy and strategies in the Overseas business?

A. 7 We actively undertake the Overseas business, which is also a key driver of growth alongside the Life Insurance business. For fiscal 2010, we have set the target of Core Profit of ¥20.0 billion or more in our Overseas business, representing 20% of Group Core Profit.

In existing businesses, we have clarified our strategies for each geographic region and have delegated authority under a three-region (Asia, Europe, Americas) holding company framework as we strive to flexibly undertake this business. We are also proactively investing in new businesses, placing particular emphasis on the Non-Life Insurance and Life Insurance businesses in Asia. Within MSIGH, we have a department dedicated to new business investment.

Distinct strength in the Asian market is a key attribute of our Overseas business. We have top-notch business results as a foreign-affiliated non-life insurance company and have established a position that ranks within the top five in almost all ASEAN countries. We will reinforce our base of business and thus capture expansion of the Asian insurance market resulting from economic growth.

Specific strategies are explained in the subsequent special features section on the Overseas business (pages 15-17).

CAPITALIZATION POLICY

Q. 8 Turning to your capitalization policy, can you please explain the ways you distribute returns to shareholders and how you utilize capital effectively?

A. 8 MSIGH has a basic policy of returning to shareholders, through dividend payments and share buybacks, approximately 40% of Group Core Profit earned for the year. We also aim to keep the dividend-per-share on a growth track over the medium and long term. This policy remains unchanged. Group Core Profit after deduction of distributions to returns to shareholders shall be reallocated to investment in businesses with high growth potential.

As to the way to utilize capital effectively, we will re-invest part of the present capital, that is, the net asset value in excess of the minimum capital requirement, which is assessed at approximately ¥200.0 billion, in businesses with high growth potential.

Looking back on the track record of distribution of returns to shareholders, our total distributions as a proportion of Group Core Profit from fiscal 2003 through fiscal 2006 have been over 40% (see table on the next page), well in line with the stated basic policy. Also, as seen in fiscal 2002 to fiscal 2007, we have increased annual dividends per share (see "Dividends per Share (MSI)" chart on the next page).

We believe it will be of benefit to shareholders over the medium and long term to raise the corporate value of the Group by re-investing the majority of the Group Core Profit earned in high-growth businesses in which we can make good use of our capital, human resources, and know-how (see "Overview of Group Strategies" chart on the next page). Looking ahead, high on the agenda as a new investment target is, as I mentioned earlier, life insurance businesses in Asia. As for the area in which we would make additional investment, we are considering the Lloyd's business in the United Kingdom, the non-life insurance business for enterprises in Germany, and non-life and reinsurance businesses in Asia.

Turning to capital efficiency, we regularly assess the risk exposure by the following steps. First, we assess the measurable risk subject to "integral risk exposure" to be measured by value at risk (VaR) with a 99.5% confidence level. Furthermore, we figure out the total risk exposure by putting stress on a certain scenario, as there is not just "known risk" but also "risk that is known, but that cannot be measured significantly with statistics" as well as "unknown risk." Finally, the "minimum capital requirement" is calculated by adding the buffer capital for business continuation to the total risk exposure. As of the end of fiscal 2007, we assess the net asset value in excess of the minimum capital requirement to be approximately ¥200.0 billion, and we will invest this amount in businesses with high growth potential under the above policy.

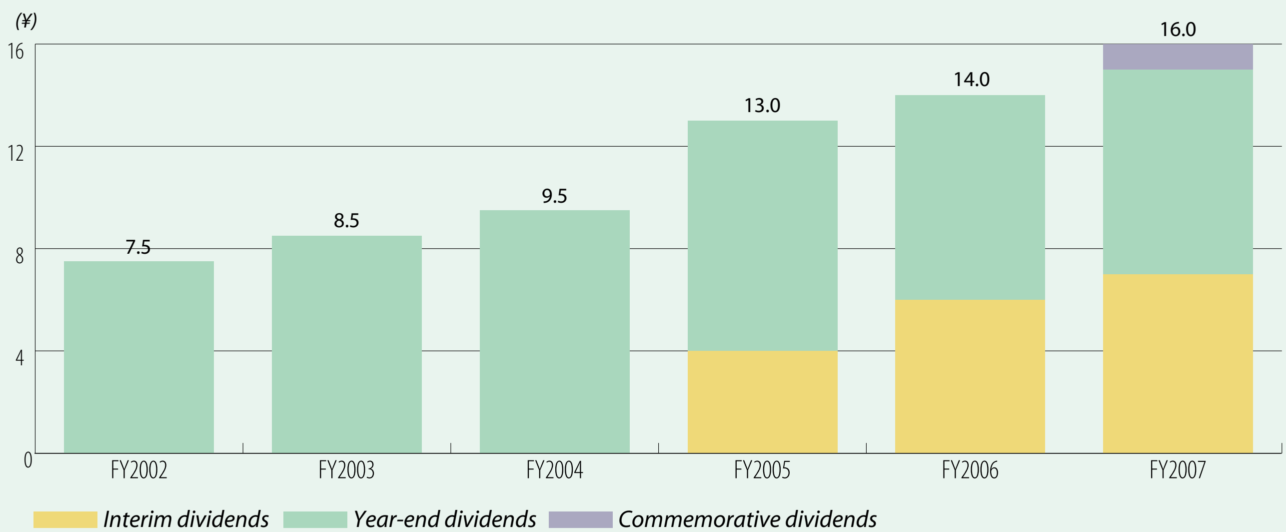
GROUP CORE PROFIT AND DISTRIBUTIONS TO SHAREHOLDERS

(¥ billions)

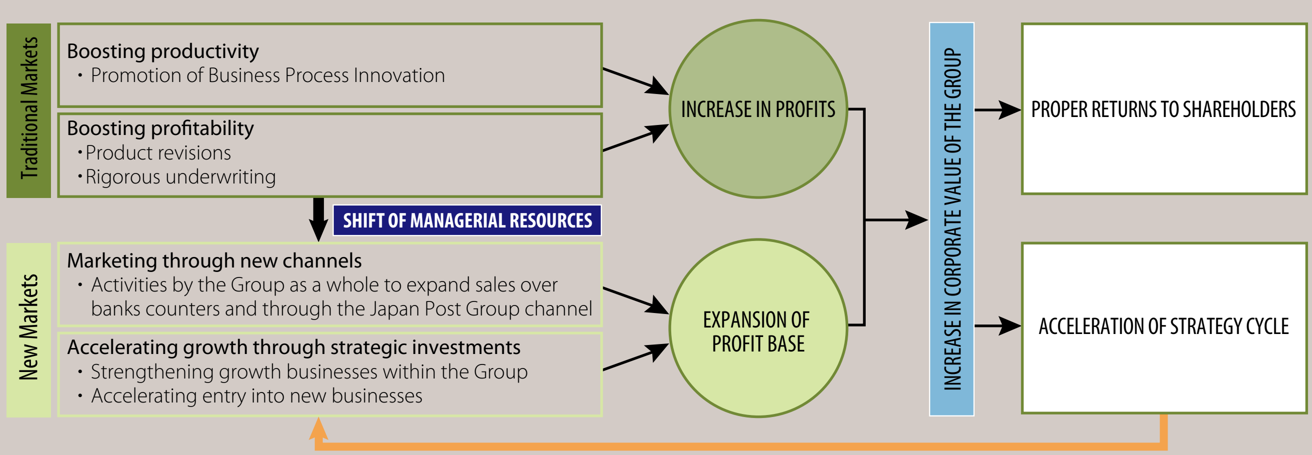
	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Group Core Profit	64.0	28.6	73.9	64.9
Dividends paid	12.4	13.6	18.5	19.8
Buybacks of shares	21.5	12.0	11.5	7.0
Dividends + Buybacks (= Distribution)	33.9	25.6	30.0	26.8
Distributions/Group Core Profit	53%	90%	41%	41%

* Dividends paid and buyback of shares are shown in the relevant fiscal year when their financial resources were recorded.

DIVIDENDS PER SHARE (MSI)



OVERVIEW OF GROUP STRATEGIES



Domestic Non-Life Insurance:
Expanding Revenues and Profit of the Domestic Non-Life Insurance Business

DOMESTIC NON-LIFE INSURANCE MARKET: A MATURING MARKET

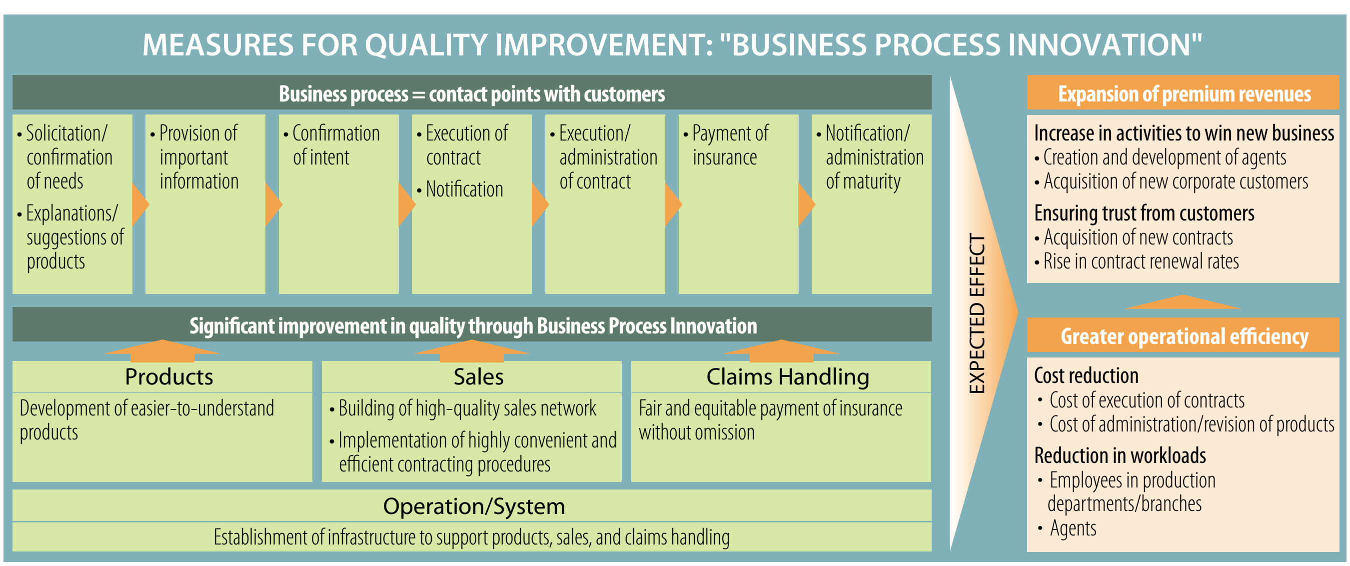
In fiscal 2007, the size of Japan's non-life insurance market gauged by the aggregated net premiums written by the member insurers of The General Insurance Association of Japan (note: other figures provided in this paragraph are on the same basis*) declined 0.9% from the previous fiscal year to ¥7,470.0 billion. The market for voluntary automobile insurance, the main insurance line, declined 0.6% to ¥3,502.6 billion, due mainly to decline in sales of new automobiles. During the past five years, the size of the domestic non-life insurance market has hovered between the ¥7,400 billion to ¥7,500 billion level. For the same period, the size of the voluntary automobile insurance market has hovered at more than ¥3,500.0 billion. Underwriting loss for the non-life insurance market was minus ¥63.9 million in fiscal 2007. The ratio of underwriting profit to net premiums written, which corresponds closely with the operating profit ratio as used for general company accounting, was minus 0.9% in fiscal 2007, while the simple average for the market over the past five years stands at 0.6%. As these figures suggest, Japan's non-life insurance market has been maturing in recent years.

**Data sources: "Summary of Fiscal 2007 Financial Results for the Non-life Insurance Industry," The General Insurance Association of Japan (June 23, 2008); "FACT BOOK 2006-2007 GENERAL INSURANCE IN JAPAN," The General Insurance Association of Japan; and figures prepared by MSIGH based on the data in the aforementioned source materials.*

BUSINESS STRATEGY FOR EXPANDING REVENUES AND PROFIT IN THE MATURING MARKET

The business strategy for expanding revenues and profit on which New Challenge 10 centers in this maturing market is "significant quality improvements in each business process" as a "competitive edge" for business promotion. More specifically, this is a strategy to attain significant improvements in quality at "contact points with customers" through "Business Process Innovation," thereby realizing operational efficiency and an expansion of premium revenues. As explained in the table below, "Business process" refers to a series of insurance policy-related interactions with customers. "Business Process Innovation" encompasses four types of innovation: product innovation, sales innovation, claims handling innovation, and operation/system innovation. The aims of each innovation as well as specific measures within each innovation category are shown in the charts below and on the next page.

The mechanism to realize expansion of premium revenues through "Business Process Innovation" is twofold. The first is that



quality improvement attains trust from customers and such trust in turn produces new contracts and a higher renewal rate of contracts, leading to an expansion of premium revenues. This mechanism is what the "Basic Group Strategy" implies. The second mechanism is that simplified products and efficient operational processes that "Business Process Innovation" creates lead to the reduction of workloads on the part of agents and company staff involved in sales, thereby creating more available work capacity. This added capacity will enable an increase in activities aimed at winning new business, including activities in creating and developing new agents as well as working to develop a new corporate customer base, which will ultimately lead to an expansion of premium revenues. Additionally, we anticipate that "Business Process Innovation" will furnish a host of other important benefits such as reduction in cost of administration and revision of products and contract procedures through a simplified and efficient operational process and simplified and easy-to-understand products. Such reduction in costs leads to an expansion of profit.

MEASURES FOR EXPANDING CORE PROFIT

The Core Profit target in the Domestic Non-Life Insurance business for fiscal 2010 is ¥55.0 billion or more, ¥36.5 billion or more up from the anticipated ¥18.5 billion in fiscal 2008. To achieve this, adding to the aforementioned strategies, we will strive to lower the loss ratio and to reduce company expenses for the purpose of improving underwriting profit. The expected increase in Core Profit to be attained toward fiscal 2010 through these measures is at the level of ¥28.0 billion (on an after-tax basis, which applies to the figures hereafter). In categories besides underwriting profit, we aim to achieve an ¥8.5 billion increase in Core Profit, mainly through an expansion in investment income.

Lowering the Loss Ratio Through Measures to Secure a Better Balance of Revenues and Expenses

Our first measure for expanding Core Profit is lowering the loss ratio through the implementation of initiatives for achieving a better balance of revenues and expenses. The crucial line of insurance for attaining this goal is voluntary automobile insurance, which accounts for 42% in terms of net premiums written and has highest loss ratio except for compulsory automobile liability insurance (CALI). Our measures for better balanced revenues and expenses are shown on the next page. We believe the increase in Core Profit obtained by lowering the loss ratio will be at the level of ¥20.0 billion.

SPECIFIC MEASURES FOR BUSINESS PROCESS INNOVATION

Product Innovation	Sales Innovation	Claims Handling Innovation
• Development of easier-to-understand products • Streamlining of product lineup (reduction in the number of products/riders) • Development of branded products for individual customers • Simplification/standardization of expressions/terms used in policy clauses • Unification/standardization of rules for execution of contracts • Establishment of computer system for consolidated administration of products • Expansion of Web services for customers	**Establishment of high quality sales network which can achieve accountability** • Agent education • Making agents larger • Consolidation of agents and termination of contracts with agents **Implementation of highly convenient and efficient contracting procedures** • Cashless payments • "Shikkari Keizoku" (more careful procedure for policy renewal) • Electronic posting	• Team approach to customer communication • Construction of a process management system for equalization/improvement of quality • Establishment of a "knowledge center" that consolidates and utilizes know-how

Measures for Reducing Company Expenses

Our second measure for expanding Core Profit is the reduction of company expenses. Our company expenses for quality improvement, which incur on an upfront basis concentrated in fiscal 2007 and fiscal 2008, will peak in fiscal 2008, before being gradually reduced toward fiscal 2010. We expect the eventual reduction in company expenses will lead to an approximately ¥8.0 billion improvement in Core Profit.

Expanding Investment Income

Our third major strategy for expanding Core Profit is to increase investment income. The increase of Core Profit intended in this field is at the level of ¥8.0 billion. Our target in investment management is to "build up added value to expand net asset value." We define "added value" as returns less all costs, including funding cost, capital cost, and expenses. "Added value" was established as a measure to ensure a stable increase of net assets. Our basic policy for attaining this target is the implementation of risk control focused on Asset Liability Management (ALM) while ensuring profit stability and asset soundness. Under this basic policy, we have set asset allocation (Basic Portfolio) as a target where assets are allocated most efficiently, with risk, return, and correlation for both assets and liabilities all considered. We are working to complete this Basic Portfolio at the end of fiscal 2010 by reallocating present assets. As specific measures, we are shifting yen-denominated interest assets, such as bonds and loans, to longer-term assets to reduce interest risk, while trimming stockholdings to cut down on stock price risk, and moderately increasing investment in alternative products.

Based on the aforementioned approach to investment management, we will strive to achieve an increase in investment income by reallocating assets and risk to the credit risk-related area and alternative investments. High on the agenda in the credit risk-related area is personal financing such as apartment or house loans and auto loans as well as investment in corporate bonds based on a fundamentals approach. In alternative investments, the focus is on investment in funds of funds and private equity.

MEASURES TO BETTER BALANCE REVENUES AND EXPENSES IN VOLUNTARY AUTOMOBILE INSURANCE

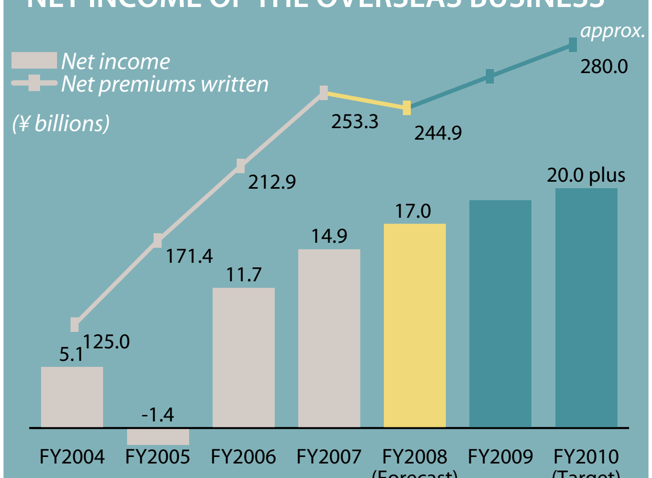
Revision of products/premium rates	**Premium hike, revision of coverage, premium discounts/ additions for new products (applied for policies taking effect on July 2008 or after)**
More efforts to acquire non-fleet policies with more favorable loss ratios	**Creation/expansion of discounts for "policyholders with good long-term safety records" and for customers segments of younger people with favorable loss ratios**
Others	**Consulting for agent/fleet policyholders with high loss ratios**

Overseas:
Growth Strategy of the Overseas Business

OVERVIEW OF THE OVERSEAS BUSINESS

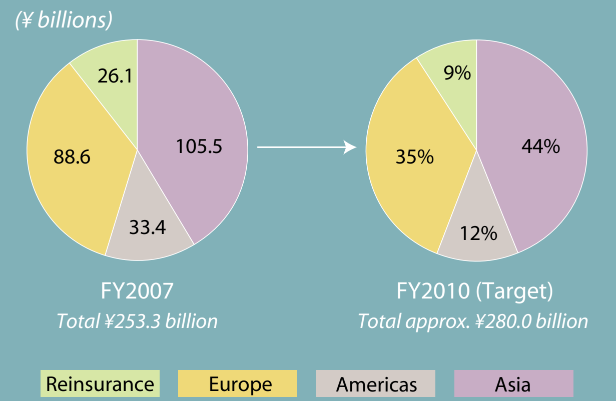
We consider the Overseas business as one of our core operations. The Overseas business plays an important role in terms of both achieving the Group Core Profit target and diversifying our global risk base geographically. Along with underwriting commercial line business for overseas subsidiaries and affiliated companies of customers in Japan, we are now extending our underwriting activities to non-Japanese business as well. Under an active growth strategy leveraged by mergers and acquisitions, net premiums written of the Overseas business doubled while net income tripled during the past three years from fiscal 2004 to fiscal 2007. By steadily growing the current business base and continuing to seek new investment opportunities actively, we are aiming to increase net premiums written from ¥253.3 billion to approximately ¥280.0 billion and net income from ¥14.9 billion to ¥20.0 billion or more from fiscal 2007 to fiscal 2010. Net income of ¥20.0 billion corresponds to 20% of the Group Core Profit target of ¥100.0 billion or more in fiscal 2010 under New Challenge 10, MSIG's medium-term management plan.

NET PREMIUMS WRITTEN AND NET INCOME OF THE OVERSEAS BUSINESS

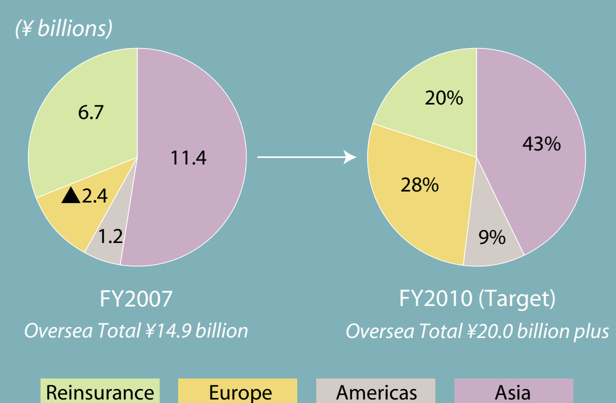


* Net loss for fiscal 2005 is mainly due to net claims payment associated with Hurricane Katrina.
* Net premiums written for fiscal 2008 is projected to decrease due to appreciation of the yen.

NET PREMIUMS WRITTEN BY REGION

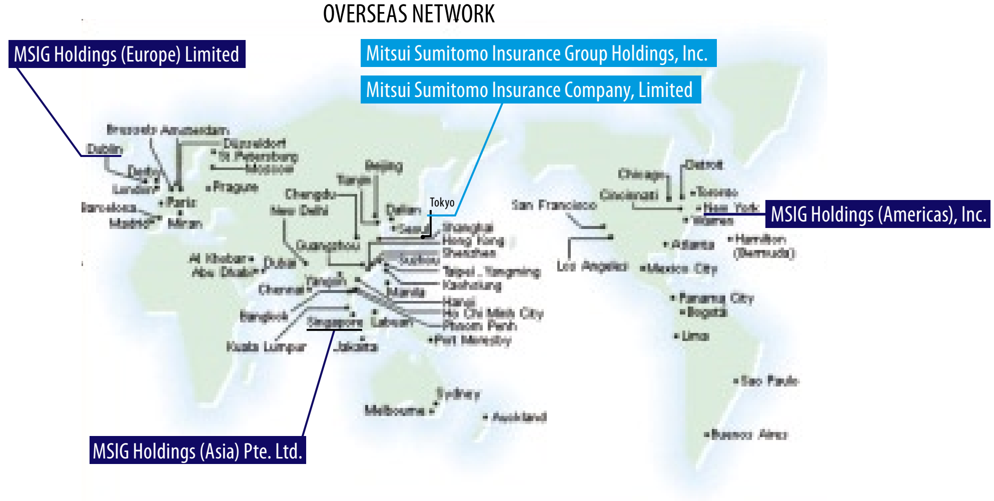


NET INCOME (CORE PROFIT) BY REGION



* Total overseas figures include adjustments booked to the head office, consolidation adjustments pertaining to mergers and acquisitions, and others for the period, which cannot be allocated to any region.
* A net loss in Europe is mainly due to impact of flood damage in the United Kingdom in June and July 2007.

OVERSEAS NETWORK



INTRODUCTION OF A DECENTRALIZED OPERATING FRAMEWORK TO EFFECTIVELY MANAGE THE OVERSEAS BUSINESS AND TO ENSURE STEADY GROWTH

Besides the three direct overseas branches and 37 offices of MSI, we also have 50 overseas subsidiaries and affiliated companies supporting our global operations. As a whole, we now operate in 37 countries/regions and have 313 offices worldwide outside of Japan. In order to manage our expanded overseas business portfolio effectively, we introduced a new decentralized operating framework, dividing the global network into three regions, Asia, Europe, and the Americas, with each area establishing a regional holding company to manage the business. Under the new framework with regional headquarters located in Singapore, London, and New York, we are now able to realize prompt decision-making and business execution at a local level, as well as to manage and govern our business with greater efficiency. By locally developing regional business strategies and introducing effective business measures facilitated by speedy and flexible decision-making, the new framework is designed to enhance further growth within the Overseas business, ensuring our commitment to achieving the New Challenge 10 target.

Headquarters of MSIG Holdings (Asia) Pte. Ltd.

ASIA

In Asia, our business dates back to 1964 when we first opened a branch in Bangkok. Since then, we have been successful in expanding our business throughout Asia by offering a wide variety of non-life insurance products to serve the demands of various customers in the region. Along with steady organic growth, we accelerated expansion in the region by acquiring the Asian non-life insurance business of Aviva plc in 2004 and Taiwan's second largest non-life insurance company, Mingtai Fire and Marine Insurance Co., Ltd. (currently MSIG Mingtai Insurance Co., Ltd.) in 2005, thereby affirming our position as one of the largest leading non-life insurers in Asia. MSIG's key strength in Asia is driven by its strong network of multi-channel distribution, especially as one of the market leaders in bancassurance in the region. This also originates from our wide and well-balanced business ranging from marine insurance and property and casualty insurance provided to large enterprises with sophisticated requirements to home and auto insurance for individual customers.

In 2006, we established a regional holding company in Singapore, MSIG Holdings (Asia) Pte. Ltd., which now manages its Asian business mainly in the ASEAN region. With speedy and flexible decision-making at a local level, our aim is to establish ourselves as a locally rooted insurer in Asia, thereby further expanding and strengthening our business throughout the region.

Outside of the ASEAN region, in 2007 MSI obtained a license from the China Insurance Regulatory Commission (CIRC) to incorporate our former Shanghai branch operating since 2004 into a wholly owned subsidiary. By establishing branch offices under the new subsidiary subject to regulatory approval, we are seeking to extend our underwriting activities outside of Shanghai into other industrialized areas within the nation, starting out with our Guangdong Branch which received provisional approval from CIRC in April 2008 and is expected to open for business in autumn 2008. In India, our joint venture

Syndicate 3210 at Lloyd's

Headquarters of MSIG Holdings (Americas), Inc.

company, Cholamandalam MS General Insurance Company Limited, which was established in 2003, continues to expand its business successfully, building a nationwide network of 100 offices in the country with plans for further expansion.

Our overall strategy in Asia is to advance further as an insurance company with a strongly established local business platform, thereby achieving further expansion of our business through capturing growth opportunities leveraged by the high economic growth in the region.

EUROPE

In Europe, we have two business platforms, one operating mainly at Lloyd's of London and the other incorporated as an insurance company based in London operating widely throughout Continental Europe as well. In eight short years since its inception in April 2000 the Lloyd's operation has built a turnover of more than £340 million (placing MSIG within the top third of the Lloyd's syndicates) and created an innovative, dynamic business based on a core philosophy of close working relationships with our clients. Further, to affirm MSI's support to its wholly owned Syndicate 3210, in 2006 MSI successfully launched its own dedicated managing agent, Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited, also confirming its commitment to the Lloyd's market. London-based insurance company Mitsui Sumitomo Insurance Company (Europe), Limited, which was established in 1972, is also expanding from its traditional business area of underwriting risks for Japanese companies in Europe to offering its capacity to European companies as well. In 2007, it made a sensational entry into the German general insurance market, receiving an additional capital injection from MSI and appointing a team of first-class underwriters with long and extensive experience in the market. Our strategy in Europe is to continue expanding our local commercial line business mainly at Lloyd's and in Germany while also seeking opportunities to expand our business to other areas and regions, thereby building our reputation as a leading international commercial line insurer in Europe.

AMERICAS

After operating in North America since 1957, in 2002 we established our first overseas regional holding company in the United States, placing five subsidiaries (including two insurance companies) under its management aimed at strengthening our business platform in the region. By successfully building an underwriting portfolio of mainly high-quality multinational business utilizing our global customer relationships, North American operations have been successful in delivering sizable profits in recent years. In South America, also having a long history of operation since 1972, our Brazilian subsidiary offers a wide range of insurance products to the market through a network of six branch offices in the country. Our strategy in the Americas is to recover profitability and to pursue stability further by strengthening the business base of our current operations.

REINSURANCE BUSINESS

We have been able to diversify our underwriting portfolio strategically through our global reinsurance business in order to utilize capital efficiently. Furthermore, our reinsurance business will mitigate market fluctuations in pricing between MSI's reinsurance ceded and reinsurance subsidiaries' reinsurance written.

We currently have two reinsurance subsidiaries, both of which focus upon short-tailed property business leveraged by MSI's strong financial credit rating. Ireland-based Mitsui Sumitomo Reinsurance Limited provides regional short-tailed proportional treaty and excess of loss cover programs. Bermuda-based MS Frontier Reinsurance Limited underwrites high layer natural catastrophe risks, for which it increased its capital in 2006 in order to capture new underwriting opportunities.

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC. ("MSIGH", HOLDING COMPANY)

Key financial indicators for fiscal 2007 (year-end) on a consolidated basis

• Net premiums written: ¥1,536.5 billion

Note: Above figures refer to financial data for MSI on consolidated basis.

Domestic Non-Life Insurance

• Mitsui Sumitomo Insurance Company, Limited (MSI)
• Mitsui Direct General Insurance Co., Ltd. (Mitsui Direct)

MSI is a wholly owned subsidiary of MSIGH and a market leader in Japan's non-life insurance industry. Through a nationwide domestic network of 707 sales branch offices and 46,396 agents, MSI provides both commercial line and personal line non-life insurance products. At the same time, MSI's claims handling network of 283 claims-handling offices and approximately 8,000 claims-handling specialists provides customers with accurate claims-handling service. MSI's leadership in the industry is underpinned by its high-quality products, services, sales network and claims-handling support, precise underwriting capabilities, financial soundness, and solid customer base.

Mitsui Direct is a direct sales automobile insurance company in which MSIGH holds an approximately 66% share. Mitsui Direct utilizes an innovative business model that uses the Internet as a principal sales channel with Internet users as prospective customers.

Key financial indicators for fiscal 2007 (year-end)

Core Profit: ¥41.6 billion (excluding Mitsui Direct)

Mitsui Sumitomo Insurance (non-consolidated)
Net premiums written: ¥1,306.8 billion
Net income: ¥38.3 billion
Net assets: ¥1,609.0 billion
Total assets: ¥6,968.5 billion
Number of employees: 14,421

Mitsui Direct General Insurance
Net premiums written: ¥26.4 billion
Net loss: ¥2.6 billion (MSIG's share: ¥1.7 billion)
Net assets: ¥7.8 billion
Total assets: ¥34.7 billion
Number of employees: 424

Life Insurance

• Mitsui Sumitomo Kirameki Life Insurance Company, Limited (Kirameki Life)
• Mitsui Sumitomo MetLife Insurance Co., Ltd. (MSI MetLife)

Kirameki Life, a wholly owned subsidiary of MSIGH, engages in cross-sales to customers of MSI as its principal business model. Many of Kirameki Life's sales agents are also agents of MSI. MSI performs the guidance and management of sales agents on behalf of Kirameki Life.

MSI MetLife, in which MSIGH holds a 51% share, is a joint venture with U.S.-based MetLife, Inc., specializing in individual annuities, and is a leading company for variable annuities in Japan. MSI MetLife offers individual annuities, mainly variable annuities, via its primary sales channels of financial institutions.

Key financial indicators for fiscal 2007 (year-end)

Core Profit: ¥9.4 billion

Kirameki Life
Insurance premiums: ¥221.8 billion
Net income: ¥55.0 million
Amount in force: ¥8,616.4 billion
Number of policies in force: 985,000
Note: The amount in force and the number of policies in force are the total of individual policies and individual annuities.
Net assets: ¥57.4 billion.
Total assets: ¥999.7 billion
Number of employees: 637

MSI MetLife
Insurance premiums: ¥644.6 billion
Net loss: ¥12.4 billion (MSIG's share: ¥6.2 billion)
Amount in force: ¥2,527.8 billion
Number of policies in force: 275,611
Net assets: ¥15.0 billion
Total assets: ¥2,543.1 billion
Number of employees: 418

• Net income: ¥40.0 billion • Net assets: ¥1,671.5 billion • Total assets: ¥8,397.7 billion • Total number of employees: 20,237

Overseas

- MSI's 3 overseas direct branches and 37 offices
- MSI's 50 overseas subsidiaries and affiliated companies, including 3 regional holding companies

MSI carries out its Overseas business through a network of 313 facilities spanning 37 countries and regions. Over 6,000 employees are involved in the Overseas business.

MSI divides its global network into three areas, Asia, Europe, and the Americas, with each establishing a regional holding company to manage the business. In Asia, MSI maintains solid business platforms throughout the region to provide a wide range of commercial and personal line insurance to its Asian customers, while in Europe and the Americas, its business is mainly concentrated in underwriting commercial line insurance.

Additionally, MSI participates in the reinsurance business globally through two reinsurance subsidiaries in Ireland and Bermuda.

Key financial indicators for fiscal 2007

Core Profit: ¥14.8 billion

Net premiums written: ¥253.3 billion
(Regional business: ¥227.2 billion
Reinsurance business: ¥26.1 billion)

Net income: ¥14.9 billion
(Regional business: ¥8.1 billion
Reinsurance business: ¥6.7 billion)

Financial Services

- MSI's Financial Services Division
- Sumitomo Mitsui Asset Management Company, Limited
- MITSUI SUMITOMO INSURANCE Venture Capital Company, Limited
- MITSUI SUMITOMO INSURANCE Loan Service Company, Limited

The Financial Services Division of MSI provides customers with financial services, including financial guarantees, alternative risk transfer (ART) products such as weather derivatives, and defined contribution pension plans, utilizing leading-edge financial technologies.

Sumitomo Mitsui Asset Management, in which MSI has a 17.5% share, was established jointly with other financial institutions. As one of the largest asset management companies in Japan, Sumitomo Mitsui Asset Management has approximately ¥11 trillion in assets under management in its investment advisory services business and its management of investment trusts.

MITSUI SUMITOMO INSURANCE Venture Capital is a wholly owned subsidiary of MSI that invests in venture companies with major future potential. The company's balance of investments has reached ¥16.2 billion.

MITSUI SUMITOMO INSURANCE Loan Service, a wholly owned subsidiary of the Group, provides loans to individuals as well as related guarantees. The guaranteed amount has reached ¥140.5 billion.

Risk-Related

- InterRisk Research Institute & Consulting, Inc.
- MITSUI SUMITOMO INSURANCE Care Network Company, Limited
- American Appraisal Japan Co., Ltd.

The Risk-Related business of MSIG responds to customers' needs with services other than insurance.

InterRisk Research Institute & Consulting, a wholly owned subsidiary of MSI, provides a wide range of consultation, surveys and research, and seminars, all associated with risk solutions.

MITSUI SUMITOMO INSURANCE Care Network, a wholly owned subsidiary of MSI, is engaged mainly in the operation of retirement homes with nursing care services.

American Appraisal Japan is a joint venture with U.S.-based American Appraisal, the world's largest appraisal company, and specializes in valuation and related advisory services.

Key financial indicators for fiscal 2007

Core Profit (Financial Services and Risk-Related including Mitsui Direct): ¥0.1 billion

*Figures for the number of facilities, sales agents, customers, and balances are as of the end of fiscal 2007.

Domestic Non-Life Insurance

MITSUI SUMITOMO INSURANCE

Fiscal 2007 Results

Net premiums written by MSI decreased 1.3%, or ¥17.5 billion, to ¥1,306.8 billion due to the same factors affecting the entire industry, namely declines in our mainstay voluntary automobile insurance and fire insurance lines.

References to MSI are based on non-consolidated settlement figures. The non-consolidated settlement figures include policies underwritten by overseas branches. There is some overlap with business results listed in the Overseas business section that follows.

Net claims paid rose ¥6.3 billion to ¥777.3 billion while the net loss ratio edged up 2.0 percentage points to 65.1%, attributable mainly to an increase in the net loss ratios for voluntary automobile insurance and personal accident insurance. Underwriting expenses increased ¥7.2 billion to ¥415.0 billion and the net expense ratio rose 1.0 percentage point to 31.8%, due mainly to a rise in company expenses associated with improving corporate quality. The underwriting loss amounted to ¥19.6 billion, an improvement of ¥15.0 billion from the previous fiscal year.

Despite the decline in net premiums written and an increase in underwriting expenses, the underwriting loss improved because of a ¥58.3 billion decrease in incurred losses to ¥770.2 billion. This was attributable to a decline in natural disasters, a decrease in the outstanding claims balance owing to the strong yen and the rebound from the full-scale introduction of statistical incurred but not reported (IBNR) reserves in the previous fiscal year.

Regarding investment management, net investment income declined ¥38.6 billion to ¥77.7 billion due to a ¥22.5 billion deterioration in net losses on derivative transactions accompanying the drop in the mark-to-market value of credit derivatives at fiscal year-end.

As a result of the factors mentioned above, ordinary profit declined ¥25.1 billion to ¥55.0 billion, and net income decreased ¥16.9 billion to ¥38.3 billion. On the other hand, Core Profit in the Domestic Non-Life Insurance business increased ¥1.5 billion to ¥41.6 billion. The primary reason for the differential between net income and Core Profit is that Core Profit does not include valuation gains (losses) on credit derivatives and gains (losses) on the sale of shares held for strategic purposes.

Net premiums written by lines of insurance are shown in the table on the next page and points warranting special mention are as follows. The decline in net premiums written for fire insurance mirrored a decrease in the number of policies written due to a decline in new housing starts resulting from such factors as the adoption of stricter rules for the approval process for housing construction in June 2007. The increase in net premiums written for marine insurance is attributable to a rise in raw materials prices and brisk cargo movements. The decline in net premiums written for voluntary automobile insurance paralleled a decrease in the volume of new car sales. The trends and underlying factors for net premiums written in each insurance line by MSI were the same as observed across

TRENDS IN KEY FINANCIAL INDICATORS

(¥ billions)

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008 (Forecast)
Net premiums written	1,310.2	1,338.4	1,324.4	1,306.8	1,270.0
Growth rate	1.3%	2.2%	(1.0%)	(1.3%)	(2.8%)
Net claims paid	783.7	740.0	771.0	777.3	780.0
Loss adjustment expenses	55.1	58.3	65.3	74.0	78.2
Underwriting expenses	410.5	411.6	407.7	415.0	426.9
Incurred losses	845.8	787.2	828.5	770.2	795.9
Underwriting profit (loss)	(13.9)	5.3	(34.7)	(19.6)	(37.0)
Net interest and dividend income	51.9	79.1	93.9	95.7	82.4
Net sales gains (losses) on securities, etc.	49.6	39.9	30.9	21.8	31.0
Net gains (losses) on derivatives transactions	1.9	(2.2)	(0.6)	(23.2)	8.6
Net investment income	93.5	106.0	116.4	77.7	112.5
Ordinary profit	79.3	115.4	80.1	55.0	72.0
Extraordinary income (loss)	19.2	(22.6)	(4.1)	(4.8)	(4.9)
Net income	60.7	64.8	55.3	38.3	50.0
Net loss ratio (*1)	64.0%	59.7%	63.1%	65.1%	67.6%
Net expense ratio (*2)	31.3%	30.8%	30.8%	31.8%	33.6%
Combined ratio	95.3%	90.5%	93.9%	96.9%	101.2%

Notes:
1. The net loss ratio = (net claims paid + loss adjustment expenses)/net premiums written × 100
2. Net expense ratio = (underwriting expenses /net premiums written × 100

the entire domestic non-life insurance industry.

Net loss ratios by lines of insurance are shown in the table below and points warranting special mention are as follows. The decline in the net loss ratio in fire insurance was due mainly to a ¥9.8 billion year-on-year decline in claims payouts for natural disasters. The increase in the net loss ratio for marine insurance mainly reflected increased claims payouts for large-scale accidents. The sharp rise in the net loss ratio for personal accident insurance was due to increased claims payouts for permanent disability benefits and inpatient and outpatient treatment benefits in general, family, and overseas travel personal insurance products. The rise in the net loss ratio for voluntary automobile insurance resulted from a decline in net premiums written.

Fiscal 2008 Results Forecast

Net premiums written in fiscal 2008 are forecast to decline ¥36.8 billion, or 2.8%, to ¥1,270.0 billion, due mainly to the impact of a reduction in compulsory automobile liability insurance (CALI) premium rates (applicable to policies from April 2008). When excluding CALI, net premiums written are expected to rise 0.3%.

Net claims paid are expected to rise ¥2.6 billion to ¥780.0 billion and incurred losses are forecast to increase ¥25.6 billion to ¥795.9 billion, owing chiefly to anticipated increases in natural disasters based on historical data in fire insurance and voluntary automobile insurance lines. Due to this projected rise in natural disasters and the effects of a reduction in CALI premium rates, the net loss ratio is expected to increase 2.5 percentage points to 67.6%. (Because CALI is a "no-loss/no-profit" scheme, although any reduction in premium rates does not affect profit, such reductions cause the net loss ratio to rise.) Underwriting expenses are expected to increase ¥11.9 billion to ¥426.9 billion and the net expense ratio is anticipated to rise 1.8 percentage points to 33.6%. This increase will be due chiefly to the continued allocation of managerial resources to improve corporate quality. We are expecting to record an underwriting loss of ¥37.0 billion, a ¥17.4 billion worsening of the loss compared with the previous fiscal year.

In investment management, net gains on derivatives are expected to amount to ¥8.6 billion, an improvement of ¥31.8 billion from the previous fiscal year due mainly to a rebound from the valuation losses on credit derivatives in the previous fiscal year. Consequently, net investment income is expected to improve ¥34.7 billion to ¥112.5 billion.

As a result of the preceding factors, ordinary profit is forecast to increase ¥17.0 billion to ¥72.0 billion and net income is expected to rise ¥11.6 billion to ¥50.0 billion.

The forecast for net premiums written by lines of insurance is shown in the table below and points warranting special mention are as follows. The expected increase in net premiums written for fire insurance will be due to the diminishing effects of the adoption of stricter rules for the approval process for housing construction and our efforts in the wholesale market, in which MSI has strengths. A decrease in net premiums written in marine insurance is likely to result from the effects of the strong yen. A rise in net premiums written for voluntary automobile insurance is expected to accompany the revision to products and premium rates (an average increase of 1.5% for premium rates) for policies effective from July 2008 or later. CALI net premiums written are expected to decline sharply owing to the impact of insurance premium reductions.

Net loss ratios by lines of insurance are shown in the table below and points warranting special mention are as follows. The net loss ratio for voluntary automobile is forecast to increase

NET PREMIUMS WRITTEN AND NET LOSS RATIO
BY LINES OF INSURANCE IN FISCAL 2007 AND FISCAL 2008

(¥ billions)

	Net premiums written				Net loss ratio			
	Fiscal 2007		Fiscal 2008 (Forecast)		Fiscal 2007		Fiscal 2008 (Forecast)	
		Growth rate		Growth rate		Change		Change
Fire	176.2	(1.5%)	181.6	3.0%	47.1%	(2.4pt)	49.4%	2.3pt
Marine	72.7	3.6%	69.3	(4.8%)	50.6%	3.6pt	49.3%	(1.3pt)
Personal accident	130.7	(2.3%)	127.6	(2.5%)	58.1%	7.8pt	59.3%	1.2pt
Voluntary automobile	551.3	(2.1%)	551.8	0.1%	71.4%	1.9pt	71.8%	0.4pt
CALI	191.0	(0.6%)	150.5	(21.2%)	77.2%	1.2pt	100.8%	23.6pt
Others	184.6	(0.9%)	189.3	2.5%	62.0%	2.9pt	58.6%	(3.4pt)
Total	1,306.8	(1.3%)	1,270.0	(2.8%)	65.1%	2.0pt	67.6%	2.5pt
Excluding CALI	1,115.8	-	1,119.5	0.3%	63.1%	-	63.1%	0.0pt

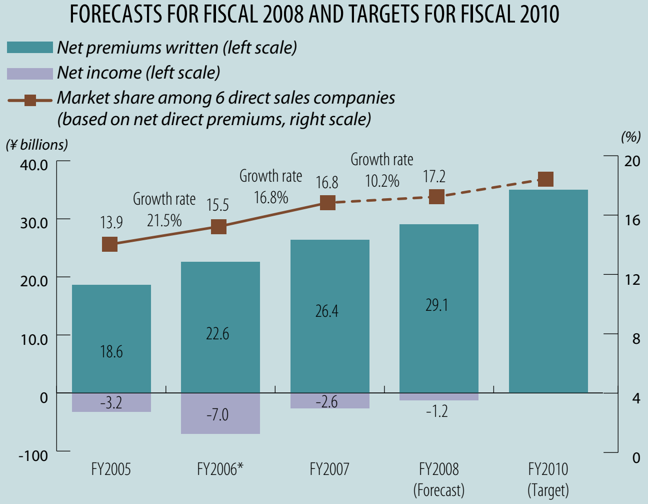
slightly. However, the earned-incurred loss ratio, which excludes loss adjustment expenses, net change in IBNR loss reserves, and losses due to natural disasters, is expected to improve 0.6 percentage point to 63.5% in fiscal 2008. This is as a result of the aforementioned revision to products and insurance rates and the implementation of measures to balance revenues and expenses better. In personal accident insurance, we are conducting measures to balance revenues and expenses better for those policies with permanently high loss ratios in line with efforts to curb rising loss ratios.

MITSUI DIRECT GENERAL INSURANCE

Fiscal 2007 Results

In fiscal 2007, net premiums written by Mitsui Direct increased 16.8% from the previous fiscal year to ¥26.4 billion. It is estimated that the direct sales automobile insurance industry recorded overall growth in net direct premiums at a rate of 8.0% during fiscal 2007. Having outpaced the industry average growth rates

PERFORMANCE FOR THE LAST 3 YEARS,
FORECASTS FOR FISCAL 2008 AND TARGETS FOR FISCAL 2010



* Made a lump-sum writedown of deferred assets of ¥3.59 billion in fiscal 2006 under Article 113 of the Insurance Business Law.

in fiscal 2005 and fiscal 2006, Mitsui Direct thus continued to record growth that significantly exceeded the industry average in fiscal 2007. Amid intensifying competition among companies carrying out direct sales of automobile insurance, Mitsui Direct posted these outstanding results by working to realize business growth by developing and offering products and services and enhancing convenience focused on Internet users under its long-term policy of aiming to establish the "Mitsui Direct Brand, No. 1 Internet non-life insurance company" early.

In fiscal 2007, Mitsui Direct posted a net loss of ¥2.66 billion, a ¥4.35 billion improvement from the previous fiscal year. This improvement represents a rebound from the widening of the net loss in fiscal 2006 when the company made a ¥3.59 billion lump-sum writedown of deferred assets under Article 113 of the Insurance Business Law. (The deferral of business expenses is allowed for up to five years following the establishment of an insurance company.)

Fiscal 2008 Results Forecast

In fiscal 2008, net premiums written by Mitsui Direct are expected to increase 10.2% from the previous fiscal year to ¥29.1 billion. Mitsui Direct forecasts that net premiums written for the entire direct sales automobile insurance industry will expand about 7%. Mitsui Direct will strive to attain growth at a rate that significantly surpasses the industry average. Mitsui Direct expects to post a net loss of ¥1.21 billion in fiscal 2008, an improvement of ¥1.45 billion from fiscal 2007.

In fiscal 2008, focusing on Internet users, Mitsui Direct will evolve its current business model by taking flexible measures to respond to customers' needs and changes in business environments and build its unique brand. It will also work to balance revenues and expenses better for the purpose of emerging from operating at a deficit in fiscal 2010 and to develop strategic database marketing. In terms of corporate quality, Mitsui Direct will undertake initiatives for establishment of high-quality response to customers at its call centers and fair, equitable, timely and appropriate payment of insurance benefits.

(REFERENCE) NET DIRECT PREMIUMS FOR THE SIX DIRECT SALES COMPANIES

(¥ billions)

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008 (Forecast)
Net direct net premiums	132.6	144.5	156.0	167.0
Growth rate	11.3%	8.9%	8.0%	7.1%

Life Insurance

MITSUI SUMITOMO KIRAMEKI LIFE INSURANCE

Fiscal 2007 Results

In fiscal 2007, Kirameki Life recorded a 26.1% increase in new policy amount (total of individual policies and individual annuities) to ¥1,505.7 billion, marking a large turnaround from a decline in fiscal 2006. The increase in new policy amount was underpinned by such factors as close collaboration with MSI in executing a cross-sales promotion program (selecting agents expected to serve as the core of cross-sales and providing them with thorough sales guidance under a two-year plan covering fiscal years 2007-2008). This is aimed at raising the cross-selling rate (the percentage of MSI customers purchasing Kirameki Life products). Also contributing to the increase in new policy amount was favorable sales of highly competitive products for corporations. Additionally, Kirameki Life's "new medical insurance" with a highly acclaimed "rider for advanced medical treatments" recorded robust sales through a wide variety of channels, and the number of new policies written for medical insurance products rose 28.8% to approximately 76,000 policies.

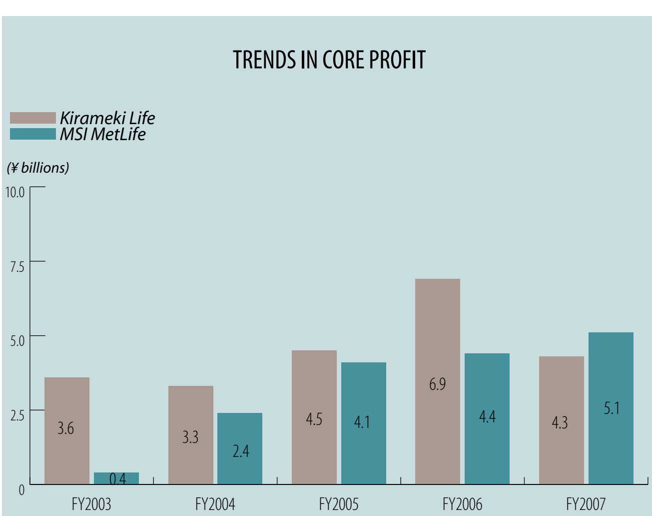
Despite a rise in cancellations of increasing-term life insurance products accompanying the revision of the tax rules, amount in force (total of individual policies and individual annuities) at the end of fiscal 2007 rose 5.5% to ¥8,616.4 billion due to an increase in new policies written.

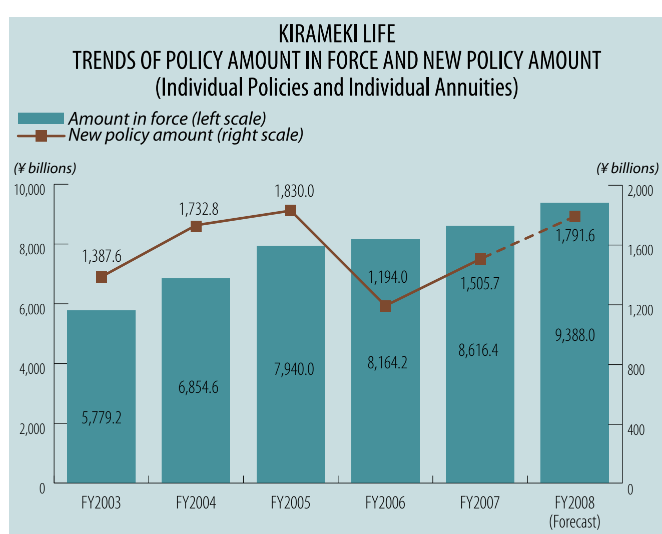
Because Kirameki Life increased provision for the underwriting reserve to achieve the standard reserve (see Note) accumulations using the same method as in the past, net income was ¥55 million, an increase of ¥34 million from the previous fiscal year. At the present time, it is allowable for newly established companies to use an amount calculated by the five-year Zillmer Method for provisions to the underwriting reserve. However, to attain the standard reserve under the Insurance Business Law, Kirameki Life increases provisions to underwriting reserves using the current year earnings in addition to providing an amount calculated with the five-year Zillmer Method.

Note: The standard underwriting reserve is a reserve based on the Insurance Business Law in accordance with provision methods and assumption rates stipulated by supervisory authorities with a view toward maintaining the soundness of insurance companies and protecting policyholders.

Pro forma net income, which is net income before provision for standard underwriting reserve as used in the computation of Group Core Profit, declined ¥2.5 billion to ¥4.3 billion. This decrease mainly reflected the impact of a change in the calculation method for the underwriting reserve to one with more conservative assumption rates, which was adopted along with a revision in premium rates in April 2007. Without this change, pro forma net income would have increased ¥0.6 billion from the previous fiscal year to ¥7.5 billion.

Embedded Value (EV) at the end of fiscal 2007 stood at ¥175.2 billion, up ¥15.8 billion from the previous fiscal year-end. Looking at a breakdown of the increase in EV, the value of new contracts accounted for ¥5.3 billion, expected earnings from EV as of the end of the previous fiscal year accounted for ¥7.7 billion, and the difference between estimation and actual results accounted for ¥7.8 billion. On the other hand, changes in interest rates and other investment-related factors subtracted ¥5.0 billion.





Fiscal 2008 Results Forecast

In fiscal 2008, Kirameki Life expects its new policy amount (total of individual policies and individual annuities) to reach ¥1,791.6 billion, up 19.0% from the previous fiscal year, and the amount in force (total of individual policies and individual annuities) to reach ¥9,388.0 billion, an increase of 9.0%. Kirameki Life will again provide for the standard underwriting reserve, and thus expect net income of ¥20.0 million.

Kirameki Life has formulated Kirameki Next 10, a medium-term management plan running from fiscal 2006 to fiscal 2010 that is being carried out in conjunction with New Challenge 10, MSIG's medium-term management plan. Under Kirameki Next 10, Kirameki Life will strive to attain growth and contribute to the further development of MSIG by undertaking initiatives focused on five tasks: "promote cross-sales in the markets held by MSIG," "develop life insurance markets in new growth segments," "offer products/ services most suitable for customers," "carry out sales activities trusted by customers," and "improve corporate quality."

In its efforts to "promote cross-sales in the markets held by MSIG," Kirameki Life will continue to implement the "cross-sales promotion program" in order to raise the cross-selling rate.

In working to "develop life insurance markets in new growth segments," Kirameki Life will proactively allocate management resources, including establishing a specialist sales promotion department to work in cooperation with the Japan Post Group and the financial institution channels promising high growth.

To "offer products/services most suitable for customers," Kirameki Life will continue to promote sales centered on products for individual customers with installment payments of premiums and for death benefits, while also providing medical insurance products in line with efforts to offer appealing products that satisfy customer needs. Kirameki Life's strength is derived from its ability to develop unique products. These include life insurance products incorporating features of non-life products such as good driver discounts as well as medical insurance that has a "rider for advanced medical treatments," the first such actual expense-type rider in the life insurance industry.

Kirameki Life's initiatives to "carry out sales activities trusted by customers" will involve building a high-quality sales network and establishing a structure and organization for supporting this network. These efforts are directed toward properly ascertaining the intentions of customers and providing them with careful explanations of optimal coverage.

To "improve corporate quality," Kirameki Life will progress with "Business Process Innovation" to become even more trusted by its customers, which in turn will lead to further growth. Specifically, Kirameki Life is establishing a claims handling structure that ensures accurate, proper, and quick payment of insurance benefits. At the same time, Kirameki Life is taking steps for providing guidance on proper product suggestions and explanations as well as for preparing easy-to-understand sales tools for customers and for raising the convenience of contract procedures.

Looking at market trends from fiscal 2008 onward, we foresee a high possibility that the amount in force of individual policies will continue to decrease and that the number of policies in force of medical insurance and cancer insurance will continue to increase (see Note). Under these conditions, Kirameki Life will fully utilize the synergies obtained through the base of business shared with MSI, which includes a sales foundation and customer base. As specified in Kirameki Next 10, Kirameki Life will provide optimal coverage as widely as possible through high-quality sales activities, with the overall aim of attaining further growth.

Note: In the domestic life insurance market, the amount in force for individual policies was approximately ¥979 trillion at the end of fiscal 2007 and had recorded a decline year by year for the five-year period since the end of fiscal 2002. The amount in force for individual policies at the end of fiscal 2007 represents 81% of that at the end of fiscal 2002. On the other hand, the number of contracts for medical insurance and cancer insurance products continued expanding every year and amounted to approximately 36,695 thousand at the end of fiscal 2007, a rise of 32% from 27,839 thousand at the end of fiscal 2002. (Data source: The Life Insurance Association of Japan's Summary of Life Insurance Business.)

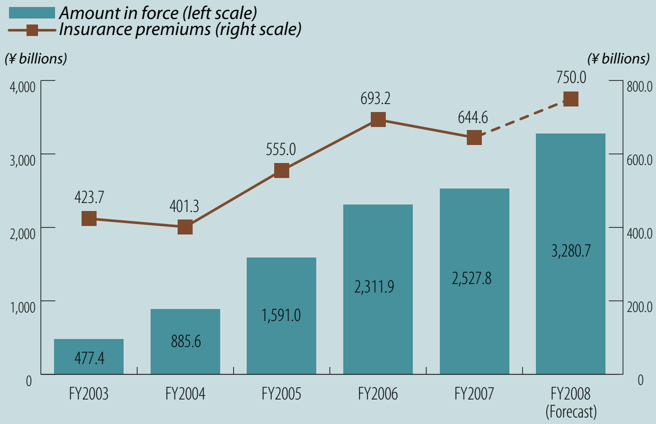
MITSUI SUMITOMO METLIFE INSURANCE

Fiscal 2007 Results

In fiscal 2007, income from insurance premiums of MSI MetLife amounted to ¥644.6 billion, down 7.0% from the previous fiscal year. The principal factors for this decline included a more careful approach to sales activities by sales agents along with the enactment of the Financial Instruments and Exchange Law at the end of September 2007. Another principal factor is that the overall market for individual annuities was slack due to a cooling of investment sentiment among potential customers amid a deteriorating investment environment triggered by the U.S. subprime loan problem. The amount in force increased 9.3% to ¥2,527.8 billion.

MSI MetLife posted a net loss (our equity share) of ¥6.2 billion, representing a ¥3.1 billion increase in the net loss compared with the previous fiscal year. The main reason for the net loss was that the deferral of the provision for operating

MSI MetLife
TRENDS OF POLICY AMOUNT IN FORCE AND INSURANCE PREMIUMS



expenses under Article 113 of the Insurance Business Law became unavailable in fiscal 2007, as the first five years of incorporation elapsed. Net income (our equity share) under U.S. GAAP, which is used in the computation of Group Core Profit, expanded ¥0.6 billion to ¥5.1 billion along with the expansion of amount in force.

Embedded Value (EV) at the end of fiscal 2007 stood at ¥110.6 billion, up ¥4.3 billion from the previous fiscal year-end. Looking at a breakdown of this increase, capital injection accounted for ¥5.1 billion, value of new contracts accounted for ¥11.0 billion, and expected earnings from EV as of the end of the previous fiscal year accounted for ¥9.5 billion. On the other hand, the difference between estimation and actual results subtracted ¥21.3 billion.

Fiscal 2008 Results Forecast

In fiscal 2008, income from insurance premiums of MSI MetLife is expected to increase 16.4% from fiscal 2007 to ¥750.0 billion, and amount in force is forecast to jump 29.8% to ¥3,280.7 billion. The net loss (our equity share) is expected to improve ¥1.7 billion to ¥4.5 billion along with an increase in amount in force.

To support its ongoing business expansion, MSI MetLife will implement the following strategies. First, at the sales level, MSI MetLife will increase sales agents which are financial institutions so that its network of sales agents covers Japan's all prefectures. As an especially noteworthy development, MSI MetLife was selected as one of only four insurers to sell individual annuity products through the Japan Post Group's sales channels, with sales activities commencing in May 2008. We will aim for a top share of this market. As a base for expanding previously mentioned sales channels, MSI MetLife plans to follow the opening of its training center in Tokyo with the establishment of a new training center in Osaka, which is situated in the heart of western Japan. MSI MetLife will thus strengthen its education and training for sales agents. MSI MetLife has been a step ahead of its competitors in accumulating know-how on education and training, and this serves as a crucial competitive strength.

At the product level, MSI MetLife will continue to promote sales of its highly unique "Lifetime Annuity with Early Commencement of Benefits" as its mainstay product. With this product, a minimum annual benefit is guaranteed for life and begins one year after the insurance premium is paid. The business risk accompanying this minimum benefit is hedged with reinsurance. MSI MetLife will also respond to inherent needs in fixed annuities by offering products with enhanced features.

As measures to "improve corporate quality," MSI MetLife will strengthen its administrative structure for customer protection in connection with insurance solicitation and annuity and insurance benefit payments. MSI MetLife will also fortify the functions of its call centers to raise customer satisfaction further.

Looking at the business environment from fiscal 2008 onward, we expect that sales activities in compliance with the new Financial Instruments and Exchange Law will be firmly in place and that the investment environment will stabilize as investment sentiment among potential investors recovers to a certain degree. Accordingly, we believe that the business environment will be conducive to recording an expansion in sales. Although the entry of new participants into the market will lead to intensifying competition, MSI MetLife views this as a beneficial factor in raising the awareness of variable annuities.

In fiscal 2007, the Life Insurance business recorded Core Profit of ¥9.4 billion through Kirameki Life's pro forma net income and MSI MetLife's net income (our equity interest) under U.S. GAAP combined. In fiscal 2008, Core Profit in the Life Insurance business is expected to decline to ¥7.5 billion, owing to the elevated burden of contract expenses for the first year of a contract that will accompany the increase in new contracts by Kirameki Life as well as upfront expenses by MSI MetLife for expanding sales capabilities. Nevertheless, by firmly implementing the aforementioned measures, we aim to achieve our target of recording Core Profit of no less than ¥20.0 billion, or 20% of Group Core Profit, in the Life Insurance business.

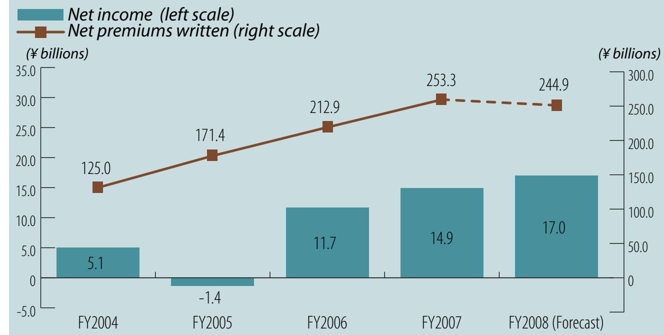
Overseas

In fiscal 2007, net premiums written in the Overseas business amounted to ¥253.3 billion, an increase of 19% or approximately ¥40.4 billion from the previous fiscal year. The primary factors propelling this rise were a ¥21.5 billion increase in Europe to ¥88.6 billion, and a ¥14.6 billion increase in Asia to ¥105.5 billion. Net income in the Overseas business in fiscal 2007 amounted to ¥14.9 billion, an increase of 27.4% or approximately ¥3.2 billion. Operations in Europe posted a ¥2.4 billion net loss, representing a ¥4.8 billion decline compared with net income recorded in the previous fiscal year. The decrease in Europe was attributable to the impact of flood damage in the United Kingdom in June and July 2007. Asia recorded a ¥3.3 billion increase in net income to ¥11.4 billion, while operations in the Americas posted net income of ¥1.2 billion in fiscal 2007, a ¥3.0 billion gain from a net loss of ¥1.8 billion in the previous fiscal year thanks to our efforts to acquire policies from Japanese corporate customers with favorable results. Net premiums written and net income expanded in the reinsurance business in fiscal 2007.

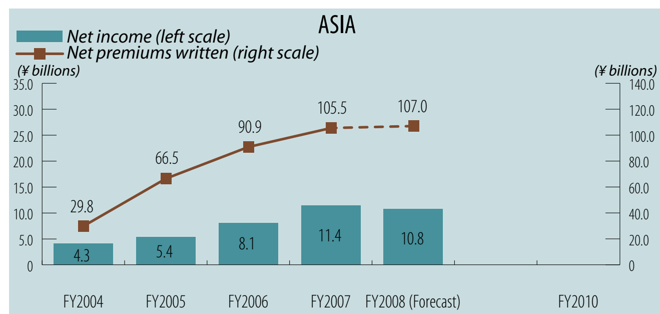
We have achieved steady growth in the Overseas business since fiscal 2004 and during the past three years have realized an approximately twofold increase in net premiums written. With the exception of fiscal 2005, when results were adversely affected by Hurricane Katrina, net income has continued to trend upward and has nearly tripled over the past three years. Since 2004, we have steadily increased our business results by taking proactive business expansion measures such as acquiring the Asian non-life insurance business of U.K.-based Aviva plc and Taiwan's second largest non-life insurance company, Mingtai Fire and Marine Insurance Co., Ltd. (currently MSIG Mingtai Insurance Co., Ltd.) We also steadily expanded our business at Lloyd's of London, now placing ourselves within the top third of Lloyd's syndicates.

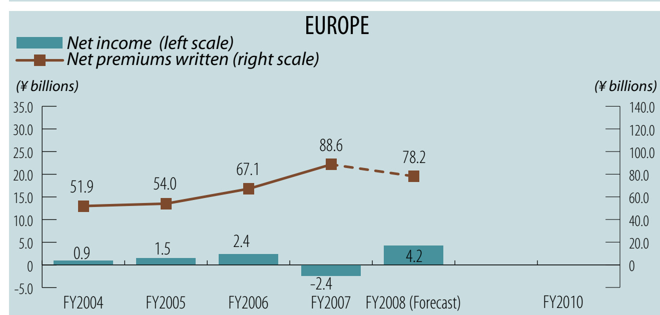
For fiscal 2008, we anticipate that net premiums written in the Overseas business will decline 3.3%, or approximately ¥8.4 billion, to ¥244.9 billion, due to the overall impact of the strong yen. On a local-currency basis, however, we foresee a rise in net premiums written. Despite the effects of exchange rate movements, we project that net income in the Overseas business in fiscal 2008 will rise 14%, or approximately ¥2.1 billion, to ¥17.0 billion, owing to a recovery in Europe, where operations were affected by flood damage in fiscal 2007.

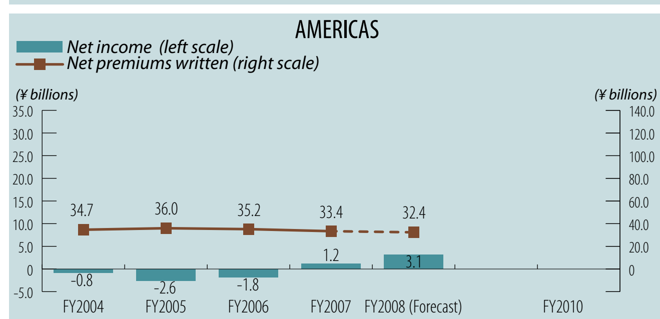
TRENDS IN OVERSEAS BUSINESS RESULTS

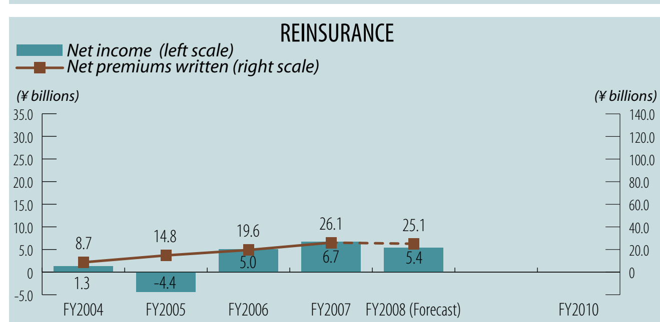


Trends in Region









Financial Services and Risk-Related

FINANCIAL SERVICES

In our financial guarantees operations, we are responding to clients' ever-diversifying needs other than fundraising by offering solutions that entail leading-edge securitization technologies. Meanwhile, we are strengthening our initiatives for financial guarantees reinsurance as we strive to expand earnings. With prolonged uncertainty in financial markets, we are adhering to a policy of taking a cautious approach to underwriting risk while keeping closely attuned to trends in the global economy and market conditions in real estate.

Regarding our Alternative Risk Transfer (ART) operations, in Japan and Asia we are working to expand sales of weather derivatives for hedging risk related to such weather elements as temperature, rain, and snowfall. MSI GuaranteedWeather, LLC., a wholly owned U.S.-based Group subsidiary that is a main global player in weather derivatives, underwrites weather risks in the Americas and Europe while carrying out global portfolio management of weather derivatives.

In defined contribution pension plans, we will promote expansion of MSIG-managed financial investment products used within corporate defined contribution pension plan schemes, while actively functioning as a pension management institution for small- and medium-sized companies.

In financial services for individuals, as an alternative to our housing loan products, expanded growth in the volume of Japan Housing Finance Agency FLAT 35 loans featuring long-term fixed interest rates is in turn driving an expansion in commission income. MITSUI SUMITOMO INSURANCE Loan Service has been recording an increase in the balance of loan guarantees, which are mainly for apartment loans.

Sumitomo Mitsui Asset Management is responding to diverse customer needs in asset management by offering a wide selection of high-quality professional asset management services, thereby steadily expanding its earnings.

MITSUI SUMITOMO INSURANCE Venture Capital provides not only financial support but also management support for investee enterprises as it strives to raise their corporate value. The company also actively identifies and nurtures university-originated ventures that have high potential and possess leading-edge technologies.

In fiscal 2007, Core Profit in Financial Services amounted to ¥2.35 billion. In fiscal 2008, we aim to secure Core Profit of ¥2.30 billion, the same level as in fiscal 2007, via efforts to offset a decline in profit in the financing guarantees business through increases in other businesses. In the future as well, we will utilize MSI's high credit rating, leading-edge financial technologies, solid customer base, and extensive sales network in working to diversify our earning sources and expand our profits.

RISK-RELATED

InterRisk Research Institute & Consulting is expanding its earnings with initiatives centered on consulting (building and operating management systems, preparing plans for implementing individual risk countermeasures, and providing education and training) for companies in all areas of risk management, including corporate social responsibility (CSR), enterprise risk management (ERM), business continuation management (BCM), the environment, and accident prevention.

American Appraisal Japan has steadily expanded its business results, primarily for asset appraisals associated with company acquisitions.

TRENDS IN CORE PROFIT (Figures for fiscal 2008 are forecasts.)

(¥ billions)

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
Financial Services business	1.61	2.60	1.69	2.35	2.30
Risk-Related business	(0.03)	(0.04)	(0.02)	(2.28)	(1.30)
Total	1.58	2.56	1.67	0.07	1.00

Mission Statement and Charter on Professional Conduct

We have formulated the Mission Statement, which clearly defines our ultimate mission, as well as the Mitsui Sumitomo Insurance Group Charter on Professional Conduct, which clarifies the fundamental rules of behavior for all the Group employees in realizing our mission. These serve as the core of all the Group's business activities.

MISSION STATEMENT

The Mission Statement is as follows.

Through insurance and financial services, we will
- Bring security and safety to people and businesses around the world, and make a lasting contribution to the enrichment of society
- Provide the finest products and services, and realize customer satisfaction
- Continuously improve our business, thereby meeting our shareholders' expectations and earning their trust

MSIG CHARTER ON PROFESSIONAL CONDUCT

We established and announced the Mitsui Sumitomo Insurance Group Charter on Professional Conduct as a pledge to our stakeholders that clarifies the conduct to which all the Group employees will adhere. With the aim of realizing the Mission Statement, the Charter encapsulates the spirit of our mission in terms of daily conduct and consists of the Preamble, the 7 Responsibilities and Our Conduct.

Preamble

The Preamble is as follows.

We, at the Mitsui Sumitomo Insurance Group, aspire to be a company that enjoys the trust of all members of society and inspires pride among its employees.
To this end, acting in the best interests of the insurance and financial services community, we:
- Accept, as life's mission, the provision of superior solutions to social concerns and risks;
- Place top priority on fair, impartial, and ethical conduct; and
- Constantly work to ensure adequate transparency through internal and external communication and extensive disclosure of information.

We, Mitsui Sumitomo Insurance Group, as the corporation's social responsibility, pledge to fulfill the 7 Responsibilities below.

7 Responsibilities

The 7 Responsibilities stipulate the responsibilities that we must fulfill for each of our seven categories of stakeholders, namely customers, shareholders, agents, business partners (subcontractors and suppliers), employees, local and international communities, and the environment. The basic stance concerning our responsibility to each stakeholder is clarified in the initial statement of the respective section for each stakeholder, and is followed by a list of specific actions. As an example, Responsibility to Shareholders is as follows.

Responsibility to Shareholders

We will fulfill shareholder expectations through the improvement of corporate value and appropriate return of profits.

1. We will aim for continual improvements in performance by creating a transparent, self-checking management structure and through the efficient utilization of business resources and appropriate risk management.
2. We will engage actively in IR (providing timely, unbiased information required in making investment decisions to shareholders and investors) both domestically and internationally, establishing dialogue with shareholders and investors.
3. We will not, under any circumstances, engage in any form of insider trading (trading stock with knowledge of critical undisclosed information).

The following are the opening statements for all the other stakeholder categories embodied in the 7 Responsibilities.

Responsibility to Customers

We will provide the highest quality risk solution services, with "customer satisfaction" as the foundation of all activities.

Responsibility to Agents

We will aim for co-prosperity through cooperation with agents, our "critical business partners."

Responsibility to Business Partners (subcontractors and suppliers)

We will maintain a sound relationship with business partners (subcontractors and suppliers), fulfilling our respective responsibilities to society.

Responsibility to Employees

We will provide a comfortable work environment for our employees that fosters a sense of satisfaction.

Responsibility to Local Communities and the International Community

We will build a hospitable relationship with regional and international societies and aim for mutual growth as a working member of these societies.

Responsibility to the Environment

With our eyes on the future, we will work toward the recovery and preservation of the Earth's natural environment.

Our Conduct

Our Conduct clarifies the appropriate behavior each Group employee should earnestly strive toward from the following five perspectives: "Foundation of Conduct," "Awareness in Daily Activities," "Focus on Communication," "Ensuring Compliance," and "When Unsure." As an example of what Our Conduct entails, "Foundation of Conduct" is indicated below.

- We recognize the absolute necessity of fair and just business practices for continual corporate progress and hereby agree to give utmost priority, in all circumstances, to the practice of ethical conduct.
- There shall be no discrimination on the basis of race, nationality, gender, age, occupation, social standing, faith, or disability.
- We pledge to build a trusting relationship with society by valuing information disclosure and fulfilling the aforementioned 7 Responsibilities.

Corporate Governance

BASIC POSITION

As a holding company overseeing all Group businesses, we have established a management framework that incorporates transparency and internal checking functions. In line with our Mission Statement, we are working to realize long-term stability and growth and to increase corporate value through efficient use of managerial resources and proper risk management.

Guiding these activities is the Mitsui Sumitomo Insurance Group Charter on Professional Conduct. The Charter manifests our commitment to fulfill our responsibilities to seven stakeholder groups including customers and shareholders. We are making efforts so that the Charter is instilled in all Group officers and employees as the fundamental values shared by them and as the basis for ensuring that our business activities are conducted in an appropriate and lawful manner. We are taking active steps to carry out New Challenge 10, our medium-term management plan, which specifies corporate governance, compliance, and risk management as key management issues.

MANAGEMENT STRUCTURE

In order to manage the businesses of the entire Group effectively and seek to maximize its corporate value, we properly exercise our right as a shareholder with regard to our four immediate subsidiaries: MSI, Kirameki Life, MSI MetLife, and Mitsui Direct.

We have concluded a management agreement with our immediate subsidiaries. Based on this agreement, we require them to comply with the Group basic policies and to seek approval from or report to us on material issues. Additionally, each immediate subsidiary is called upon in turn to manage its own subsidiaries.

We formulate the Group management plan. In order to realize this plan, we also set numerical targets for each of the Group's business domains and allocate managerial resources properly. We report on how the businesses at MSIGH and its subsidiaries are executed to the Board of Directors.

Internal and outside Directors of MSIGH concurrently serve as Directors of the immediate subsidiaries for the following two reasons. The first is to raise management transparency of the immediate subsidiaries from a shareholder perspective in consideration of the fact that it has been said that a holding company structure tends to lead to a decline in transparency of the management of subsidiaries, which are the source of profits. The second is for the Board of Directors to have specific knowledge and the most recent information on the businesses of the immediate subsidiaries.

FUNCTIONS OF MANAGEMENT DECISION MAKING AND SUPERVISION, NOMINATION AND REMUNERATION, EXECUTION OF BUSINESS, AND AUDITS

Management Decision Making and Supervision

Composition of the Board of Directors

In order to realize substantial discussions by the Board of Directors, we limit the number of Directors to 15. The Chairman chairs the Board and does not serve as the chief executive officer from the standpoint of separating supervision and execution.

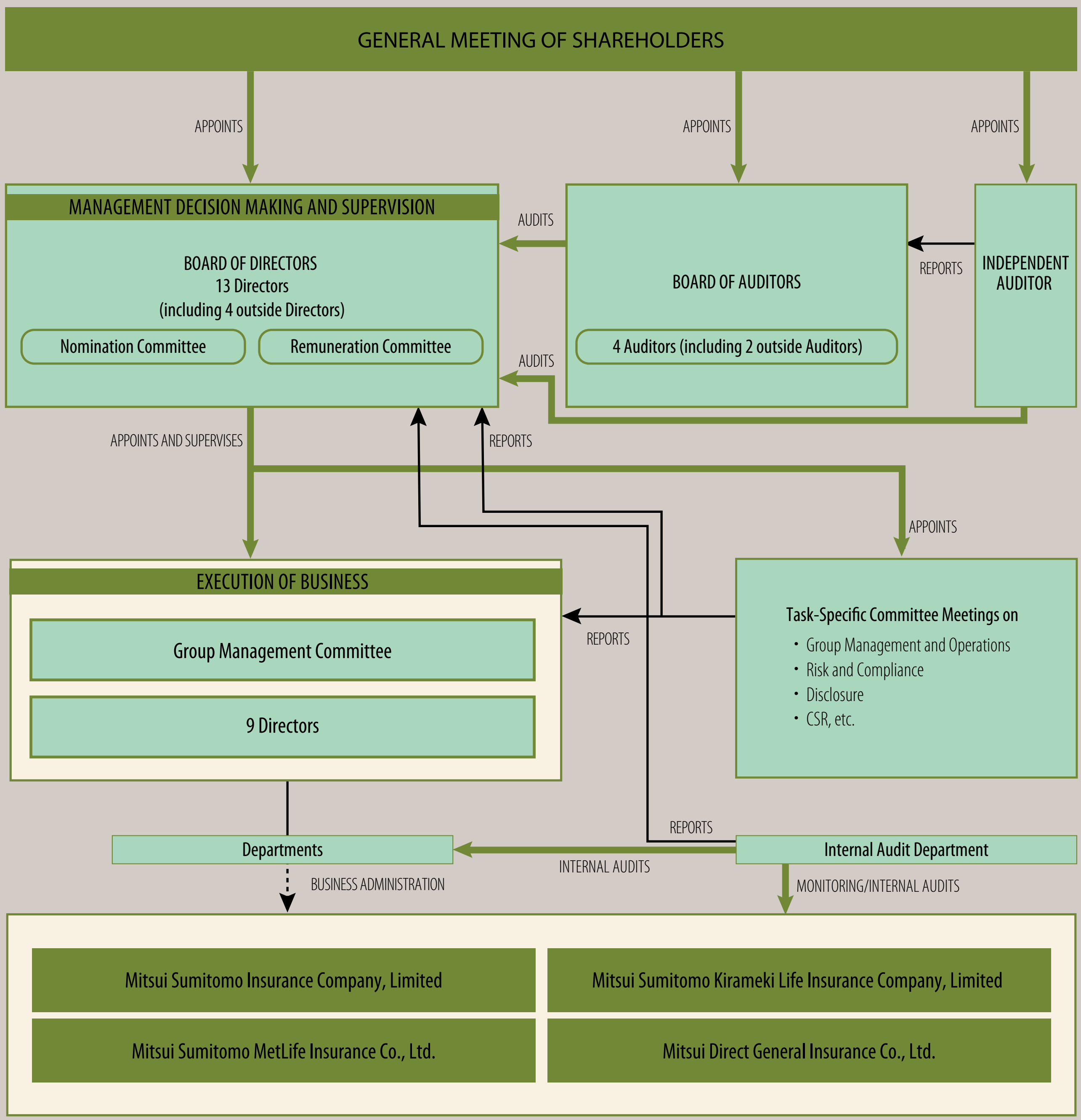
We believe that it is crucial to incorporate perspectives that are independent of those of management as a means of reinforcing monitoring and supervising functions of management and making management processes transparent. We therefore have elected four of the 13 Directors and two of the four Auditors of the Board from outside.

Outside Directors are persons who are formerly CEO of a large corporation, an attorney at law, a researcher in corporate ethics, and a legal scholar. These persons aptly reflect their rich professional experience, knowledge, and insights in the context of the management of MSIGH. We provide support for outside Directors through the Corporate Planning Department in order for them to obtain sufficient information. Please refer to "Directors, Executive Officers, and Auditors of the Board" (pages 34-35) for the primary responsibility of each outside Director. The average rate of attendance of the four outside Directors at the Board meetings of MSI in fiscal 2007 was 96%.

Functions of the Board of Directors

The Board of Directors possesses functions such as decision making on material managerial issues, supervision of Directors, and formulation of MSIGH's medium- to long-term strategies and basic policies. The Board of Directors has formulated the Basic Policy on Internal Control system. Based on this policy, a Representative Director has built our internal control system and is operating it properly.

CORPORATE GOVERNANCE STRUCTURE



Directors report to the Board of Auditors, in addition to reporting on matters prescribed by law, decisions that may have a significant impact on our business or organization, the results of internal audits, and the status and contents of reports made under the internal reporting system. The Chairman, President and Representative Directors exchange opinions with the Board of Auditors on a regular basis.

Nomination and Remuneration

We have established the Nomination Committee and the Remuneration Committee as internal committees of the Board of Directors and thus ensure management transparency. These committees are both chaired by an outside Director, and outside Directors account for the majority of members in each committee.

The Nomination Committee deliberates and advises the Board of Directors on important nomination matters such as nominees for Directors and Auditors of the Board and appointment of Directors and Auditors of the Board for the immediate subsidiaries.

The Remuneration Committee advises the Board of Directors on matters related to remuneration of Directors as well as the executive compensation system of the immediate subsidiaries. In order for the Remuneration Committee to function sufficiently, there are no interlocks of Directors or Auditors of the Board between MSIGH and the entities to which the members the Remuneration Committee belong.

We disclose the total amounts of remuneration for all Directors, all outside Directors, all Auditors of the Board, and all outside Auditors of the Board. Directors and Auditors of the Board receive compensation in cash. We have obliged eight Directors who execute businesses of MSIGH or MSI out of the nine internal Directors to buy our stocks monthly at the market price by a specified amount of money or more based on the remuneration rules that apply. We have no stock option grants. We do not make any loans to Directors and Auditors of the Board. We do not have any pension plans for Directors and Auditors of the Board, and do not make any lump-sum payments to them upon retirement.

Execution of Business

The members of the Group Management Committee comprise internal Auditors of the Board and internal Directors who are responsible for the issues that the Committee is supposed to discuss. The Committee monitors the execution of business by deliberating on certain key issues for MSIGH and the Group, such as management policy and strategy and by reviewing reports on decisions made under the authority of the officers. MSIGH requires relevant officers of the immediate subsidiaries to attend the Group Management Committee meetings as necessary to cultivate synergies of the Group.

Moreover, we have task-specific committee meetings for the purpose of deliberating on executive key issues and realizing proper coordination in communicating the opinions of relevant departments. The main committee meetings are as follows.

The Group Management and Operations Committee Meeting (basically convenes two times a month) is tasked with assuring financial soundness and appropriateness of risk management and operations of our subsidiaries by reviewing reports on matters deliberated at meetings of the Boards of Directors and the management committees of our immediate subsidiaries.

The Risk and Compliance Committee Meeting (basically convenes four times a year) monitors the status of risk management and compliance structure of the Group as well as deliberates on and coordinates key issues related to risk management and compliance.

The Disclosure Committee Meeting (basically convenes four times a year) examines internal procedures and evaluates the effectiveness of internal controls so that our corporate information, including financial data, is appropriately disclosed.

The CSR Committee Meeting (basically convenes two times a year) is to tasked with optimizing the total balance of CSR activities as a whole, to advance their level, and to manage their progression, aimed at ultimately enhancing the corporate value of the Group and ensuring its sustained development.

Audits

Board of Auditors

The Board of Auditors consists of four Auditors, two of whom are outside members. Outside Auditors currently in office are a certified public accountant and an attorney at law, whose rich professional knowledge and experience are being reflected in auditing MSIGH. We provide support for outside Auditors of the Board through the Corporate Auditor's Office. Please refer to "Directors, Executive Officers, and Auditors of the Board" for the primary responsibility of outside Auditors. The person who is currently Auditor of the Board and was Auditor of the Board of MSI in fiscal 2007 attended all Board meetings in fiscal 2007.

The Corporate Law of Japan stipulates that an Auditor of the Board is an institution independently appointed and trusted by shareholders. An Auditor of the Board is to audit the execution of tasks of Directors on his own responsibility in accordance with the purposes of the Corporate Law and related ordinances. Based on the audit policies and plans formulated by the Board of Auditors, each Auditor of the Board audits the performance of the Directors, internal controls, and other matters by attending key meetings, including the Board of Directors and the Group Management Committee meetings, as well as reviewing important settlement documents, auditing internal departments, and checking on subsidiaries. In addition, an Auditor of the Board may utilize outside advisors at MSIGH's expense as required.

Employees are allowed to report directly to the Board of Auditors on any unfair activities and legal violations that are of significance to the management of MSIGH and on facts that could damage MSIGH severely.

Independent Auditor

KPMG AZSA & Co. is appointed as the Independent Auditor of MSIGH. In accordance with the purposes of the Corporate Law and related ordinances, the Independent Auditor audits financial statements and accompanying documents both on a consolidated and non-consolidated basis. KPMG AZSA & Co. and MSIGH do not have any relationship of special interest.

Internal Audit Department

MSIGH and its immediate subsidiaries maintain an internal audit structure tailored to all business activities within the Group in accordance with the "Mitsui Sumitomo Insurance Group Basic Policy on Internal Audits." The Internal Audit Department of MSIGH reports to the Board of Directors on important matters from the results of internal audits conducted by MSIGH and its immediate subsidiaries, as well as improvements being made following such audits.

Cooperation among Corporate Auditors, Independent Auditor, and Internal Audit Department

Auditors of the Board regularly meet with the Independent Auditor and receive reports and explanations regarding plans, progress, and results of audits as well as discuss issues related to audits as necessary.

Auditors of the Board also regularly meet with the Internal Audit Department and exchange opinions and other information on the policy and progress of audits. All the results of audits by the department are reported to Auditors of the Board. The department also assists in audits conducted by Auditors of the Board upon request.

STRUCTURE FOR ENSURING THE RELIABILITY OF FINANCIAL REPORTING

To ensure the reliability of its financial reporting, MSIGH appoints at least one person who possesses sufficient knowledge in accounting or finance as Auditor of the Board. The Disclosure Committee Meeting verifies the state of the establishment and operation of internal controls for the financial reporting of MSIGH and Group companies as well as the effectiveness of disclosure control while reporting all significant deficiencies uncovered to the Board of Directors.

In June 2006, the former Securities and Exchange Law was comprehensively revised and the Financial Instruments and Exchange Law was enacted. Several clauses of the new law prescribe the necessary internal control structures for financial reporting. In accordance with these stipulations, MSIGH and other listed companies are required to submit an Internal Control Report to the Japanese Prime Minister for any business year starting on April 1, 2008 or thereafter.

With the enactment of the U.S. Sarbanes-Oxley (SOX) Act in July 2002, MSIG began building a structure for internal control of financial reporting and evaluating it at MSI, which is the core immediate subsidiary at present, and has actively promoted initiatives in this area. Starting from fiscal 2005, MSI has autonomously evaluated its internal control for financial reporting, and based on the results of the evaluation, it voluntarily has submitted "certification" (certification by a representative of the accuracy of the details contained in the report based on the former Securities and Exchange Law) attached to its Securities Report to the pertinent authorities. We believe that we can also respond smoothly to the mandatory submission of the aforementioned Internal Control Report from fiscal 2008.

DIRECTORS, EXECUTIVE OFFICERS, AND AUDITORS OF THE BOARD

Front row (from left to right):
Toshihiro Nakagawa *Senior Managing Director,* Mitsui Sumitomo Insurance Group Holdings, Inc.
Yoshiaki Shin *Chairman,* Mitsui Sumitomo Insurance Group Holdings, Inc. *Chairman,* Mitsui Sumitomo Insurance Company, Limited
Toshiaki Egashira *President,* Mitsui Sumitomo Insurance Group Holdings, Inc. *President, Chief Executive Officer,* Mitsui Sumitomo Insurance Company, Limited
Isamu Endo *Senior Managing Director,* Mitsui Sumitomo Insurance Group Holdings, Inc.

Back row (from left to right):
Takeshi Kurioka *President and Chief Executive Officer,* Mitsui Sumitomo MetLife Insurance Co., Ltd.
Shizuka Sasaki *President, Chief Executive Officer,* Mitsui Sumitomo Kirameki Life Insurance Company, Limited
Shigeru Kondo *President, Chief Executive Officer,* Mitsui Direct General Insurance Co., Ltd.

MITSUI SUMITOMO INSURANCE GROUP HOLDINGS, INC.

Hiromi Asano
Director

Katsuaki Ikeda
Director

Hitoshi Ichihara
Director

Yasuyoshi Karasawa
Director

Susumu Fujimoto
Director

Eiko Kono *1
Director (outside)

Kenji Koroyasu *2
Director (outside)

Iwao Taka *3
Director (outside)

Toshihiko Seki *4
Director (outside)

Takashi Yamashita
Auditor of the Board

Yoshio Iijima
Auditor of the Board

Sosuke Yasuda *5
Auditor of the Board (outside)

Daiken Tsunoda *6
Auditor of the Board (outside)

Notes:
1. *Senior Advisor,* Recruit Co., Ltd., Formerly *Chairperson of the Board and CEO,* Recruit Co., Ltd.
2. *Attorney-at-Law Of Counsel,* Tokyo Eiwa Attorneys At Law, Formerly *Superintending Public Prosecutor,* Osaka High Public Prosecutors Office
3. *Professor,* Reitaku University International School of Economics and Business Administration and *Chief Director,* Reitaku University Business Ethics and Compliance Research Center
4. *Honorary Professor,* Tohoku University *Professor,* Hosei University Law School
5. *Managing Partner,* Gyosei & Co.
6. *Attorney at Law,* Nakamura, Tsunoda & Matsumoto

(As of July 1, 2008 unless otherwise noted)

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Hiromi Asano
Director, Senior Executive Officer

Kazuo Kondo
Senior Executive Officer

Ichiro Iijima
Senior Executive Officer

Yasuyoshi Karasawa
Director, Senior Executive Officer

Koichi Kubota
Director, Managing Executive Officer

Katsuaki Ikeda
Director, Managing Executive Officer

Hideharu Nishida
Managing Executive Officer

Hitoshi Ichihara
Director, Managing Executive Officer

Toshio Irie
Managing Executive Officer

Hironobu Namba
Managing Executive Officer

Koji Amano
Managing Executive Officer

Susumu Fujimoto
Director, Managing Executive Officer

Keizou Yamamoto
Managing Executive Officer

Yukihiro Kawazu
Director, Managing Executive Officer

Junichi Ui
Managing Executive Officer

Masamichi Irie
Managing Executive Officer

Katsuhiko Kaneyoshi
Managing Executive Officer

Makoto Toyoshima
Executive Officer

Yukio Higuchi
Executive Officer

Susumu Ichihara
Executive Officer

Yasuo Kishimoto
Executive Officer

Syuhei Horimoto
Executive Officer

Hirofusa Matsukuma
Executive Officer

Mitsuaki Matsumoto
Executive Officer

Jun Utamaru
Executive Officer

Masaaki Nishikata
Executive Officer

Tetsuro Kihara
Executive Officer

Toshihide Okazaki
Executive Officer

Atushi Yagi
Executive Officer

Seiichi Ota
Executive Officer

Noriyuki Hara
Executive Officer

Yuji Nishio
Executive Officer

Shirou Fujii
Executive Officer

Eiko Kono
Director (outside)

Kenji Koroyasu
Director (outside)

Iwao Taka
Director (outside)

Kenichi Enami
Auditor of the Board

Kazuo Araya
Auditor of the Board

Takashi Yamashita
Auditor of the Board

Sosuke Yasuda
Auditor of the Board (outside)

Megumi Sutou
Auditor of the Board (outside)

Kuniaki Nomura
Auditor of the Board (outside)

MITSUI SUMITOMO KIRAMEKI LIFE INSURANCE COMPANY, LIMITED

Michio Hatakeyama
Director, Vice President Executive Officer

Takanobu Nakata
Director, Managing Executive Officer

Takashi Miyaoka
Director, Executive Officer

Kenji Fujimori
Director, Executive Officer

Akira Nagatomi
Director (outside)

Toshihiro Nakagawa
Director

Hiromi Umemoto
Executive Officer

Shoichiro Miura
Auditor of the Board

Nobutaka Hayasaki
Auditor of the Board (outside)

Hiroyuki Hata
Auditor of the Board (outside)

MITSUI SUMITOMO METLIFE INSURANCE CO., LTD.

(As of August 1, 2008)

Toshihiro Hirose
Representative Director, COO

Toshihiro Iwakuma
Director and Chief Marketing Officer

Takeshi Seki
Director and Chief Financial Officer

Isamu Endo
Director (outside)

Eugene Marks
Director (outside)

Yoshio Yazaki
Auditor of the Board (outside)

Yasuo Tsutsumi
Auditor of the Board (outside)

Taketo Hashizume
Auditor of the Board (outside)

MITSUI DIRECT GENERAL INSURANCE CO., LTD.

Kazuo Kawakami
Director, Vice President Executive Officer

Akihiro Umeda
Vice President Executive Officer

Yoshio Saito
Director, Managing Executive Officers

Tadasu Kozuka
Director (outside)

Toshihiro Nakagawa
Director (outside)

Shigeyuki Goto
Director (outside)

Hiroshi Kusakabe
Auditor of the Board (outside)

Koji Hara
Auditor of the Board (outside)

Nobuo Kunihiro
Auditor of the Board (outside)

Risk Management

BASIC POLICY

The business environment for MSIG is constantly changing due to the growing complexity of society and economies in which MSIG operates, making the risks affecting the management of MSIG larger in scale and more diversified. We tackle risk management as one of our foremost priorities, highlighting our commitment to enhancing corporate value and to fulfilling our responsibility to customers, shareholders, and other stakeholders by taking sound and appropriate risk measures.

Our risk management measures are aimed ultimately at raising MSIG's corporate value, financial soundness, capital efficiency, and profitability by managing the various risks in pursuit of our management targets in consideration of the relationships between these risks and shareholders' equity.

RISK MANAGEMENT STRUCTURE

The Board of Directors of MSIGH has formulated the Basic Policy on Group Risk Management, a fundamental principle on risk management to be shared by all Group companies. In accordance with this basic policy, Group companies have each established risk management policies suited to their respective business and are implementing risk management based on these principles. Each Group company is to manage the risks related to its particular business, whereas MSIGH oversees risk management throughout MSIG. MSIGH has therefore established the Risk and Compliance Committee and Corporate Risk Management Department to monitor the state of risks and risk management of MSIG as a whole.

Furthermore, MSIGH engages in integrated risk management through quantification of risks in order to implement risk management of MSIG as a whole that takes into consideration the relationship between risk and shareholders' equity. Specifically, quantifying risks by Value at Risk (VaR), MSIGH monitors the status of risks of each Group company for each principal risk category. Further, we have established response measures when there is any conflict with risk limits. We integrate risk exposure for the entire Group and compare the total risk exposure with net asset value as part of efforts to confirm the soundness of our management regularly. Along with these measures, we perform verifications that assume various stress scenarios such as large-scale disasters or a deterioration of financial markets.

PRINCIPAL RISKS AND RISK MANAGEMENT POLICIES

By eliminating diffusion, maldistribution, and concentration of risks, MSIG works to ensure that the risks of Group companies do not have a negative impact on the soundness of each Group company or MSIG as a whole. We categorize and manage risks as follows.

Insurance Underwriting Risk

Insurance underwriting risks are risks associated with insurance losses caused by volatility in economic trends or the rate of accidents that differ significantly from the projections on which the premiums have been set.

We will realize stable and sound underwriting and claims payment in the future by setting and applying appropriate premium rates and thus retaining an adequate level of reserves to cover social or economic contingencies and/or natural disasters.

Investment Risk

Investment risks are risks for losses caused by fluctuations in asset value or asset management unsuitable to the characteristics of our liabilities. Understanding that our assets are the very resource with which we fulfill our responsibility to policyholders, we will work to ensure the soundness of assets and achieve stable profitability.

Operational Risk

Operational risk covers all types of risk other than those categorized as insurance underwriting or investment risks. They include liquidity risk, transaction risk, information risk, legal risk, and accident/disaster risk.

Liquidity Risk

We will maintain an effective system that prevents cash shortages and allows swift delivery of capital sufficient to cover payments of large claims in case of a natural disaster such as a major earthquake or other contingencies and repayments of unearned premiums.

Transaction Risk

We work to prevent mistakes and misconduct and to execute business transactions properly, recognizing their potential in all aspects of our operations.

Information Risk

With respect to data and information that we possess for our business as well as the systems that process and manage information, we will assure confidentiality (protection from unauthorized access), completeness (maintaining impartiality), and availability (assuring uninterrupted access), and execute business and conduct operations properly.

Legal Risk

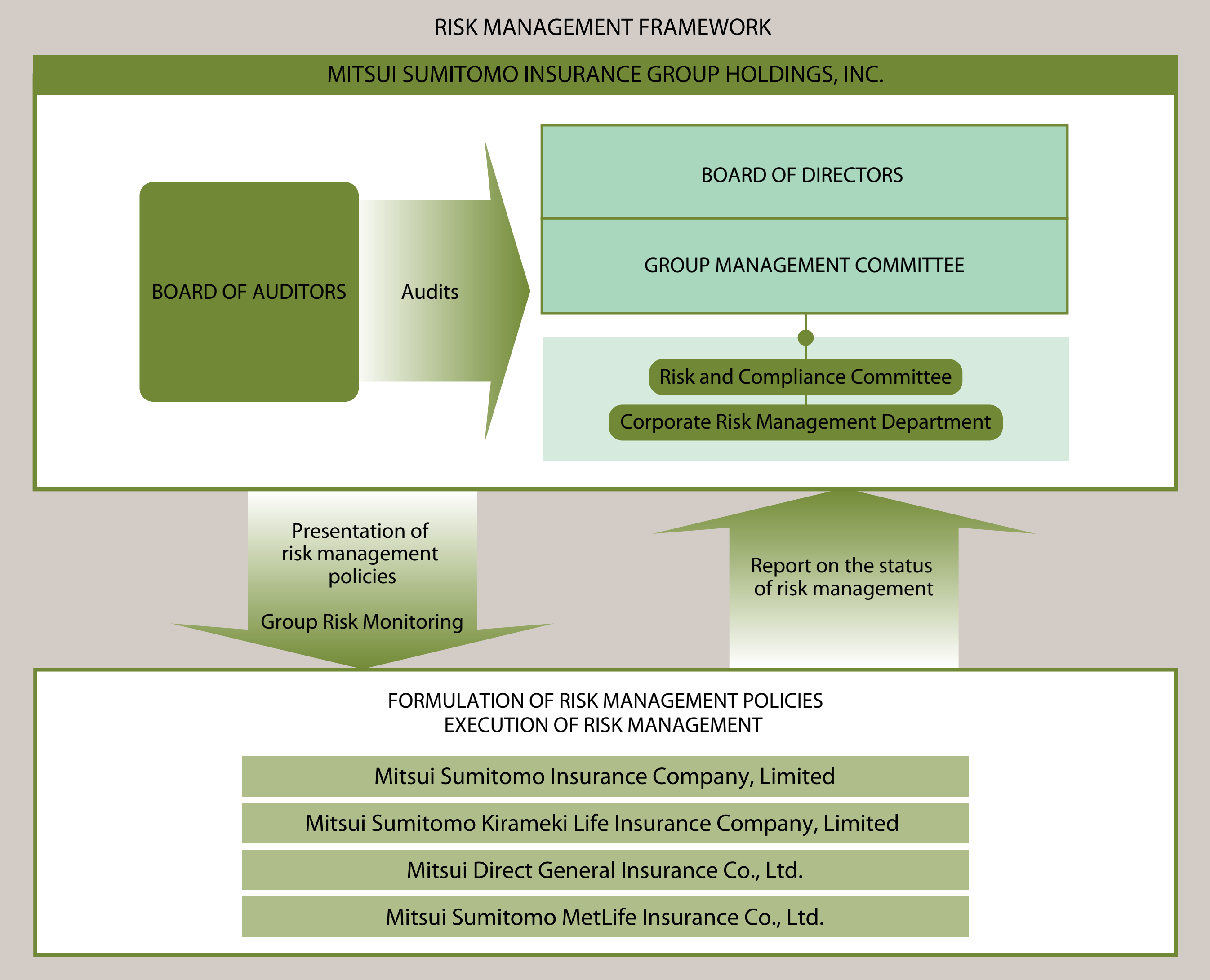
We will maintain an appropriate legal check system so as to avoid unforseen liabilities resulting from execution of our business.

Accident/Disaster Risk

We take preventive measures and devise proper response to disasters, accidents, and criminal conduct which may have adverse impact on our employees and/or our assets.

CRISIS MANAGEMENT STRUCTURE

In preparation for the emergence of any crisis that could have an impact on the Group, each Group company has formulated its own crisis management manual and business continuity plan that prescribe response countermeasures for any contingencies and also works to assure the effectiveness of these measures through the implementation of training. MSIGH promotes and confirms the state of these measures at each Group company.



Compliance

BASIC POLICIES ON COMPLIANCE

In order for companies to sustain ongoing development, it is imperative to carry out their business activities in strict adherence to laws while maintaining the highest sense of ethics. MSIG positions the Mitsui Sumitomo Insurance Group Charter on Professional Conduct, which is the basis for the fundamental values shared by all Group officers and employees and for the execution of appropriate and lawful corporate activities, as its fundamental policy for compliance. Each insurance company in MSIG is nurturing an awareness of compliance among all officers and employees through the formulation and implementation of its own compliance policy, which is based on the Charter, and other measures.

COMPLIANCE PROMOTION STRUCTURE

Within MSIGH, we have established the Compliance Department for overseeing all compliance-related matters of MSIG. At each Group insurance company, a compliance department that covers compliance-related issues within its own domain is responsible for planning and advocating compliance policies and measures for employees and agents as well as rules for business operations pertaining to insurance solicitation. Such a department is also strengthening functions for investigating facts in the event that any improprieties are found to have occurred.

SPECIFIC COMPLIANCE ACTIVITIES

Compliance Program

Each Group insurance company has formulated its Compliance Program as a company-wide practical compliance plan subject to approval of the Board of Directors. Moreover, each company reports the state of implementation and issues concerning compliance programs regularly to its Compliance Committee or the Board of Directors.

Compliance Manual

Each Group insurance company has published a Compliance Manual, which contains compliance policies, rules for obeying laws, laws to be observed by all officers and employees, as well as explanations of actual examples of compliance matters. Distributing the Compliance Manual to all officers and employees and implementing training and tests, each company is facilitating a thorough familiarization with basic matters concerning compliance. In addition, each company has developed a compliance structure for investigating and responding to improprieties quickly by providing clear directions in the Compliance Manual on where to report any conduct that could be construed as a legal violation.

Compliance Training

Based on the aforementioned Compliance Program, each Group insurance company formulates and implements education and training plans for employees and sales agents each fiscal year. These efforts are made to heighten awareness of the importance of adhering to laws as well as to increase knowledge about laws and internal rules.

Compliance Inspections

Each Group insurance company implements various inspections with the aims of preventing any improprieties and responding quickly should such misconduct occur. For example, MSI carries out Agent Operation Inspections for the purpose of evaluating the propriety of agents' solicitation practices and improving improper operations, thereby providing guidance. Furthermore, MSI conducts autonomous monthly inspections called Business Operation Inspections, which are intended to detect and rectify improper operations early on. In addition, MSI has established biannual Compliance Strengthening Months, during which we strive to identify any overlooked improprieties from a perspective that differs from the focus of Agent Operation Inspections and Business Operation Inspections.

Other Group insurance companies undertake inspections that consider compliance-related issues in accordance with each company's particular business model.

Monitoring Activities Undertaken by the Holding Company

The Compliance Department of MSIGH monitors the compliance structures and status of promoting these structures for all Group insurance companies. By doing so, the Compliance Department ascertains the state of compliance for the entire Group and then reports on any relevant matters to management. Also, the Liaison Council for Compliance Departments works to strengthen the Group's compliance structure by sharing awareness, knowledge, and know-how on compliance-related issues.

Corporate Social Responsibility

Corporations co-exist with various stakeholders within society. Therefore, to ensure sustainable and ongoing growth, it is essential that corporations fulfill their social responsibilities on every front, which includes ensuring fair business practices, providing enhanced products and services, tackling environmental issues, and promoting social contribution activities.

As previously mentioned, the Mission Statement articulates MSIG's mission to "bring security and safety to people and businesses around the world, and make a lasting contribution to the enrichment of society." Additionally, our main business of insurance, existing as a framework for mutual cooperation, requires fair and unbiased operations of the highest standards and contributes to the stabilization of the economy and society through providing compensation for unforeseen losses to corporations and individuals as well as assistance in mitigating and resolving of risks.

In view of these characteristics, we believe that CSR activities trace back to the origins of the business of insurance. Under New Challenge 10, our medium-term management plan, our Basic Group Strategy calls for "Achieving CSR management through 'quality' improvement from the customer's perspective, 'trust' and 'growth'." The examples that follow demonstrate MSIG's approach to CSR.

Listening to the Voices of Customers

In order to provide products and services that satisfy our customers, we pay keen attention to the voices of customers and work in turn to reflect these opinions in our operations. In accordance with the Group's Basic Policy on Complaints Response, we respond to each "statement of dissatisfaction" from a customer in a quick, appropriate, and sincere manner. We actively collect and analyze customers' opinions as valuable information for improving quality and utilize them in the development and improvement of our products and services.

On July 1, 2007, MSI and Kirameki Life became the first Japanese insurers to announce the implementation and proper operation of a complaint response management system that conforms to ISO10002 standards.

Transfer of Advanced Non-Life Insurance Skills in Asia

Regarding the Overseas business, we believe that our growth can only be achieved with corresponding growth of the local insurance markets in each country. Acting on this rationale, we contribute to the development of insurance markets in Asian countries and hence the sound development of their insurance industry. To this end, we have held training sessions on non-life insurance skills for local insurers and insurance regulators and provided support for the establishment and operation of premium calculating bodies.

Approach to Global Warming

In terms of our Responsibility to Customers and Responsibility to the Environment, we believe that it is our crucial mission to inform customers and prepare them for various risks that accompany global warming by means of the products and services we provide. Among such products and services that we offer are weather derivatives that help mitigate the risk of a decline in revenues resulting from such weather-related factors as unseasonably warm winter weather, prolonged periods of rain, or strong winds. We also offer related services for businesses, such as computing probable losses that may be caused by natural disasters and providing consultation on measures for minimizing such losses.

Also, by acquiring ISO14001 certification, MSI is striving to contribute to the control of global warming by reducing CO_2 emissions resulting from use of gasoline and electricity in our business activities. MSI is Japan's only financial institution with nationwide operations that has obtained ISO14001 certification at all domestic locations. MSI is thus committed to promoting initiatives group-wide for addressing environmental issues.

Tropical forest regeneration project in the Paliyan Wildlife Sanctuary in Indonesia

In addition to these efforts related to our business operations, we are also addressing global warming even outside the spheres of our business operations. For example, we are participating in a tropical forest regeneration project on the island of Java in the Republic of Indonesia. This project involves rehabilitating and regenerating a tropical forest in the Paliyan Wildlife Sanctuary by planting trees on land deforested by illegal logging. The plans call for planting 300,000 trees during the six-year period beginning April 2005.

MSIG's CSR initiatives are reported in detail in *CSR Report 2008*. For those who would like a copy of this report, please contact us at the following address.

Mitsui Sumitomo Insurance Group Holdings, Inc.
Corporate Planning Department, CSR Section
E-mail: aaa703_csr@ms-ins.net

History

MSI was formed in October 2001 through a merger between the former Mitsui Marine & Fire Insurance Co., Ltd. ("Mitsui Marine") and the former The Sumitomo Marine & Fire Insurance Co., Ltd. ("Sumitomo Marine").

Mitsui Marine and Sumitomo Marine were leading non-life insurance companies boasting long histories, having been established in 1918 and 1893, respectively.

In 1996, along with the implementation of the new Insurance Business Law, Mitsui Marine established Mitsui Mirai Life Insurance Co., Ltd. and Sumitomo Marine established The Sumitomo Marine Yu-Yu Life Insurance Co., Ltd., thereby entering the life insurance business. In October 2001, these two life insurance companies merged to form Kirameki Life.

The following are the principal corporate milestones following the establishment of MSI and Kirameki Life.

2001	November	Mitsui Mutual Life Insurance Company (at the time), Sumitomo Life Insurance Company, MSI, and Sumitomo Mitsui Banking Corporation formed a comprehensive alliance covering all aspects of operations
2002	January	Mitsui Sumitomo Insurance Group Holdings (USA), Inc. established
	February	BPI/MS Insurance Corporation established as a joint venture in the Philippines
	April	American Appraisal Japan Co., Ltd. established
	September	Korea Branch of MSI opened in Seoul (the first to be opened by a Japanese non-life insurance company)
	October	Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd. ("MSI Citi"), a company handling variable annuities, commenced operations
	December	Sumitomo Mitsui Asset Management Company, Limited established (an asset management company jointly established by Mitsui Mutual Life Insurance Company (at the time), Sumitomo Life Insurance Company, MSI, and Sumitomo Mitsui Banking Corporation)
2003	April	Cholamandalam-MS General Insurance Company Limited established as a joint venture in India
	September	Entered into the corporate rehabilitation business (jointly with Sumitomo Mitsui Banking Corporation and Daiwa Securities SMBC Principal Investments Co. Ltd.)
2004	February	Entered the China market (received authorization for underwriting local policies)
	March	Investment made in Bangkok Life Assurance Ltd. of Thailand, marking our entry into the life insurance business in Asia outside Japan
	April	Investment made in Asia Insurance (Cambodia) Plc., completing our network in ASEAN countries
	May	Operational and capital alliance established with Tokai Tokyo Securities Co., Ltd.
	September	Acquired the Asian non-life insurance business of Aviva plc of the United Kingdom
2005	April	Acquired Mingtai Fire and Marine Insurance Co., Ltd. (currently MSIG Mingtai Insurance Co., Ltd.) of Taiwan
	October	Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd. changed its name to Mitsui Sumitomo MetLife Insurance Co., Ltd. ("MSI MetLife") due to a change at the joint venture partner
2007	March	Mitsui Direct General Insurance Co., Ltd. ("Mitsui Direct") becames a subsidiary
2008	April	Mitsui Sumitomo Insurance Group Holdings, Inc. ("MSIGH") established
	July	MSIGH made Kirameki Life, MSI MetLife, and Mitsui Direct its immediate subsidiaries

FINANCIAL SECTION

GAAP in Japan

Contents

Mitsui Sumitomo Insurance Group Holdings, Inc. was established on April 1, 2008 and thus has not yet posted results for its first year of operation. Therefore, this financial section uses financial data for subsidiary MSI on a consolidated basis.

FIVE-YEAR SUMMARY (UNAUDITED)

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2004, 2005, 2006, 2007 AND 2008

	Yen in millions					Dollars in millions
	2004	2005	2006	2007	**2008**	**2008**
Ordinary income:	¥2,066,500	¥2,021,917	¥2,106,874	¥2,117,072	**¥2,137,603**	**$21,376**
Net premiums written	1,379,119	1,407,328	1,464,107	1,492,808	**1,541,032**	**15,410**
Ordinary profit	174,943	87,577	127,710	91,684	**60,866**	**608**
Net income	77,787	65,725	71,660	60,796	**40,027**	**400**
Net assets	1,401,911	1,461,575	2,027,469	2,182,877	**1,671,517**	**16,715**
Total assets	7,126,961	7,402,311	8,592,873	9,011,652	**8,397,718**	**83,977**
	Yen					Dollars
Net income per share						
Basic	¥ 53.94	¥ 45.51	¥ 50.27	¥ 42.82	**¥ 28.37**	**$ 0.28**
Diluted	52.78	45.51	50.27	42.82	**28.37**	**0.28**
Net assets per share	963.51	1,021.13	1,427.17	1,536.71	**1,178.48**	**11.78**
Equity ratio	19.67%	19.74%	23.60%	24.06%	**19.71%**	—
Return on equity	6.37%	4.59%	4.11%	2.90%	**2.09%**	—
Price earnings ratio (times)	20.54	21.60	31.85	34.54	**35.50**	—
Cash flows	Yen in millions					Dollars in millions
Cash flows from operating activities	¥ 181,584	¥ 160,695	¥ 313,007	¥ 227,417	**¥ 189,688**	**$ 1,896**
Cash flows from investing activities	(155,321)	(222,940)	(264,352)	(220,522)	**(185,621)**	**(1,856)**
Cash flows from financing activities	(37,727)	63,622	(33,580)	(37,358)	**(329)**	**(3)**
Cash and cash equivalents at the end of year	363,011	365,815	386,179	365,350	**364,081**	**3,640**
Number of employees	15,980	16,432	18,154	18,882	**20,237**	—

Notes: 1. U.S. dollar amounts in this table have been translated from yen, for convenience only, at the rate of ¥100=US$1. For details, see Note 1 of the Notes to Consolidated Financial Statements.
2. Effective from the year ended March 31, 2007, the Company adopted “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No. 5, issued on December 9, 2005) and “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No. 8, issued on December 9, 2005).

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Overview

This Management's Discussion and Analysis (MD&A) aims to provide readers with information concerning matters that could affect MSIG's financial condition and business results. Specifically, upon describing MSIG's businesses and explaining points for consideration in the Overview section, the information provided herein includes: critical accounting policies and estimates, summary of business results, cash flow analysis and financial position, issues to be addressed by MSIG, risk analysis, solvency margin ratio, and credit rating.

(1) Description of businesses

The following is a description of MSIG's principal businesses and the positioning of Group companies within these businesses.

1) Non-Life Insurance Business

Mitsui Sumitomo Insurance Company, Limited ("MSI") and Mitsui Direct General Insurance Co., Ltd. ("Mitsui Direct") engage in the Non-Life Insurance business in Japan. Overseas, the Non-Life Insurance business is undertaken by MSI in addition to a total of 25 Group companies, including Mitsui Sumitomo Insurance USA Inc., Mitsui Sumitomo Insurance Company of America, Mitsui Sumitomo Insurance Company (Europe), Limited, and Mitsui Sumitomo Insurance (Singapore) Pte Ltd.

2) Non-Life Insurance-Related Businesses

In Japan, we carry out non-life insurance-related businesses through 12 Group companies, including Mitsui Sumitomo Insurance Claims Adjusting Company, Limited, while overseas we undertake non-life insurance-related business through 32 Group companies, including MSIG Holdings (Americas), Inc.

3) Life Insurance Business

MSIG's Life Insurance business in Japan is carried out by wholly owned subsidiary Mitsui Sumitomo Kirameki Life Insurance Company, Limited ("Kirameki Life") and Mitsui Sumitomo MetLife Insurance Co., Ltd ("MSI MetLife").

4) Asset Management-Related Business

Sumitomo Mitsui Asset Management Company, Limited engages in investment and investment advisory services businesses in Japan, while the latter business is carried out overseas by three Group companies. In Japan, 15 Group companies, including MITSUI SUMITOMO INSURANCE Venture Capital Company, Limited, are involved in asset management-related businesses, and overseas this business is undertaken by five Group companies.

(2) Points to Be Noted Regarding Figures

MSI, the core company of MSIG, is a Japanese corporation and prepares its legal consolidated financial statements in accordance with accounting principles generally accepted in Japan ("Japan GAAP"). In addition, as MSIG's sales (net premiums written) are mainly derived from the Japanese market, the preparation of various MSIG plans as well as the management of monthly business results are essentially based on Japan GAAP. As such, New Challenge 10, MSIG's medium-term management plan from fiscal 2007 to fiscal 2010, has been prepared based on Group Core Profit mainly under Japan GAAP. Therefore, in principle, this MD&A uses figures in accordance with Japan GAAP as previously mentioned.

2. Critical Accounting Policies and Estimates

MSI's consolidated financial statements are prepared in accordance with Japan GAAP. The preparation of these financial statements requires the management of MSI to select and apply accounting policies as well as to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Management bases its estimates on historical experience and other assumptions that it believes are reasonable. Nevertheless, these estimates contain inherent uncertainties and thus actual results could differ.

Significant accounting policies used in the preparation of MSI's consolidated financial statements are presented in "5. Accounting Policies" in the "Basis of Presentation" for the "Notes to Consolidated Financial Statements." Management foresees the following significant accounting policies and estimates as having a significant impact on its consolidated financial statements.

1) Method for Determination of Fair Value

A portion of assets and liabilities are recorded on the Balance Sheets at fair values. Their fair values are determined based on market prices. For derivatives for which market prices are not available, the estimate of fair value is based on the present value of future cash flows, the indication of reference obligations, the contract periods, and other components.

2) Impairment of Marketable Securities

Marketable securities are subject to the risk of price fluctuations in securities markets. Accordingly, MSI carries out impairment accounting for securities based on reasonable criteria set by MSI in accordance with relevant accounting standards and practices. If the securities markets decline, MSI's marketable securities could be subject to losses on their devaluation.

3) Impairment of Long-Lived Assets

MSI carries out impairment accounting to reflect recoverable amounts under certain conditions for fixed assets for which investment amounts are unlikely to be recovered due to a decline in value. The recoverable amount for an asset or asset group is the higher of the net sales value (the value computed by deducting expected disposal expenses from the fair value of an asset or asset group) or value in use (the present value of expected future cash flows resulting from the continual usage and subsequent disposal of an asset or asset group). Accordingly, the amount of the impairment loss for long-lived assets depends on estimated future cash flows based on the assumptions and forecasts which MSI considers reasonable. Consequently, an additional impairment loss could be incurred in the event of a change in the usage of the long-lived assets or in the event of changes in real estate or leasing market prices.

4) Deferred Tax Assets
In determining recoverable deferred tax assets, future taxable income is estimated based on the assumptions and forecasts which MSI considers reasonable. Because the recoverable amount of deferred tax assets depends on estimates of future taxable income, the amount of deferred tax assets could fluctuate in the event of a subsequent change to estimates of future taxable income.

5) Allowance for Credit Losses
In preparation for losses on bad credits, MSI records estimated amounts deemed to be unrecoverable as an allowance for credit losses. There is a possibility of a change in initial estimated amounts for unrecoverable amounts, as well as in amounts recorded as an allowance for credit losses, due to changes in the financial condition of the debtor.

6) Outstanding Claims
MSI estimates and sets aside reserves as outstanding claims for any unpaid amounts of its payment obligations as determined or recognized by insurance contracts. The recorded amounts for claims paid and outstanding claims for claims payable could change from initial estimates due to the results of legal judgments or exchange rate fluctuations.

7) Underwriting Reserves
To execute future obligations in accordance with insurance contracts, MSI sets aside underwriting reserves. It could become necessary to increase policy reserves and other provisions in the event of significant changes in the business environment and conditions initially forecasted and in the event of unforeseen losses and claims.

8) Retirement Benefit Expenses and Obligations
Retirement benefit expenses and obligations are calculated based on assumptions that include discount rates, future retirement rates, and mortality rates. However, future retirement benefit expenses and obligations could change in the event that actual results differ from the assumptions used in their projection, or in the event that it becomes necessary to change the assumptions.

3. Summary of Business Results

During the fiscal year ended March 31, 2008, a recovery in the Japanese economy reflected such factors as an increase in capital investment amid a high level of corporate earnings. From the second half of the fiscal year, however, there were deepening concerns of an economic slowdown due to a decline in housing expenditures and sluggish personal consumption in addition to a global credit tightening triggered by non-performing housing loans of low-income borrowers in the United States.

In Japan's non-life insurance industry, despite a relatively low level of claims payments for natural disasters, a severe business environment resulted from such factors as sluggishness in net policies written in voluntary automobile insurance, a principal insurance line, that accompanied a decline in domestic car sales.

Amid this environment, based on New Challenge 10, we aim "to become a world top-level insurance and financial group seeking sustainable development with corporate quality as the main source of competitiveness." In doing so, we strived to achieve CSR management through a virtuous cycle in which we attain the trust of customers by prioritizing quality improvement of products and services. Earning the trust of customers in turn allows us to generate growth of our businesses. Through these efforts, we attained the following business results.

Ordinary income amounted to ¥2,137.6 billion and included ¥1,954.4 billion in underwriting income, ¥177.3 billion in investment income, and ¥5.7 billion in other ordinary income. On the other hand, ordinary expenses amounted to ¥2,076.7 billion and included ¥1,722.5 billion in underwriting expenses, ¥54.2 billion in investment expenses, ¥290.3 billion in operating expenses and general and administrative expenses, and ¥9.5 billion in other ordinary expenses. As a result, ordinary profit declined ¥30.8 billion to ¥60.8 billion. After adding and subtracting extraordinary income and losses and current and deferred income taxes and minority interests, net income amounted to ¥40.0 billion, down ¥20.7 billion from the previous fiscal year.

Business results by segment were as follows.

Non-Life Insurance
In the Non-Life Insurance business, MSI posted a ¥13.6 billion decline in net premiums written due to decreased premium revenues in the main voluntary automobile insurance and fire insurance lines. Nevertheless, net premiums written on a consolidated basis increased ¥48.2 billion to ¥1,541.0 billion, reflecting the inclusion of Mitsui Direct's results in the consolidated results, as well an expansion of business operations by subsidiaries in Europe. Ordinary income, which includes the addition of investment income, rose ¥27.1 billion to ¥1,967.9 billion due to an increase in interest and dividends received. On the other hand, ordinary expenses rose ¥54.8 billion to ¥1,901.3 billion, reflecting the inclusion of subsidiary Mitsui Direct's expenses in the consolidated results. As a result, consolidated ordinary profit declined ¥27.7 billion from the previous fiscal year to ¥66.5 billion.

Fire and Allied Insurance
During the fiscal year, net premiums written increased 7.8% to ¥225.1 billion due to an expansion of business operations of subsidiaries in Europe. Despite a decline in claims paid for natural disasters, consolidated net claims increased 4.6% over the previous fiscal year to ¥104.8 billion due to a rise in claims paid by subsidiaries in Europe.

Marine Insurance
Net premiums written increased 9.0% from the previous year to ¥104.1 billion due to rising materials costs, brisk cargo movements, and concentrated efforts to cultivate new customers. Net claims paid rose 14.7% to ¥44.3 billion.

Personal Accident Insurance
Net premiums written declined 0.9% to ¥138.2 billion due to a decline in installment payment premiums for third-sector products such as lifetime medical insurance products. Net claims paid rose 11.6% to ¥70.2 billion.

Voluntary Automobile Insurance
Net premiums written during the fiscal year increased 3.9% to ¥624.9 billion, reflecting the inclusion of subsidiary Mitsui Direct's results in the consolidated results. Net claims paid rose 4.4% to ¥391.8 billion.

Compulsory Automobile Liability Insurance
Net premiums written decreased 0.4% to ¥191.2 billion. Net claims paid rose 1.2% over the previous fiscal year to ¥136.5 billion.

Other Property and Casualty Insurance
Net premiums written rose 0.8% to ¥257.3 billion owing to an expansion of business operations of subsidiaries in Europe. Net claims paid declined 1.9% from the previous fiscal year to ¥131.8 billion.

Life Insurance
In the Life Insurance business, Kirameki Life recorded life insurance premium income of ¥156.5 billion, a decrease of ¥8.8 billion from the previous fiscal year, due to an increase in insurance contract dissolutions. Accordingly, ordinary income, which includes life insurance premium income, declined ¥6.3 billion to ¥173.4 billion. Ordinary expenses, which include a ¥6.2 billion investment loss in equity in MSI MetLife, declined ¥3.3 billion to ¥179.1 billion.

As a result, an ordinary loss of ¥5.7 billion was recorded, ¥3.0 billion higher than in the previous fiscal year.

Investment Income and Realized Gains on Investments
Interest and dividends received, after deducting income allocated for interest on savings-type insurance, amounted to ¥130.6 billion, an increase of ¥8.8 billion from the previous fiscal year. This rise is attributable to an increase accompanying an expansion of business operations of subsidiaries and a rise in domestic stock dividends.

We posted gains on sales of securities of ¥36.3 billion (¥9.5 billion higher than in the previous fiscal year) due mainly to continued efforts to streamline our holdings of domestic stocks as a means of reducing asset price fluctuation risk. On the other hand, we recorded losses on devaluation of securities of ¥15.3 billion (an increase of ¥9.3 billion from the previous fiscal year) due to the effects of turmoil in financial markets through the end of the fiscal year. Net losses on derivative transactions amounted to ¥23.2 billion (an increase of ¥22.6 billion from the previous fiscal year) due mainly to the rapid fall in the mark-to-market value of credit derivatives.

As a result, investment income and realized gains on investments declined ¥25.4 billion to ¥123.1 billion.

Geographic Segment Information
Results by geographic segment were as follows.

We recorded ordinary income of ¥1,913.9 billion in Japan, ¥82.1 billion in Asia (excluding Japan), ¥110.8 billion in Europe, and ¥45.2 billion in the Americas. Ordinary profit amounted to ¥47.1 in Japan, ¥11.2 billion in Asia, and ¥10.9 billion in the Americas, while an ordinary loss of ¥6.5 billion was posted in Europe. Japan accounted for the largest proportion of ordinary income and ordinary profit, at 89% and 75%, respectively, before eliminations for transactions in Japan.

4. Cash Flow Analysis and Financial Position
In fiscal 2007, cash flows provided by operating activities decreased ¥37.7 billion to ¥189.6 billion due to an increase in claims payments. Net cash used in investing activities decreased ¥34.9 billion to ¥185.6 billion reflecting a decrease in purchase of securities. Net cash used in financing activities decreased ¥37.0 billion to ¥0.3 billion, reflecting the issue of short-term corporate bonds. As a result, cash and cash equivalents at end of year declined ¥1.2 billion to ¥364.0 billion.

Total assets at March 31, 2008 stood at ¥8,397.7 billion, a 6.8% decrease compared with the previous fiscal year-end. This change was mainly due to a decrease in unrealized gains on investment securities. Total net assets amounted to ¥1,671.5 billion, a decline of ¥511.3 billon from the previous fiscal year-end. This change reflected a decrease in unrealized gains on investment securities. The equity ratio was 19.7% compared with 24.1% at the end of the previous fiscal year.

5. Issues to be Addressed by MSIG New Challenge 10 Medium-Term Management Plan
In Japan's non-life insurance industry, the harsh business environment is expected to continue, as the strong yen affects corporate earnings in the corporate sector, while automobile sales continue to slump in the household sector. Accordingly, it is becoming increasingly important to undertake proper administration of insurance underwriting and realize efficient operational processes in line with efforts to steadily build a structure for securing profits. Additionally, there is a need for accurately responding to the diversification of sales channels, including full-fledged OTC insurance sales at banks as well as the commencement of sales of non-life insurance products through the Japan Post Group.

Under these circumstances, in keeping with New Challenge 10, we will provide customers with easy-to-understand products and services as well as build a high-quality sales network that is trusted by customers. We will also take an active approach in growth fields, further strengthen our structure to ensure fair and equitable insurance claims payments without any omissions, and establish a foundation for supporting business processes. Through these measures, we are striving to achieve significant quality improvements in all areas of our operations and undertake our business using these improvements as a competitive strength. Additionally, under our Asia-Europe-Americas trilateral framework, we will undertake initiatives that include expanding our Overseas business, establishing a more solid business foundation, particularly in Asia, building a foundation for growth in the Life Insurance business, and strengthening asset management capabilities.

On April 1, 2008, we shifted to a holding company structure with the establishment of MSIGH. Under the holding company structure, we are striving to ensure the effective functioning of internal controls and strengthening of corporate governance. We aim to maximize value to the customer through integrated strength of the Group by dynamically undertaking businesses, centering on non-life insurance, life insurance, and overseas businesses, as well as financial services and risk-related services.

6. Risk Analysis

The following matters possibly affecting the MSIG's business results and financial conditions could have a significant impact on investors' decisions.

Matters regarding future projections contained in this section are based on judgments derived from information available at the time when the financial reports prepared based on the Financial Instruments and Exchange Law were submitted.

(1) Risk of large claims payments due to natural disasters

There are instances of large claims payments for such natural disasters as typhoons and earthquakes. Accordingly, MSIG hedges such risk through reinsurance and by reserves for catastrophic claims. Nevertheless, there is a possibility that unexpectedly large-scale natural disasters could occur as a result of irregular weather caused by global warming and other factors, resulting in a risk that MSIG would incur large amounts of claim payments for these disasters, causing a worsening of business results.

Moreover, there is a risk that MSIG could incur a loss because of worsening fund management due to an increase in claims payments and other factors as well as the necessity of having to procure funds at a cost significantly above normal rates and the unavoidable sale of assets at extremely low prices.

(2) Reinsurance risk

MSIG utilizes reinsurance to disperse its underwritten insurance liabilities from insurance contracts and to stabilize earnings. Nevertheless, there is a risk that changing conditions in reinsurance markets leading to a sharp rise in premiums could cause MSIG's financial balance to worsen. There is also a risk that MSIG would be unable to arrange reinsurance protection sufficiently and its insurance underwriting capabilities could decline.

Additionally, MSIG bears the credit risk of the reinsurance companies whereby it would be unable to collect reinsurance recoveries due to such factors as bankruptcy of the reinsurance company.

(3) Asset management risk

MSIG possesses various types of investment assets, including marketable securities, loans, and real estate. The main risks associated with these assets are as follows.

1) Risk of stock price declines

MSIG holds large amounts of stock from the perspective of maintaining relationships with business partners over the long and medium terms. Nevertheless, there is a risk of valuation losses and losses on sales of stocks in the event of a large decline in future stock prices.

2) Interest rate risk

There is a risk of a decline in the value of MSIG's assets with fixed interest rates such as bonds and loans in the event of a rise in interest rates.

3) Exchange rate risk

MSIG holds assets denominated in foreign currencies, mainly the U.S. dollar and the Euro. Nevertheless, there is a risk that the value of these assets could decline due to the effects of exchange rate movements.

4) Credit risk

There is a risk of a decline in the value of such company assets as stocks, corporate bonds, and loans due to a bankruptcy or decline in the creditworthiness of stock and bond issuers or debtors as well as the risk that principal and interest will be unrecoverable.

(4) Risk of loss resulting from unforeseen changes, including changes in the economic and social environments

Although insurance companies establish premiums at levels based on forecasts of probable future damages, there is a possibility that the actual amount of damages could exceed forecasts. Particularly in cases where the insured periods extend over a long time, there is a possibility of significant changes in the economic and social environments and conditions initially forecasted and that unforeseen damages could occur. Therefore, there is a risk that the resultant need to increase reserves for insurance in this situation or other factors could constrict earnings.

MSIG sells long-term third-sector products, life insurance, and saving-type insurance with pre-determined fixed expected rates of return (products with a guaranteed fixed yield). However, there is a risk that a change in future interest rates could lead to a change in the valuation amount of insurance liabilities based on the originally assumed interest rate.

(5) Risk of intensifying competition resulting from further industry deregulation and increased entry of new participants

MSIG's business environment is becoming increasingly harsh due to such factors as advancing deregulation, which is leading to mutual market participation by life and non-life insurance companies; new entries into the non-life insurance industry that include companies from other industries and foreign insurance companies; and a lowering of premium levels. There is a risk that intensifying competition resulting from such further deregulation and the increased entry of new participants could constrict earnings.

(6) Life insurance business risk
MSIG engages in the Life Insurance business. Just as in the Non-Life Insurance business, in the Life Insurance business as well there is a risk of a loss resulting from unexpected changes in the economic and social environments as well as the risk of intensifying competition due to further deregulation.

(7) Overseas business risk
MSIG actively carries out its overseas operations in Asia, Europe, and the Americas through MSI's branches and subsidiaries. Nevertheless, there is a risk of unexpected changes in the political, economic, and social environments in respective countries as well as changes to regulations and exchange rate fluctuations.

(8) Risk of leakage of customer information
MSIG holds large volumes of customer information, including personal information. There is a risk that the trust of customers and society could be lost in the unexpected event of leakage of large volumes of information. There is also a possibility of receiving administrative measures from supervisory authorities related to management inadequacies resulting from such incidents as information leakage. As a result, there is a risk that this could have an impact on the Group's business results.

(9) Business operation risk
This risk concerns MSIG's business activities and includes a risk of damage to business operations and a risk of losing the trust of customers and society due to an administrative error, violation of law, impropriety by an employee, criminal action by an outside party, malfunction of information systems, and the occurrence of an accident or catastrophe. Moreover, there is a possibility of receiving administrative measures caused by one of these problems, and there is a risk that this could have an impact on MSIG's business results.

(10) Risk from changes in laws and systems
MSIG carries out its operations based on regulations under various laws and ordinances, including the Insurance Business Law of Japan, and MSIG issues financial reports based on various accounting standards. There is a risk that MSIG's business results could be influenced in the future by revisions to these systems and laws and ordinances, changes in insurance product selling methods and the contents of products, as well as changes in methods of computation for reserves for insurance contracts and accounting treatment.

7. 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 Japan's Ministry of Finance (MOF) 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 MOF and the Financial Services Agency (FSA) of Japan, a solvency margin ratio of 200% indicates that an insurance company has sufficient capability to pay insurance claims and other obligations.

MSI's solvency margin ratio at the end of the fiscal year declined 194.6 percentage points from the previous fiscal year-end to 955.4%, due to a sharp fall in the fair value of company-held stocks.

MSI's Solvency Margin Ratio
As of March 31, 2007 and 2008

(Yen in billions)

	2007	**2008**
Solvency margin total amount	¥3,527.6	**¥2,782.9**
Risk amount	613.5	**582.5**
Solvency margin ratio	1,150.0%	**955.4%**

8. MSI's 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.

MSI receives ratings on its capability to perform its debt obligations from insurance contracts, debt obligations from the issue of commercial papers, and other specific debt obligations. MSI's ratings are shown below. These ratings illustrate the high evaluation that leading rating agencies have of MSI's financial strength.

As of July 1, 2008

Standard & Poor's	Financial Strength Rating	AA
Moody's Investors Service	Insurance Financial Strength Rating	Aa3
Moody's Investors Service	CP Rating (Domestic Currency)	P-1
A.M. Best Company	Financial Strength Rating	A+

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.

SEGMENT INFORMATION — NON-LIFE INSURANCE (UNAUDITED)

(1) Premiums and Losses

(a) Direct Premiums Written
(including Deposit premiums from policyholders)

Lines of Insurance	2004 Amount	2004 Change (%)	2004 Share (%)	2005 Amount	2005 Change (%)	2005 Share (%)	2006 Amount	2006 Change (%)	2006 Share (%)
Fire	¥ 289,469	5.9%	16.6%	¥ 281,783	(2.7%)	16.1%	¥ 304,176	7.9%	17.0%
Marine	76,346	9.5	4.4	84,935	11.2	4.8	101,461	19.5	5.7
Personal Accident	359,217	2.0	20.6	354,488	(1.3)	20.3	341,536	(3.7)	19.0
Voluntary Automobile	585,856	1.2	33.5	586,241	0.1	33.5	595,744	1.6	33.2
Compulsory Automobile Liability	183,855	1.3	10.5	187,180	1.8	10.7	181,757	(2.9)	10.1
Other	251,407	8.9	14.4	254,651	1.3	14.6	269,307	5.8	15.0
Total	¥1,746,152	3.5%	100.0%	¥1,749,279	0.2%	100.0%	¥1,793,984	2.6%	100.0%
Deposit premiums from policyholders	300,819	(1.9)	17.2	272,692	(9.4)	15.6	249,760	(8.4)	13.9

(b) Net Premiums Written

Lines of Insurance	2004 Amount	2004 Change (%)	2004 Share (%)	2005 Amount	2005 Change (%)	2005 Share (%)	2006 Amount	2006 Change (%)	2006 Share (%)
Fire	¥ 187,209	9.6%	13.6%	¥ 188,856	0.9%	13.4%	¥ 206,373	9.3%	14.1%
Marine	64,671	12.5	4.7	71,828	11.1	5.1	84,788	18.0	5.8
Personal Accident	124,917	1.3	9.0	131,900	5.6	9.4	143,316	8.7	9.8
Voluntary Automobile	583,654	1.0	42.3	584,728	0.2	41.6	590,422	1.0	40.3
Compulsory Automobile Liability	194,018	17.6	14.1	195,741	0.9	13.9	193,402	(1.2)	13.2
Other	224,647	7.3	16.3	234,272	4.3	16.6	245,805	4.9	16.8
Total	¥1,379,119	5.8%	100.0%	¥1,407,328	2.0%	100.0%	¥1,464,107	4.0%	100.0%

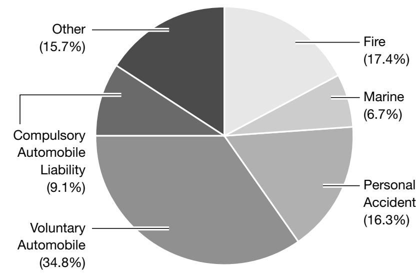
(c) Net Claims Paid

Lines of Insurance	2004 Amount	2004 Change (%)	2004 Share (%)	2005 Amount	2005 Change (%)	2005 Share (%)	2006 Amount	2006 Change (%)	2006 Share (%)
Fire	¥ 60,519	6.1%	8.9%	¥139,884	131.1%	17.2%	¥ 88,202	(36.9%)	11.1%
Marine	28,450	10.0	4.2	27,788	(2.3)	3.4	35,175	26.6	4.4
Personal Accident	51,486	1.7	7.6	53,231	3.4	6.6	56,049	5.3	7.1
Voluntary Automobile	341,168	0.8	50.1	354,257	3.8	43.7	364,207	2.8	45.9
Compulsory Automobile Liability	82,146	34.8	12.1	113,048	37.6	13.9	130,517	15.5	16.5
Other	116,499	2.7	17.1	122,973	5.6	15.2	118,787	(3.4)	15.0
Total	¥680,271	5.2%	100.0%	¥811,183	19.2%	100.0%	¥792,941	(2.2%)	100.0%

(Yen in millions; dollars in millions)

2007			2008			
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
¥ 301,692	(0.8%)	16.7%	**¥ 317,881**	**5.4%**	**17.4%**	**$ 3,178**
113,005	11.4	6.3	**121,969**	**7.9**	**6.7**	**1,219**
327,518	(4.1)	18.1	**298,155**	**(9.0)**	**16.3**	**2,981**
611,148	2.6	33.8	**634,948**	**3.9**	**34.8**	**6,349**
176,826	(2.7)	9.8	**165,851**	**(6.2)**	**9.1**	**1,658**
276,517	2.7	15.3	**287,459**	**4.0**	**15.7**	**2,874**
¥1,806,708	0.7%	100.0%	**¥1,826,265**	**1.1%**	**100.0%**	**$18,262**
224,676	(10.0)	12.4	**197,116**	**(12.3)**	**10.8**	**1,971**

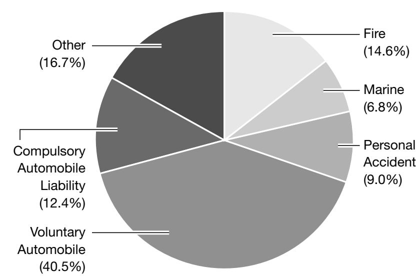
Direct Premiums Written (2008)
Total ¥1,826.2 billion



(Yen in millions; dollars in millions)

2007			2008			
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
¥ 208,951	1.2%	14.0%	**¥ 225,160**	**7.8%**	**14.6%**	**$ 2,251**
95,486	12.6	6.4	**104,127**	**9.0**	**6.8**	**1,041**
139,531	(2.6)	9.3	**138,217**	**(0.9)**	**9.0**	**1,382**
601,353	1.9	40.3	**624,949**	**3.9**	**40.5**	**6,249**
192,087	(0.7)	12.9	**191,255**	**(0.4)**	**12.4**	**1,912**
255,398	3.9	17.1	**257,321**	**0.8**	**16.7**	**2,573**
¥1,492,808	2.0%	100.0%	**¥1,541,032**	**3.2%**	**100.0%**	**$15,410**

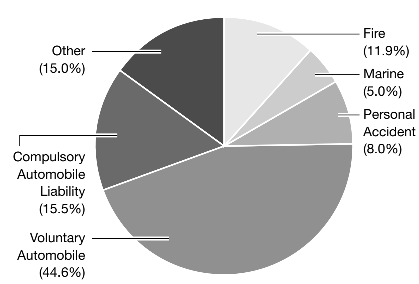
Net Premiums Written (2008)
Total ¥1,541.0 billion



(Yen in millions; dollars in millions)

2007			2008			
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
¥100,229	13.6%	11.9%	**¥104,817**	**4.6%**	**11.9%**	**$ 1,048**
38,684	10.0	4.6	**44,367**	**14.7**	**5.0**	**443**
62,908	12.2	7.4	**70,232**	**11.6**	**8.0**	**702**
375,298	3.0	44.3	**391,877**	**4.4**	**44.6**	**3,918**
134,908	3.4	15.9	**136,542**	**1.2**	**15.5**	**1,365**
134,415	13.2	15.9	**131,887**	**(1.9)**	**15.0**	**1,318**
¥846,445	6.7%	100.0%	**¥879,724**	**3.9%**	**100.0%**	**$8,797**

Net Claims Paid (2008)
Total ¥879.7 billion



(2) Return on investments

(a) Income basis

	2007			2008				
	(Yen in millions, %)			(Yen in millions, %)			(Dollars in millions)	
	Income	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Income	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Income	Average amount of managed investments (Acquisition cost basis)
Deposits and savings	¥ 8,082	¥ 270,786	2.98%	**¥ 10,475**	**¥ 292,706**	**3.58%**	**$ 104**	**$ 2,927**
Call loans	61	23,058	0.27	**111**	**21,475**	**0.52**	**1**	**214**
Futures bought	5	1,687	0.34	**36**	**6,316**	**0.57**	**0**	**63**
Monetary claims bought	1,446	106,824	1.35	**1,827**	**96,401**	**1.90**	**18**	**964**
Money trusts	1,086	53,635	2.03	**1,227**	**55,142**	**2.23**	**12**	**551**
Investments in securities	133,293	3,835,495	3.48	**138,111**	**3,946,729**	**3.50**	**1,381**	**39,467**
Loans	13,494	757,868	1.78	**14,785**	**765,793**	**1.93**	**147**	**7,657**
Land, Buildings	7,349	220,116	3.34	**6,917**	**217,002**	**3.19**	**69**	**2,170**
Subtotal	¥164,819	¥5,269,473	3.14%	**¥173,491**	**¥5,401,568**	**3.21%**	**$1,734**	**$54,015**
Others	613	—	—	**836**	**—**	**—**	**8**	**—**
Total	¥165,433	—	—	**¥174,327**	**—**	**—**	**$1,743**	**—**

(b) Realized basis

	2007			2008				
	(Yen in millions, %)			(Yen in millions, %)			(Dollars in millions)	
	Profit/loss on investments (Realized basis)	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Profit/loss on investments (Realized basis)	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Profit/loss on investments (Realized basis)	Average amount of managed investments (Acquisition cost basis)
Deposits and savings	¥ 8,614	¥ 270,786	3.18%	**¥ 4,369**	**¥292,706**	**1.49%**	**$ 43**	**$ 2,927**
Call loans	61	23,058	0.27	**111**	**21,475**	**0.52**	**1**	**214**
Futures bought	5	1,687	0.34	**36**	**6,316**	**0.57**	**0**	**63**
Monetary claims bought	1,446	106,824	1.35	**1,827**	**96,401**	**1.90**	**18**	**964**
Money trusts	994	53,635	1.85	**(284)**	**55,142**	**(0.52)**	**(2)**	**551**
Investments in securities	160,939	3,835,495	4.20	**161,670**	**3,946,729**	**4.10**	**1,616**	**39,467**
Loans	13,573	757,868	1.79	**14,740**	**765,793**	**1.92**	**147**	**7,657**
Land, Buildings	7,358	220,116	3.34	**6,917**	**217,002**	**3.19**	**69**	**2,170**
Derivatives	(703)	—	—	**(23,272)**	**—**	**—**	**(232)**	**—**
Others	618	—	—	**261**	**—**	**—**	**2**	**—**
Total	¥192,909	¥5,269,473	3.66%	**¥166,377**	**¥5,401,568**	**3.08%**	**$1,663**	**$54,015**

(c) Market value basis

	2007			2008				
	(Yen in millions, %)			(Yen in millions, %)			(Dollars in millions)	
	Profit/loss on investments (Market value basis)	Average amount of managed investments (Market value basis)	Annual rate of return	Profit/loss on investments (Market value basis)	Average amount of managed investments (Market value basis)	Annual rate of return	Profit/loss on investments (Market value basis)	Average amount of managed investments (Market value basis)
Deposits and savings	¥ 8,614	¥ 270,786	3.18%	**¥ 4,369**	**¥ 292,706**	**1.49%**	**$ 43**	**$ 2,927**
Call loans	61	23,058	0.27	**111**	**21,475**	**0.52**	**1**	**214**
Futures bought	5	1,687	0.34	**36**	**6,316**	**0.57**	**0**	**63**
Monetary claims bought	1,169	106,824	1.09	**4,026**	**96,124**	**4.19**	**40**	**961**
Money trusts	994	53,631	1.85	**(284)**	**54,913**	**(0.52)**	**(2)**	**549**
Investments in securities	326,939	5,855,908	5.58	**(667,548)**	**6,134,687**	**(10.88)**	**(6,675)**	**61,346**
Loans	13,714	757,868	1.81	**14,869**	**765,793**	**1.94**	**148**	**7,657**
Land, Buildings	7,358	220,116	3.34	**6,917**	**217,002**	**3.19**	**69**	**2,170**
Derivatives	1,409	—	—	**(17,933)**	**—**	**—**	**(179)**	**—**
Others	618	—	—	**261**	**—**	**—**	**2**	**—**
Total	¥360,885	¥7,289,882	4.95%	**¥(655,175)**	**¥7,589,020**	**(8.63%)**	**$(6,551)**	**$75,890**

SEGMENT INFORMATION — LIFE INSURANCE (UNAUDITED)

(1) Insurance amount

(a) Amount of Policies in Force

(Yen in millions; dollars in millions)

As of March 31	2004 Amount	2004 Change (%)	2005 Amount	2005 Change (%)	2006 Amount	2006 Change (%)	2007 Amount	2007 Change (%)	**2008** Amount	**2008** Change (%)	**2008** Amount
Individual Insurance	¥5,588,682	12.8%	¥6,581,088	17.8%	¥7,603,541	15.5%	¥7,846,571	3.2%	**¥8,297,141**	**5.7%**	**$82,971**
Individual Annuities	190,533	134.8	273,609	43.6	314,360	14.9	317,690	1.1	**319,339**	**0.5**	**3,193**
Group Insurance	2,310,200	15.6	2,478,958	7.3	3,047,795	22.9	2,561,215	(16.0)	**2,488,971**	**(2.8)**	**24,889**
Group Annuities	—	—	—	—	—	—	—	—	**—**	**—**	**—**

Note: Amount of policies in force of individual annuities represents the total sum of individual annuity resources amount at the start of annuity payments in the case of policies prior to the start of annuity payments and policy reserve total amount in the case of policies after the start of annuity payments.

(b) Amount of New Policies

(Yen in millions; dollars in millions)

As of March 31	2004 Amount	2005 Amount	2006 Amount	2007 Amount	**2008** Amount	**2008** Amount
Individual Insurance	¥1,269,568	¥1,632,901	¥1,725,432	¥1,149,836	**¥1,461,604**	**$14,616**
Individual Annuities	118,054	99,934	66,200	44,172	**44,101**	**441**
Group Insurance	40,450	89,220	197,832	25,795	**45,344**	**453**
Group Annuities	—	—	—	—	**—**	**—**

Note: Amount of new policies of individual annuities represents individual annuity resources amount at the start of annuity payments.

(2) Return on investments

(a) Income basis

	2007 (Yen in millions, %)			**2008** (Yen in millions, %)			**2008** (Dollars in millions)	
	Income	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Income	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Income	Average amount of managed investments (Acquisition cost basis)
Deposits and savings	¥ —	¥ 10,710	—%	**¥ —**	**¥ 8,619**	**—%**	**$ —**	**$ 86**
Call loans	—	—	—	**13**	**2,732**	**0.51**	**0**	**27**
Monetary claims bought	—	—	—	**0**	**10**	**0.63**	**0**	**0**
Investments in securities	13,203	782,390	1.69	**15,510**	**886,954**	**1.75**	**155**	**8,869**
Loans	652	21,559	3.03	**702**	**23,101**	**3.04**	**7**	**231**
Land, Buildings	—	56	—	**—**	**65**	**—**	**—**	**0**
Subtotal	¥13,855	¥814,718	1.70%	**¥16,226**	**¥921,483**	**1.76%**	**$162**	**$9,214**
Others	0	—	—	**5**	**—**	**—**	**0**	**—**
Total	¥13,855	—	—	**¥16,231**	**—**	**—**	**$162**	**—**

(b) Realized basis

	2007 (Yen in millions, %)			**2008** (Yen in millions, %)			**2008** (Dollars in millions)	
	Profit/loss on investments (Realized basis)	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Profit/loss on investments (Realized basis)	Average amount of managed investments (Acquisition cost basis)	Annual rate of return	Profit/loss on investments (Realized basis)	Average amount of managed investments (Acquisition cost basis)
Deposits and savings	¥ —	¥ 10,710	—%	**¥ —**	**¥ 8,619**	**—%**	**$ —**	**$ 86**
Call loans	—	—	—	**13**	**2,732**	**0.51**	**0**	**27**
Monetary claims bought	—	—	—	**0**	**10**	**0.63**	**0**	**0**
Investments in securities	12,340	782,390	1.58	**15,450**	**886,954**	**1.74**	**154**	**8,869**
Loans	652	21,559	3.03	**702**	**23,101**	**3.04**	**7**	**231**
Land, Buildings	—	56	—	**—**	**65**	**—**	**—**	**0**
Others	0	—	—	**3**	**—**	**—**	**0**	**—**
Total	¥12,993	¥814,718	1.59%	**¥16,170**	**¥921,483**	**1.75%**	**$161**	**$9,214**

(c) Market value basis

	2007 (Yen in millions, %)			**2008** (Yen in millions, %)			**2008** (Dollars in millions)	
	Profit/loss on investments (Market value basis)	Average amount of managed investments (Market value basis)	Annual rate of return	Profit/loss on investments (Market value basis)	Average amount of managed investments (Market value basis)	Annual rate of return	Profit/loss on investments (Market value basis)	Average amount of managed investments (Market value basis)
Deposits and savings	¥ —	¥ 10,710	—%	**¥ —**	**¥ 8,619**	**—%**	**$ —**	**$ 86**
Call loans	—	—	—	**13**	**2,732**	**0.51**	**0**	**27**
Monetary claims bought	—	—	—	**0**	**10**	**0.63**	**0**	**0**
Investments in securities	22,829	778,434	2.93	**32,865**	**893,485**	**3.68**	**328**	**8,934**
Loans	652	21,559	3.03	**702**	**23,101**	**3.04**	**7**	**231**
Land, Buildings	—	56	—	**—**	**65**	**—**	**—**	**0**
Others	0	—	—	**3**	**—**	**—**	**0**	**—**
Total	¥23,481	¥810,761	2.90%	**¥33,585**	**¥928,015**	**3.62%**	**$335**	**$9,280**

CONSOLIDATED BALANCE SHEETS

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
AS OF MARCH 31, 2007 AND 2008

	Yen in millions		Dollars in millions
Assets	2007	**2008**	**2008**
Cash, deposits and savings	¥ 345,330	**¥ 363,179**	**$ 3,631**
Call loans	41,600	**39,900**	**399**
Monetary claims bought	84,349	**96,401**	**964**
Money trusts	57,138	**49,697**	**496**
Investments in securities	6,949,578	**6,240,612**	**62,406**
Loans	768,084	**801,788**	**8,017**
Tangible fixed assets	261,267	**275,005**	**2,750**
Intangible fixed assets	87,955	**86,645**	**866**
Other assets	418,167	**443,897**	**4,438**
Deferred tax assets	4,802	**5,506**	**55**
Customers' liabilities under acceptances and guarantees	1,237	**588**	**5**
Bad debt reserve	(7,859)	**(5,503)**	**(55)**
Total assets	¥9,011,652	**¥8,397,718**	**$83,977**

Liabilities and Net Assets	Yen in millions 2007	Yen in millions 2008	Dollars in millions 2008
Underwriting funds:			
Outstanding claims	¥ 820,714	**¥ 845,786**	**$ 8,457**
Underwriting reserve	4,995,163	**5,137,192**	**51,371**
Total underwriting funds	5,815,878	**5,982,978**	**59,829**
Short-term bonds	—	**29,983**	**299**
Bonds issued	99,998	**99,991**	**999**
Other liabilities	271,795	**280,459**	**2,804**
Reserve for pension and retirement benefits	81,540	**78,786**	**787**
Reserve for retirement benefits for officers	—	**2,706**	**27**
Accrued bonuses for employees	13,468	**13,476**	**134**
Reserves under the special laws:			
Reserve for price fluctuation	26,707	**29,961**	**299**
Total reserve under the special laws	26,707	**29,961**	**299**
Deferred tax liabilities	518,149	**207,267**	**2,072**
Liabilities under acceptances and guarantees	1,237	**588**	**5**
Total liabilities	6,828,775	**6,726,200**	**67,262**
Common stock	139,595	**139,595**	**1,395**
Capital surplus	93,138	**93,107**	**931**
Retained earnings	613,352	**534,410**	**5,344**
Less—treasury stock at cost	(91,142)	**—**	**—**
Total stockholders' equity	754,943	**767,113**	**7,671**
Unrealized gains on investments	1,402,879	**875,914**	**8,759**
Deferred profits/losses on hedge accounting for derivatives	(4,577)	**528**	**5**
Foreign currency translation adjustments	15,368	**11,505**	**115**
Total valuation and transaction adjustments	1,413,671	**887,949**	**8,879**
Minority interests	14,261	**16,454**	**164**
Total net assets	2,182,877	**1,671,517**	**16,715**
Total liabilities and net assets	¥9,011,652	**¥8,397,718**	**$83,977**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2007 AND 2008

	Yen in millions		Dollars in millions
Ordinary income and expenses	2007	**2008**	**2008**
Ordinary income:			
Underwriting income:			
Net premiums written	¥1,492,808	**¥1,541,032**	**$15,410**
Deposit premiums from policyholders	224,676	**197,116**	**1,971**
Investment income on deposit premiums from policyholders	57,322	**58,713**	**587**
Life insurance premiums	165,363	**156,528**	**1,565**
Other underwriting income	6,991	**1,037**	**10**
Total underwriting income	1,947,162	**1,954,428**	**19,544**
Investment income:			
Interest and dividends received	179,081	**189,328**	**1,893**
Investment gains on money trusts	952	**327**	**3**
Gains on sale of securities	32,815	**40,073**	**400**
Gains on redemption of securities	7,909	**3,568**	**35**
Other investment income	1,787	**2,792**	**27**
Transfer of investment income on deposit premiums from policyholders	(57,322)	**(58,713)**	**(587)**
Total investment income	165,224	**177,376**	**1,773**
Other ordinary income	4,685	**5,798**	**57**
Total ordinary income	2,117,072	**2,137,603**	**21,376**
Ordinary expenses:			
Underwriting expenses:			
Net claims paid	846,445	**879,724**	**8,797**
Loss adjustment expenses	69,968	**80,981**	**809**
Commissions and collection expenses	257,658	**248,984**	**2,489**
Maturity refunds to policyholders	340,660	**322,102**	**3,221**
Dividends to policyholders	57	**59**	**0**
Life insurance claims	24,849	**31,702**	**317**
Provision for outstanding claims	75,783	**27,846**	**278**
Provision for underwriting reserve	121,044	**128,703**	**1,287**
Other underwriting expenses	2,286	**2,464**	**24**
Total underwriting expenses	1,738,755	**1,722,570**	**17,225**
Investment expenses:			
Investment losses on money trusts	—	**612**	**6**
Losses on sale of securities	6,018	**3,756**	**37**
Losses on devaluation of securities	6,038	**15,387**	**153**
Losses on redemption of securities	192	**534**	**5**
Losses on derivative transactions	652	**23,272**	**232**
Other investment expenses	3,790	**10,696**	**106**
Total investment expenses	16,692	**54,258**	**542**
Operating expenses and general and administrative expenses	262,989	**290,341**	**2,903**
Other ordinary expenses:			
Interest expenses	829	**1,082**	**10**
Loss on bad debts	37	**39**	**0**
Losses from equity method investments	2,677	**5,273**	**52**
Other ordinary expenses	3,406	**3,171**	**31**
Total other ordinary expenses	6,951	**9,566**	**95**
Total ordinary expenses	2,025,388	**2,076,736**	**20,767**
Ordinary profit	91,684	**60,866**	**608**
Extraordinary income and losses			
Extraordinary income:			
Gains on sale of fixed assets	1,984	**9,290**	**92**
Other extraordinary income	2,318	**831**	**8**
Total extraordinary income	4,303	**10,122**	**101**
Extraordinary losses:			
Losses on sale of fixed assets	2,079	**8,065**	**80**
Impairment loss on fixed assets	491	**3,740**	**37**
Provision for reserves under the special laws:			
Reserve for price fluctuation	3,167	**3,254**	**32**
Total provision for reserves under the special laws	3,167	**3,254**	**32**
Other extraordinary losses	2,335	**—**	**—**
Total extraordinary losses	8,074	**15,060**	**150**
Income before income taxes	87,913	**55,928**	**559**
Income taxes—current	43,664	**33,721**	**337**
Income taxes—deferred	(17,529)	**(18,322)**	**(183)**
Minority interests	983	**501**	**5**
Net income	¥ 60,796	**¥ 40,027**	**$ 400**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
FOR THE YEAR ENDED MARCH 31, 2007 AND 2008

	Yen in millions									
	Stockholders' equity					Valuation and translation adjustments				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Unrealized gain on investments	Deferred profits/ losses on hedge accounting for derivatives	Foreign currency translation adjustments	Minority interests	Total net assets
Ending balance as of March 31, 2006	¥139,595	¥93,127	¥577,028	¥(77,321)	¥732,429	¥1,291,051	¥ —	¥ 3,988	¥ 7,221	¥2,034,690
Changes for the year:										
Dividends paid (*)			(12,785)		(12,785)					(12,785)
Dividends paid			(8,522)		(8,522)					(8,522)
Net income			60,796		60,796					60,796
Repurchase of treasury stock				(13,839)	(13,839)					(13,839)
Reissuance of treasury stock		11		18	30					30
Differences due to the change of ownership ratio of the subsidiary			(3,164)		(3,164)					(3,164)
Net change of items other than stockholders' equity						111,828	(4,577)	11,379	7,040	125,671
Total changes for the year	—	11	36,323	(13,820)	22,514	111,828	(4,577)	11,379	7,040	148,186
Ending balance as of March 31, 2007	¥139,595	¥93,138	¥613,352	¥(91,142)	¥754,943	¥1,402,879	¥(4,577)	¥15,368	¥14,261	¥2,182,877
Changes for the year:										
Dividends paid			**(21,166)**		**(21,166)**					**(21,166)**
Net income			**40,027**		**40,027**					**40,027**
Repurchase of treasury stock				**(7,629)**	**(7,629)**					**(7,629)**
Reissuance of treasury stock		**19**		**63**	**82**					**82**
Retirement of treasury stock		**(50)**	**(98,657)**	**98,707**	**—**					**—**
Change in scope of consolidation			**296**		**296**					**296**
Increase due to merger involving subsidiaries			**558**		**558**					**558**
Net change of items other than stockholders' equity						**(526,964)**	**5,105**	**(3,863)**	**2,192**	**(523,529)**
Total changes for the year	**—**	**(31)**	**(78,941)**	**91,142**	**12,170**	**(526,964)**	**5,105**	**(3,863)**	**2,192**	**(511,359)**
Ending balance as of March 31, 2008	**¥139,595**	**¥93,107**	**¥534,410**	**—**	**¥767,113**	**¥875,914**	**¥ 528**	**¥11,505**	**¥16,454**	**¥1,671,517**

	Dollars in millions									
	Stockholders' equity					Valuation and translation adjustments				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Unrealized gain on investments	Deferred profits/ losses on hedge accounting for derivatives	Foreign currency translation adjustments	Minority interests	Total net assets
Ending balance as of March 31, 2007	$1,395	$931	$6,133	$(911)	$7,549	$14,028	$(45)	$153	$142	$21,828
Changes for the year:										
Dividends paid			**(211)**		**(211)**					**(211)**
Net income			**400**		**400**					**400**
Repurchase of treasury stock				**(76)**	**(76)**					**(76)**
Reissuance of treasury stock		**0**		**0**	**0**					**0**
Retirement of treasury stock		**(0)**	**(986)**	**987**	**—**					**—**
Change in scope of consolidation			**2**		**2**					**2**
Increase due to merger involving subsidiaries			**5**		**5**					**5**
Net change of items other than stockholders' equity						**(5,269)**	**51**	**(38)**	**21**	**(5,235)**
Total changes for the year	**—**	**(0)**	**(789)**	**911**	**121**	**(5,269)**	**51**	**(38)**	**21**	**(5,113)**
Ending balance as of March 31, 2008	**$1,395**	**$931**	**$5,344**	**—**	**$7,671**	**$8,759**	**$ 5**	**$115**	**$164**	**$16,715**

(*) Appropriated items pursuant to the resolution of the general meeting of stockholders held in June 2006.
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2007 AND 2008

	Yen in millions		Dollars in millions
	2007	**2008**	**2008**
I. Cash flows from operating activities:			
Income before income taxes	¥ 87,913	**¥ 55,928**	**$ 559**
Depreciation	16,631	**19,441**	**194**
Impairment loss on fixed assets	491	**3,740**	**37**
Amortization of goodwill	2,052	**2,845**	**28**
Amortization of negative goodwill	(8)	**(453)**	**(4)**
Increase in outstanding claims	75,783	**27,936**	**279**
Increase in underwriting reserves	118,445	**126,534**	**1,265**
Decrease in bad debt reserve	(5,018)	**(2,424)**	**(24)**
Increase (decrease) in reserve for pension and retirement benefits	(983)	**384**	**3**
Decrease in reserve for retirement benefits for officers	—	**(394)**	**(3)**
Increase (decrease) in accrued bonuses for employees	(343)	**36**	**0**
Increase in reserve for price fluctuation	3,167	**3,254**	**32**
Interest and dividends income	(179,081)	**(189,328)**	**(1,893)**
Investment related gains	(28,730)	**(23,963)**	**(239)**
Derivative transactions related losses	652	**23,272**	**232**
Interest expenses	829	**1,082**	**10**
Foreign exchange losses	1,526	**9,666**	**96**
Gains on disposal of tangible fixed assets	(266)	**(1,220)**	**(12)**
Equity in earnings of affiliates	2,677	**5,273**	**52**
Increase in other assets	(13,621)	**(13,685)**	**(136)**
Increase (decrease) in other liabilities	14,853	**(2,232)**	**(22)**
Other, net	6,643	**3,894**	**38**
Subtotal	103,614	**49,587**	**495**
Interest and dividends received	176,459	**185,523**	**1,855**
Interest paid	(795)	**(947)**	**(9)**
Income tax paid	(51,861)	**(44,476)**	**(444)**
Net cash provided by operating activities (a)	227,417	**189,688**	**1,896**
II. Cash flows from investing activities:			
Net increase in deposits and savings	¥ (5,410)	**¥ (12,024)**	**$ (120)**
Purchases of monetary claims bought	(22,323)	**(16,446)**	**(164)**
Proceeds from sales and redemption of monetary claims bought	2,299	**2,646**	**26**
Purchase of money trusts	(15,000)	**(8,066)**	**(80)**
Proceeds from sales of money trusts	14,179	**10,700**	**107**
Purchase of securities	(918,030)	**(843,847)**	**(8,438)**
Proceeds from sales and redemption of securities	764,441	**736,363**	**7,363**
Investment in loans	(260,617)	**(258,430)**	**(2,584)**
Collection of loans	267,783	**224,654**	**2,246**
Increase (decrease) in cash received under securities lending transactions	(20,429)	**6,766**	**67**
Other, net	(1,444)	**5,104**	**51**
Subtotal (b)	(194,551)	**(152,579)**	**(1,525)**
(a + b)	32,865	**37,108**	**371**
Acquisition of tangible fixed assets	(23,848)	**(41,861)**	**(418)**
Proceeds from sales of tangible fixed assets	5,193	**14,176**	**141**
Acquisition of subsidiaries with change in scope of consolidation, net of cash acquired	(7,337)	**—**	**—**
Other, net	21	**(5,356)**	**(53)**
Net cash used in investing activities	(220,522)	**(185,621)**	**(1,856)**
III. Cash flows from financing activities:			
Issuance of short-term bonds	—	**¥ 29,976**	**$ 299**
Issuance of bonds	—	**29,991**	**299**
Redemption of bonds	—	**(30,000)**	**(300)**
Repurchase of treasury stock	¥ (13,839)	**(7,629)**	**(76)**
Dividends paid to shareholders	(21,308)	**(21,166)**	**(211)**
Dividends paid to minority shareholders	(1,207)	**(700)**	**(7)**
Other, net	(1,003)	**(800)**	**(8)**
Net cash used in financing activities	(37,358)	**(329)**	**(3)**
IV. Effect of exchange rate changes on cash and cash equivalents	¥ 9,634	**¥ (5,307)**	**$ (53)**
V. Net change in cash and cash equivalents	¥ (20,829)	**¥ (1,570)**	**$ (15)**
VI. Cash and cash equivalents at beginning of year	¥386,179	**¥365,350**	**$3,653**
VII. Effect of business combination of subsidiaries	—	**¥ 630**	**$ 6**
VIII. Effect of change in scope of consolidation	—	**¥ (329)**	**$ (3)**
IX. Cash and cash equivalents at end of year	¥365,350	**¥364,081**	**$3,640**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2007 AND 2008

March 31, 2007

Basis of Presentation

1. Basis of presentation

The accompanying consolidated financial statements have been translated from the consolidated financial statements of Mitsui Sumitomo Insurance Company, Limited (“the Company”) prepared in accordance with the provisions set forth in the Corporate Accounting Regulations, the Enforcement Regulations of the Japanese Insurance Business Law and related rules and regulations applicable to the non-life insurance industry in general and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Principles of consolidation

(1) Number of consolidated subsidiaries: 38 companies

Major consolidated subsidiaries are as follows:

Mitsui Sumitomo Kirameki Life Insurance Company, Limited
MSIG Holdings (Americas), Inc.
Mitsui Sumitomo Insurance Company (Europe), Limited
Mitsui Sumitomo Insurance (Singapore) Pte. Ltd.

In the year ended March 31, 2007, Mitsui Direct General Insurance Co., Ltd. has been included in consolidation as a subsidiary due to the acquisition of its shares. Also, MSC Corporation has been included in consolidation effective from the year ended March 31, 2007 as a subsidiary due to the acquisition of its controlling interest through assumption of its debentures. Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited, a newly established subsidiary, has been also included in consolidation effective from the year ended March 31, 2007.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited

March 31, 2008

Basis of Presentation

1. Basis of presentation

The accompanying consolidated financial statements have been translated from the consolidated financial statements of Mitsui Sumitomo Insurance Company, Limited (“the Company”) prepared in accordance with the provisions set forth in the Corporate Accounting Regulations, the Enforcement Regulations of the Japanese Insurance Business Law and related rules and regulations applicable to the non-life insurance industry in general and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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, 2008 have been translated into U.S. dollars at the rate of ¥100=US$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2008. This translation should not be construed as a presentation that all the amount shown could be converted into U.S. dollars.

2. Principles of consolidation

(1) Number of consolidated subsidiaries: 35 companies

Major consolidated subsidiaries are as follows:

Mitsui Sumitomo Kirameki Life Insurance Company, Limited
MSIG Holdings (Americas), Inc.
Mitsui Sumitomo Insurance (London Management) Ltd.
MSIG Mingtai Insurance Co., Ltd.

Mitsui Sumitomo Insurance (China) Company Ltd., a newly established subsidiary, has been included in consolidation effective from the year ended March 31, 2008.

PT. PAI Insurance has been excluded from the scope of consolidation due to decrease of materiality as a result of business transfer. Also, MSI Re Management, Inc. and two other companies have been excluded from the scope of consolidation as they were liquidated.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited

March 31, 2007	**March 31, 2008**
MITSUI SUMITOMO INSURANCE Staffing Service Company, Limited These subsidiaries are not included in consolidation due to their immaterial effect that would not affect reasonable judgment on the consolidated financial position and results of operations, in view of the size of their total assets, ordinary income, as well as net income and retained earnings attributable to the Company.	MITSUI SUMITOMO INSURANCE Staffing Service Company, Limited These subsidiaries are not included in consolidation due to their immaterial effect that would not affect reasonable judgment on the consolidated financial position and results of operations, in view of the size of their total assets, ordinary income, as well as net income and retained earnings attributable to the Company.
(3) Mitsui Sumitomo MetLife Insurance Co., Ltd. is a 51%-owned affiliate and is not consolidated because its control is jointly owned with other company pursuant to the joint venture agreement.	(3) Mitsui Sumitomo MetLife Insurance Co., Ltd. is a 51%-owned affiliate and is not consolidated because its control is jointly owned with other company pursuant to the joint venture agreement.
3. Equity method (1) Number of affiliate companies accounted for under the equity method: 3 companies The names of the major companies accounted for under the equity method are as follows: Mitsui Sumitomo MetLife Insurance Co., Ltd. Sumitomo Mitsui Asset Management Company, Limited PT. Auto Management Services has been accounted for under the equity method effective from the year ended March 31, 2007 as an affiliate company due to the acquisition of its shares by PT. Asuransi Mitsui Sumitomo Indonesia, the consolidated subsidiary.	3. Equity method (1) Number of affiliate companies accounted for under the equity method: 3 companies The names of the major companies accounted for under the equity method are as follows: Mitsui Sumitomo MetLife Insurance Co., Ltd. Sumitomo Mitsui Asset Management Company, Limited
(2) Other affiliate companies, including unconsolidated subsidiaries (e.g. Mitsui Sumitomo Insurance Staffing Service Company, Limited, BPI/MS Insurance Corporation), are not accounted for under the equity method because their effect on consolidated net income and retained earnings is immaterial individually and in aggregate.	(2) Other affiliate companies, including unconsolidated subsidiaries (e.g. Mitsui Sumitomo Insurance Staffing Service Company, Limited, BPI/MS Insurance Corporation), are not accounted for under the equity method because their effect on consolidated net income and retained earnings is immaterial individually and in aggregate.
4. Fiscal year of consolidated subsidiaries Fiscal year-end of consolidated subsidiaries representing MSIG Holdings (Americas), Inc. and 32 other companies is December 31, which is different from that of the Company. The Company uses their financial statements as of their most current fiscal year-end for consolidation purposes because the time lag does not exceed a three-month period. The Company makes necessary adjustments to incorporate significant transactions occurred during the intervening period that materially affect the consolidated financial statements.	4. Fiscal year of consolidated subsidiaries Fiscal year-end of consolidated subsidiaries representing MSIG Holdings (Americas), Inc. and 31 other companies is December 31, which is different from that of the Company. The Company uses their financial statements as of their most current fiscal year-end for consolidation purposes because the time lag does not exceed a three-month period. The Company makes necessary adjustments to incorporate significant transactions occurred during the intervening period that materially affect the consolidated financial statements.
5. Accounting policies (1) Valuation policies and methods of securities are as follows:	5. Accounting policies (1) Valuation policies and methods of securities are as follows:

March 31, 2007

(i) Securities held to maturity are valued at amortized cost.
(ii) Stocks of unconsolidated subsidiaries and affiliates that are not accounted for under the equity method are valued at cost determined by the moving average method.
(iii) Securities earmarked for policy reserve are valued at amortized cost determined by the moving average method pursuant to Industry Audit Committee Report No.21 "Temporary Treatment of Accounting and Auditing Concerning Securities Earmarked for Policy Reserve in Insurance Industry" (issued by The Japanese Institute of Certified Public Accountants on November 16, 2000).

The outline of the risk management policy for securities earmarked for policy reserve which the Company established in the current year is as follows:

In order to control risks of interest rate variability arising in assets and liabilities, the consolidated life insurance subsidiary segregates "single premium endowment insurance" block as a sub-segment and applies the investment policy which enables the subsidiary to maintain the durations of the securities earmarked for policy reserve and the policy reserve for the segregated block within a certain definite range.
(iv) Available for sale securities for which fair value is available are valued at fair value as of March 31, 2007. Net unrealized gains or losses are reported as a separate component of net assets, and cost of sale is calculated using the moving average method.
(v) Available for sale securities for which fair value is not available are valued at cost determined by the moving average method or amortized cost.
(vi) Securities managed as a major component of trust assets in the money trust are valued at fair value.

Securities held by foreign subsidiaries are mainly valued at fair value.

(2) Derivative financial instruments are valued at fair value. Foreign exchange contracts and interest rate swaps that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates or the interest rates under those contracts were originally applied to the underlying financial instruments.

(3) Depreciation of tangible fixed assets held by the Company and domestic subsidiaries is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line

March 31, 2008

(i) Securities held to maturity are valued at amortized cost.
(ii) Stocks of unconsolidated subsidiaries and affiliates that are not accounted for under the equity method are valued at cost determined by the moving average method.
(iii) Securities earmarked for policy reserve are valued at amortized cost determined by the moving average method pursuant to Industry Audit Committee Report No.21 "Temporary Treatment of Accounting and Auditing Concerning Securities Earmarked for Policy Reserve in Insurance Industry" (issued by The Japanese Institute of Certified Public Accountants on November 16, 2000).

The outline of the risk management policy for securities earmarked for policy reserve which the Company established in the current year is as follows:

In order to control risks of interest rate variability arising in assets and liabilities, the consolidated life insurance subsidiary segregates "single premium endowment insurance" block as a sub-segment and applies the investment policy which enables the subsidiary to maintain the durations of the securities earmarked for policy reserve and the policy reserve for the segregated block within a certain definite range.
(iv) Available for sale securities for which fair value is available are valued at fair value as of March 31, 2008. Net unrealized gains or losses are reported as a separate component of net assets, and cost of sale is calculated using the moving average method.
(v) Available for sale securities for which fair value is not available are valued at cost determined by the moving average method or amortized cost.
(vi) Securities managed as a major component of trust assets in the money trust are valued at fair value.

Securities held by foreign subsidiaries are mainly valued at fair value.

(2) Derivative financial instruments are valued at fair value. Foreign exchange contracts and interest rate swaps that meet certain criteria are accounted for under exceptional methods, as permitted in the related accounting standards, as if the foreign exchange rates or the interest rates under those contracts were originally applied to the underlying financial instruments.

(3) Depreciation of tangible fixed assets held by the Company and domestic subsidiaries is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line

method is applied. Depreciation of tangible fixed assets held by foreign subsidiaries is mainly computed using the straight-line method.

(4) Accounting policies for significant reserves

(i) Bad debt reserve

As for the Company and the domestic consolidated insurance subsidiaries, the bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision.

A reserve for bad debts for loans to debtors who are legally deemed to be experiencing financial difficulties such as bankruptcy, special liquidation or whose notes are under suspension at clearing houses, and loans for debtors who are substantially deemed to be experiencing financial difficulties are provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible through guarantees.

A bad debt reserve for loans to debtors who likely experience financial difficulties in the future is provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible from guarantees considering the debtor's ability to repay the entire outstanding debt.

For loans other than those described above, a bad debt reserve is calculated at an amount of the outstanding balances multiplied by actual historical bad debt ratios.

All loans and receivables are provided for based on the assessment under the internal asset self-assessment standard. The assessment was performed by the departments which are responsible for respective assets. The independent internal audit departments reviewed those results.

As for other domestic consolidated subsidiaries, the bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision similar to the Company.

As for foreign consolidated subsidiaries, the bad debt reserve is established based on the assessment of collectibility of individual receivables.

(ii) Reserve for pension and retirement benefits

Reserve for pension and retirement benefits is established to provide for future retirement benefits based on the estimated retirement benefit obligation and plan assets as of March 31, 2007.

Prior service costs are amortized using the straight-

method is applied. Depreciation of tangible fixed assets held by foreign subsidiaries is mainly computed using the straight-line method.

(Changes in accounting principles or procedures)

In accordance with the amendment of the corporation tax laws in current year, tangible fixed assets acquired on or after April 1, 2007 held by the Company and domestic consolidated subsidiaries are depreciated based on the depreciation method under the amended corporation tax laws. As a result, compared to the prior method, ordinary profit and income before income taxes both decreased by ¥560 million ($5 million).

(Additional information)

Tangible fixed assets acquired on or before March 31, 2007 held by the Company and its domestic consolidated subsidiaries are depreciated based on the depreciation method under the previous corporation tax laws. In accordance with the amendment of the corporation tax laws in current year, differences between 5% of acquisition cost and memorandum value are depreciated evenly over 5 years and charged to Loss adjustment expenses and Operating expenses and general and administrative expenses, after the period when the tangible fixed assets are depreciated up to 5% of their respective acquisition cost. As a result, compared to the prior method, Ordinary profit and Income before income both decreased by ¥479 million ($4 million).

(4) Accounting policies for significant reserves

(i) Bad debt reserve

As for the Company and the domestic consolidated insurance subsidiaries, the bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision.

A reserve for bad debts for loans to debtors who are legally deemed to be experiencing financial difficulties such as bankruptcy, special liquidation or whose notes are under suspension at clearing houses, and loans for debtors who are substantially deemed to be experiencing financial difficulties are provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible through guarantees.

A bad debt reserve for loans to debtors who likely experience financial difficulties in the future is provided for based on the amount remaining after deducting the resale value of collateral and amounts collectible from guarantees considering the debtor's ability to repay the

March 31, 2007

line method over certain periods within the estimated average remaining service years of employees.

Actuarial gains and losses are amortized from the year following the year in which those gains and losses arise using the straight-line method over certain periods within the estimated average remaining service years of employees.

In estimating retirement benefit obligation of consolidated subsidiaries, the Company uses the simplified method.

Reserve for pension and retirement benefits in the amount of ¥3,100 million that covers the cost for services rendered through the year ended March 31, 2005 when the retirement benefits for officers were terminated is also established to provide for future retirement benefits (including pension) for officers and operating officers as a part of reserve for pension and retirement benefits, for the Company and the consolidated life insurance subsidiary.

(iii) Accrued bonuses
Accrued bonuses for employees are based on estimated amounts to be paid at the end of the year.

(iv) Reserve for price fluctuation
Reserve for price fluctuation is recognized under Article 115 of the Insurance Business Law to provide for possible losses arising from price fluctuations of investment securities.

(5) Translation of foreign currency assets and liabilities
Foreign currency assets and liabilities are translated into Japanese yen using the spot exchange rate prevailing at the year-end, and gains and losses resulting from the translation are recognized currently in earnings. Foreign currency assets and liabilities of foreign subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year-ends, and income and expenses are translated into Japanese yen using the average exchange rate during the year and translation differences are included in foreign currency translation adjustments and minority interests.

(6) Accounting for consumption taxes
Consumption taxes are accounted for under the “Zei Nuki” (tax exclusive) method except for those relating to loss adjustment expenses, operating expenses and general and administrative expenses, which are accounted for under the “Zei Komi” (tax inclusive) method. Non-deductible consumption taxes relating to assets are included in suspense payments and amortized in

March 31, 2008

entire outstanding debt.

For loans other than those described above, a bad debt reserve is calculated at an amount of the outstanding balances multiplied by actual historical bad debt ratios.

All loans and receivables are provided for based on the assessment under the internal asset self-assessment standard. The assessment was performed by the departments which are responsible for respective assets. The independent internal audit departments reviewed those results.

As for other domestic consolidated subsidiaries, the bad debt reserve is established under the internal standard for self-assessment of assets and the policy for write-off and provision similar to the Company.

As for foreign consolidated subsidiaries, the bad debt reserve is established based on the assessment of collectibility of individual receivables.

(ii) Reserve for pension and retirement benefits
Reserve for pension and retirement benefits is established to provide for future retirement benefits based on the estimated retirement benefit obligation and plan assets as of March 31, 2008.

Prior service costs are amortized using the straight-line method over certain periods within the estimated average remaining service years of employees.

Actuarial gains and losses are amortized from the year following the year in which those gains and losses arise using the straight-line method over certain periods within the estimated average remaining service years of employees.

In estimating retirement benefit obligation of consolidated subsidiaries, the Company uses the simplified method.

(iii) Reserves for retirement benefits for officers
Reserve for retirement benefits that covers the cost for services rendered through the year ended March 31, 2005 when the retirement benefits for officers were terminated is established to provide for future retirement benefits (including pension) for officers and operating officers, for the Company and the consolidated life insurance subsidiary.

(iv) Accrued bonuses
Accrued bonuses for employees are based on estimated amounts to be paid at the end of the year.

(v) Reserve for price fluctuation
Reserve for price fluctuation is recognized under Article

March 31, 2007

equal installments over a period of five years.

(7) Accounting for lease transactions
Finance leases, except for those in which ownership is considered to be transferred to the lessee, are accounted for as operating leases similar to the rental of property.

(8) Hedge accounting
Profits and losses on currency swap contracts used for hedging risks of variability in cash flows of foreign currency bonds are accounted for under the deferred hedge accounting method. Certain of the forward exchange contracts used for hedging foreign currency risks of foreign bonds are accounted for under the fair value hedge accounting method. Interest rate swap contracts for hedging risks of variability in cash flows of loans or bonds arising from fluctuations in interest rates, are accounted for using the deferred hedge accounting method or the exceptional method when they meet certain criteria, as mentioned in (2).

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations of the fair value or cash flows of the hedged items and the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. When hedged items and hedging instruments are highly and clearly interrelated or when interest rate swap transactions meet the criteria for applying the exceptional method, assessment of hedge effectiveness is not performed.

Interest rate swap contracts used in the ALM (Asset and Liability Management) for the purpose of adequate control of risks of interest rate variability are accounted for as deferred hedge and their hedge effectiveness is tested in accordance with Industry Audit Committee Report No.26 “Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments in Insurance Industry” (issued by The Japanese Institute of Certified Public Accountants on September 3, 2002). The hedge effectiveness testing is performed by assessing interest rate fluctuations that may affect pricing of the theoretical values of the hedging instrument and the hedged item.

March 31, 2008

115 of the Insurance Business Law to provide for possible losses arising from price fluctuations of investment securities.

(5) Translation of foreign currency assets and liabilities
Foreign currency assets and liabilities are translated into Japanese yen using the spot exchange rate prevailing at the year-end, and gains and losses resulting from the translation are recognized currently in earnings. Foreign currency assets and liabilities of foreign subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year-ends, and income and expenses are translated into Japanese yen using the average exchange rate during the year and translation differences are included in foreign currency translation adjustments and minority interests.

(6) Accounting for consumption taxes
Consumption taxes are accounted for under the “Zei Nuki” (tax exclusive) method except for those relating to loss adjustment expenses, operating expenses and general and administrative expenses, which are accounted for under the “Zei Komi” (tax inclusive) method. Non-deductible consumption taxes relating to assets are included in suspense payments and amortized in equal installments over a period of five years.

(7) Accounting for lease transactions
Finance leases, except for those in which ownership is considered to be transferred to the lessee, are accounted for as operating leases similar to the rental of property.

(8) Hedge accounting
Profits and losses on equity forward contracts used for hedging risks of variability in fair value of stocks are accounted for under the deferred hedged accounting method. Profits and losses on currency swap contracts used for hedging risks of variability in foreign currency of foreign currency bonds are accounted for under the deferred hedge accounting method. Also, certain of the forward exchange contracts used for the hedging are accounted for under the fair value hedge accounting method or the allocation method. Interest rate swap contracts for hedging risks of variability in cash flows of loans or bonds arising from fluctuations in interest rates are accounted for using the deferred hedge accounting method or the exceptional method when they meet certain criteria, as mentioned in (2).

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations of the fair value or cash flows of the hedged items and the hedging instruments during the periods

March 31, 2007	March 31, 2008

from the respective start dates of the hedges to the assessment dates. When hedged items and hedging instruments are highly and clearly interrelated or when interest rate swap transactions meet the criteria for applying the exceptional method, assessment of hedge effectiveness is not performed.

Interest rate swap contracts used in the ALM (Asset and Liability Management) for the purpose of adequate control of risks of interest rate variability are accounted for as deferred hedge and their hedge effectiveness is tested in accordance with Industry Audit Committee Report No.26 "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments in Insurance Industry" (issued by The Japanese Institute of Certified Public Accountants on September 3, 2002). The hedge effectiveness testing is performed by assessing interest rate fluctuations that may affect pricing of the theoretical values of the hedging instrument and the hedged item.

March 31, 2007

6. Valuation of assets and liabilities of the consolidated subsidiaries

Assets and liabilities of the consolidated subsidiaries are valued using the full scope fair value method.

7. Goodwill

Goodwill is amortized using the straight-line method over 20 years. Insignificant amount of goodwill is charged to income as incurred in the entire amount. Goodwill recognized in the balance sheets of foreign subsidiaries, not amortized pursuant to their respective local accounting standards, is subject to the impairment test annually and whenever circumstances indicate a sign of impairment, resulting in recognition of an impairment loss as needed.

8. Cash and cash equivalents

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with original maturities not exceeding three months constitute cash and cash equivalents.

9. Changes in basis of presentation

Effective from the year ended March 31, 2007, the Company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8, issued on December 9, 2005). The amount of the conventional "Total stockholders' equity" as of March 31, 2007

March 31, 2008

6. Valuation of assets and liabilities of the consolidated subsidiaries

Assets and liabilities of the consolidated subsidiaries are valued using the full scope fair value method.

7. Goodwill

Goodwill is amortized using the straight-line method over 20 years. Insignificant amount of goodwill is charged to income as incurred in the entire amount. Goodwill recognized in the balance sheets of foreign subsidiaries, not amortized pursuant to their respective local accounting standards, is subject to the impairment test annually and whenever circumstances indicate a sign of impairment, resulting in recognition of an impairment loss as needed.

8. Cash and cash equivalents

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with original maturities not exceeding three months constitute cash and cash equivalents.

under the previous format would have been ¥2,173,192 million.

10. Changes in presentation

(1) Consolidated Balance Sheet

(i) Item previously presented as "Property and equipment" have been presented as "Tangible fixed assets" effective from the year ended March 31, 2007.

(ii) Goodwill, leasehold interests and other rights previously included in "Other assets" have been presented as "Intangible fixed assets" effective from the year ended March 31, 2007.

(iii) Item previously presented as "Consolidation adjustments" has been presented as "Intangible fixed assets" effective from the year ended March 31, 2007.

(iv) Item previously presented as "Reserve for price fluctuation" has been presented as a breakdown of "Reserves under the special laws" effective from the year ended March 31, 2007.

(2) Consolidated Statement of Income

(i) Items previously presented as "Gains on sale of real estate" or "Losses on sale of real estate" have been presented as "Gains on sale of fixed assets" or "Losses on sale of fixed assets" effective from the year ended March 31, 2007.

(ii) Item previously presented as "Provision for price fluctuation reserve" has been presented as a breakdown of "Provision for reserves under the special laws" effective from the year ended March 31, 2007.

(3) Consolidated Statement of Cash Flows

(i) Item previously presented as "Amortization of consolidation adjustments" has been presented as "Amortization of goodwill" or "Amortization of negative goodwill" effective from the year ended March 31, 2007.

(ii) Item previously presented as "Losses (gains) on disposal of property and equipment" has been presented as "Losses (gains) on disposal of tangible fixed assets" effective from the year ended March 31, 2007.

(iii) Items previously presented as "Acquisition of property and equipment" and "Proceeds from sales of property and equipment" have been presented as "Acquisition of tangible fixed assets" and "Proceeds from sales of tangible fixed assets" effective from the year ended March 31, 2007.

9. Changes in presentation

(1) Consolidated Balance Sheet

(i) Reserve for retirement benefits for officers previously included in "Reserve for pension and retirement benefits" has been presented separately as "Reserve for retirement benefits for officers" effective from the year ended March 31, 2008.

(2) Consolidated Statement of Cash Flows

(i) Increase in reserve for retirement benefits for officers previously included in "Increase in reserve for pension and retirement benefits" has been presented separately as "Increase in reserve for retirement benefits for officers" effective from the year ended March 31, 2008.

March 31, 2007

Notes to Consolidated Balance Sheets

1. Accumulated depreciation of tangible fixed assets amounted to ¥270,935 million. The acquisition costs of certain properties were reduced by ¥19,446 million representing deferred profit on sales of other properties.

2. Costs of equity investments in unconsolidated subsidiaries and affiliates are as follows:

	Yen in millions
Investments in securities (Stock)	¥17,293
Investments in securities (Foreign securities)	7,068
Investments in securities (Other securities)	6,790

3.
(1) Loans to financially impaired parties and overdue loans amounted to ¥101 million and ¥1,457 million, respectively.

Loans to financially impaired parties represent those loans, excluding the portion of the loans that were written off, on which accrued interest receivable is not recognized because repayments of principal or interest were overdue for considerable periods and they are regarded uncollectible and which meet the conditions prescribed in Article 96, Section 1-3 and 1-4 of the Corporation Tax Law Enforcement Ordinance (1965 Cabinet Order No.97). Hereafter, this last category is referred to as "Loans not accruing interest."

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

(2) Loans overdue for 3 months or more amounted to ¥1,031 million.

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

(3) Restructured loans amounted to ¥2,233 million.

Restructured loans are those loans which have granted favorable terms for the benefit of debtors such as interest exemption or reduction, grace on interest payments, grace on principal repayments, or forgiveness of debts for the purpose of

March 31, 2008

Notes to Consolidated Balance Sheets

1. Accumulated depreciation of tangible fixed assets amounted to ¥271,655 million ($2,716 million). The acquisition costs of certain properties were reduced by ¥19,258 million ($192 million) representing deferred profit on sales of other properties.

2. Costs of equity investments in unconsolidated subsidiaries and affiliates are as follows:

	Yen in millions	Dollars in millions
Investments in securities (Stock)	**¥14,286**	**$142**
Investments in securities (Foreign securities)	**6,133**	**61**
Investments in securities (Other securities)	**8,633**	**86**

3. The amount of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more and restructured loans are as follows:
(1) Loans to financially impaired parties and overdue loans amounted to ¥207 million ($2 million) and ¥2,367 million ($23 million), respectively.

Loans to financially impaired parties represent those loans, excluding the portion of the loans that were written off, on which accrued interest receivable is not recognized because repayments of principal or interest were overdue for considerable periods and they are regarded uncollectible and which meet the conditions prescribed in Article 96, Section 1-3 and 1-4 of the Corporation Tax Law Enforcement Ordinance (1965 Cabinet Order No.97). Hereafter, this last category is referred to as "Loans not accruing interest."

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

(2) Loans overdue for 3 months or more amounted to ¥946 million ($9 million).

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

(3) Restructured loans amounted to ¥1,495 million ($14 million).

March 31, 2007

restructuring of or support to the debtors in financial difficulty. Loans to financially impaired parties, overdue loans and loans overdue for 3 months or more are excluded from this category.

(4) The total of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more, and restructured loans amounted to ¥4,825 million.

4. Securities in the amount of ¥66,909 million, cash and deposits in the amount of ¥883 million and tangible fixed assets in the amount of ¥40 million are pledged as collateral primarily for Real Time Gross Settlement system of current account at the Bank of Japan.

5. Investments in securities include those that were loaned under securities lending agreements in the amount of ¥156,589 million.

6. Matters regarding retirement benefits are as follows:
(1) Details of retirement benefit obligation:

	Yen in millions
Projected retirement benefit obligation	¥250,294
Plan assets	(165,968)
Unfunded obligation	84,325
Unrecognized actuarial losses	(5,886)
Reserve for pension and retirement benefits	¥ 78,439

(2) Actuarial assumptions for calculation of retirement benefit obligation, etc.

Attribution method of retirement benefits over service period	The benefit/years of service method
Discount rate	2.00 %
Expected rate of return on plan assets	3.00 %
Amortization period for prior service costs	4 years
Amortization period for actuarial gains and losses:	
Defined benefit pension plan and termination allowance plan	10 years
Tax qualified defined benefit pension plan	4 years

The Company transferred its tax qualified defined benefit pension plan to defined benefit pension plan on April 1, 2006.

March 31, 2008

Restructured loans are those loans which have granted favorable terms for the benefit of debtors such as interest exemption or reduction, grace on interest payments, grace on principal repayments, or forgiveness of debts for the purpose of restructuring of or support to the debtors in financial difficulty. Loans to financially impaired parties, overdue loans and loans overdue for 3 months or more are excluded from this category.

(4) The total of loans to financially impaired parties, overdue loans, loans overdue for 3 months or more, and restructured loans amounted to ¥5,017 million ($50 million).

4. Securities in the amount of ¥53,273 million ($532 million), cash and deposits in the amount of ¥4,151 million ($41 million) and tangible fixed assets in the amount of ¥532 million ($5 million) are pledged as collateral primarily for Real Time Gross Settlement system of current account at the Bank of Japan.

5. Investments in securities include those that were loaned under securities lending agreements in the amount of ¥152,411 million ($1,524 million).

6. Matters regarding retirement benefits are as follows:
(1) Details of retirement benefit obligation:

	Yen in millions	Dollars in millions
Projected retirement benefit obligation	**¥257,669**	**$2,576**
Plan assets	**(154,513)**	**(1,545)**
Unfunded obligation	**103,156**	**1,031**
Unrecognized actuarial losses	**(24,369)**	**(243)**
Reserve for pension and retirement benefits	**¥ 78,786**	**$ 787**

(2) Actuarial assumptions for calculation of retirement benefit obligation, etc.

Attribution method of retirement benefits over service period	The benefit/years of service method
Discount rate	**1.50-2.00 %**
Expected rate of return on plan assets	**3.00 %**
Amortization period for prior service costs	**4 years**
Amortization period for actuarial gains and losses:	
Defined benefit pension plan and termination allowance plan	**10 years**
Tax qualified defined benefit pension plan	**4 years**

The Company transferred its tax qualified defined benefit pension plan to defined benefit pension plan on April 1, 2006.

March 31, 2007

7. Significant components of deferred tax assets and liabilities as of March 31, 2007 are as follows:

	Yen in millions
Deferred tax assets:	
Underwriting reserve	¥159,056
Reserve for pension and retirement benefits	28,683
Investment in securities	27,237
Outstanding claims	24,950
Software	16,447
Others	49,602
Total gross deferred tax assets	305,977
Less valuation allowance	(23,308)
Total net deferred tax assets	282,669
Deferred tax liabilities:	
Unrealized gain on investments	(792,932)
Others	(3,084)
Total gross deferred tax liabilities	(796,016)
Total deferred tax liabilities net of deferred tax assets	¥(513,347)

8. The Company provides guarantees to the transactions of a limited partnership entity. Aggregate net present value of those transactions was ¥293,013 million, in a negative liability position. This amount was not included in customers' liabilities under acceptances and guarantees and liabilities under acceptances and guarantees since there is no substantial exposure.

9. The Company executes a net worth maintenance agreement on behalf of its affiliate company, MSI MetLife. Under this agreement, the Company's funding and other obligations are triggered if MSI MetLife falls under a situation that its net worth falls short of a predetermined level or it does not maintain adequate liquidity for payment for its obligations. The aggregated amount of liabilities and assets of MSI MetLife as of March 31, 2007 were ¥2,323,989 million (including Underwriting funds in the amount of ¥2,305,443 million) and ¥2,346,357 million, respectively. This agreement does not provide any guarantees for payment for its obligations. MSI MetLife was not in a triggering situation mentioned above as of March 31, 2007.

10. Unutilized portion of commitment lines given to third parties amounted to ¥5,972 million.

11. Net assets per share as of March 31, 2007 was ¥1,536.71. Minority interests in the amount of ¥14,261 million were deducted from net assets in its computation. Outstanding common shares as of March 31, 2007 were 1,411,202 thousand shares.

March 31, 2008

7. Significant components of deferred tax assets and liabilities as of March 31, 2008 are as follows:

	Yen in millions	Dollars in millions
Deferred tax assets:		
Underwriting reserve	**¥173,448**	**$1,734**
Reserve for pension and retirement benefits	**27,809**	**278**
Investment in securities	**31,431**	**314**
Outstanding claims	**20,743**	**207**
Software	**19,090**	**190**
Others	**52,458**	**524**
Total gross deferred tax assets	**324,982**	**3,249**
Less valuation allowance	**(24,662)**	**(246)**
Total net deferred tax assets	**300,319**	**3,003**
Deferred tax liabilities:		
Unrealized gain on investments	**(495,045)**	**(4,950)**
Others	**(7,035)**	**(70)**
Total gross deferred tax liabilities	**(502,080)**	**(5,020)**
Total deferred tax liabilities net of deferred tax assets	**¥(201,760)**	**$(2,017)**

8. The Company provides guarantees to the transactions of a limited partnership entity. Aggregate net present value of those transactions was ¥497,014 million ($4,970 million), in a negative liability position. This amount was not included in customers' liabilities under acceptances and guarantees and liabilities under acceptances and guarantees since there is no substantial exposure.

9. The Company executes a net worth maintenance agreement on behalf of its affiliate company, MSI MetLife. Under this agreement, the Company's funding and other obligations are triggered if MSI MetLife falls under a situation that its net worth falls short of a predetermined level or it does not maintain adequate liquidity for payment for its obligations. The aggregated amount of liabilities and assets of MSI MetLife as of March 31, 2008 were ¥2,528,083 million ($25,280 million) (including Underwriting funds in the amount of ¥2,509,690 million ($25,096 million)) and ¥2,543,102 million ($25,431 million), respectively. This agreement does not provide any guarantees for payment for its obligations. MSI MetLife was not in a triggering situation mentioned above as of March 31, 2008.

10. Unutilized portion of commitment lines given to third parties amounted to ¥3,436 million ($34 million).

11. Net assets per share as of March 31, 2008 was ¥1,178.48 ($11.78). Minority interests in the amount of ¥16,454 million ($164 million) were deducted from net assets in its computation. Outstanding common shares as of March 31, 2008 were 1,404,402 thousand shares.

March 31, 2007	**March 31, 2008**
12. There have been no events occurring subsequent to the balance sheet date which would have a material effect on the financial position or the results of operations of the Company and its consolidated subsidiaries for the future periods.	12. The event occurring subsequent to the balance sheet date which would have a material effect on the financial position or the results of operations of the Company and its consolidated subsidiaries for the future periods is as follows: The Company established a holding company "Mitsui Sumitomo Insurance Group Holdings, Inc." through a stock transfer, and became its wholly owned subsidiary effective April 1, 2008.
13. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.	13. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2007

Notes to Consolidated Statements of Income

1. Business expenses mainly consist of:

Commission expenses	¥260,772 million
Salary	¥129,144 million

Business expenses represent the aggregate amount of loss adjustment expenses, operating expenses and general and administrative expenses and commissions and collection expenses presented in the statement of income.

2. Consolidated net income per share for the year ended March 31, 2007 was ¥42.82.

Consolidated net income per share is computed based on the following figures: consolidated net income and consolidated net income available to common stockholders, ¥60,796 million; and average outstanding common shares during the year, 1,419,672 thousand shares. Earnings per share after adjustment for dilutive effect of shares is not presented as no dilutive securities exist.

3. Other extraordinary income represents reversal of bad debt reserve.

4. Other extraordinary loss represents extraordinary expenses incurred in connection with administrative measures against the Company during the year ended March 31, 2007.

5. Costs for retirement benefits included in loss adjustment expenses, operating expenses and general and administrative expenses are as follows:

	Yen in millions
Service costs	¥10,213
Interest cost	4,876
Expected return on plan assets	(4,883)
Amortization of actuarial losses	2,387
Net periodic pension cost	12,593
Contributions paid to defined contribution plan	1,406
Total	¥14,000

6. A reconciliation of the significant difference between the normal income tax rate and the effective tax rate after application of deferred tax accounting is as follows:

Normal income tax rate	36.1%
Tax credit for dividends received	(8.2%)
Elimination of dividends received from subsidiaries	1.4%
Entertainment and other expenses not deductible for tax purposes	1.2%
Others	(0.8%)
Effective income tax rate	29.7%

March 31, 2008

Notes to Consolidated Statements of Income

1.Business expenses mainly consist of:

Commission expenses	**¥248,520 million**	**($2,485 million)**
Salary	**¥136,279 million**	**($1,362 million)**

Business expenses represent the aggregate amount of loss adjustment expenses, operating expenses and general and administrative expenses and commissions and collection expenses presented in the statement of income.

2. Consolidated net income per share for the year ended March 31, 2008 was ¥28.37 ($0.28).

Consolidated net income per share is computed based on the following figures: consolidated net income and consolidated net income available to common stockholders, ¥40,027 million ($400 million); and average outstanding common shares during the year, 1,410,862 thousand shares. Earnings per share after adjustment for dilutive effect of shares is not presented as no dilutive securities exist.

3. Other extraordinary income represents reversal of bad debt reserve.

4. Costs for retirement benefits included in loss adjustment expenses, operating expenses and general and administrative expenses are as follows:

	Yen in millions	Dollars in millions
Service costs	**¥10,672**	**$106**
Interest cost	**4,952**	**49**
Expected return on plan assets	**(4,979)**	**(49)**
Amortization of actuarial losses	**522**	**5**
Net periodic pension cost	**11,198**	**111**
Contributions paid to defined contribution plan	**1,475**	**14**
Total	**¥12,673**	**$126**

5. A reconciliation of the significant difference between the normal income tax rate and the effective tax rate after application of deferred tax accounting is as follows:

Normal income tax rate	**36.1%**
Tax credit for dividends received	**(14.0%)**
Elimination of dividends received from subsidiaries	**2.9%**
Entertainment and other expenses not deductible for tax purposes	**2.0%**
Others	**0.5%**
Effective income tax rate	**27.5%**

March 31, 2007

7. Impairment losses were recognized for the following assets:

Use	Asset category	Description of assets	Impairment losses (Yen in millions)	
Rental properties	Land and buildings	2 properties, including buildings for rent in Akita prefecture.	Land	¥119
			Buildings	244
			Total	¥363
Idle real estate and real estate for sale	Land and buildings	7 properties, including company residences in Kagawa prefecture.	Land	¥ 62
			Buildings	65
			Total	¥127

Properties used for insurance operations are grouped as a single asset group for the entire insurance operations. Rental properties, idle real estate and real estate for sale constitute asset groups by their own. Carrying amounts of the above mentioned assets were reduced to their realizable values in view of falling property values or idle real estate and the resulting decreases in the carrying amounts were recorded as an impairment loss in the aggregate amount of ¥491 million in the extraordinary losses.

The realizable values of the assets concerned are determined at the higher of the net sale values or the potential values in continued use. The net sale values are computed based on the sale values or the appraisal values by independent appraisers and the potential values in continued use are computed by discounting the future cash flows at the discount rate of 6.3%.

8. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2008

6. Impairment losses were recognized for the following assets:

Use	Asset category	Description of assets	Impairment losses	Yen in millions	Dollars in millions
Rental properties	Land and buildings	Properties, including buildings for rent in Osaka	Buildings	**¥ 5**	**$ 0**
			Total	**¥ 5**	**$ 0**
Idle real estate and real estate for sale	Land and buildings	14 properties, including company residences in Tokyo	Land	**¥ 93**	**$ 0**
			Buildings	**3,642**	**36**
			Total	**¥3,735**	**$37**

Properties used for insurance operations are grouped as a single asset group for the entire insurance operations. Rental properties, idle real estate and real estate for sale constitute asset groups by their own. Carrying amounts of the above mentioned assets were reduced to their realizable values in view of falling property values or idle real estate and the resulting decreases in the carrying amounts were recorded as an impairment loss in the aggregate amount of ¥3,740 million ($37 million) in the extraordinary losses.

The realizable values of the assets concerned are determined at the higher of the net sale values or the potential values in continued use. The net sale values are computed based on the sale values or the appraisal values by independent appraisers and the potential values in continued use are computed by discounting the future cash flows at the discount rate of 6.2%.

7. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2007

Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of stock issued and treasury stock

	Thousand of shares			
	March 31, 2006	Increase	Decrease	March 31, 2007
Issued				
Common share	1,513,184	—	—	1,513,184
Total	1,513,184	—	—	1,513,184
Treasury stock				
Common share	92,563	9,411	22	101,982
Total	92,563	9,411	22	101,982

Notes:

a. The increase in the number of common treasury stocks during the year was 9,441 thousand shares in aggregate, as a result of the stock repurchase in the market (7,846 thousand shares), acquisition from the subsidiaries (1,143 thousand shares) and repurchase of fractional stocks (451 thousand shares).

b. The decrease in the number of common treasury stocks during the year was 22 thousand shares in aggregate, due to sale of fractional stocks.

2. Dividends

(1) Dividends paid (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Aggregate amount of dividends	Dividend per share	Date of record	Effective date
General meeting of stockholders held on June 28, 2006	Common share	¥12,785	¥9	March 31, 2006	June 28, 2006
Meeting of board of directors held on November 22, 2006	Common share	¥ 8,522	¥6	September 30, 2006	December 14, 2006

March 31, 2008

Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of stock issued and treasury stock

	Thousand of shares			
	March 31, 2007	Increase	Decrease	March 31, 2008
Issued				
Common share	1,513,184	—	108,782	1,404,402
Total	1,513,184	—	108,782	1,404,402
Treasury stock				
Common share	101,982	6,870	108,853	—
Total	101,982	6,870	108,853	—

Notes:

a. The decrease in the number of outstanding common stocks during the year was 108,782 thousand shares, as a result of the retirement of stocks.

b. The increase in the number of common treasury stocks during the year was 6,870 thousand shares in aggregate, as a result of the stock repurchase in the market (6,402 thousand shares) and repurchase of fractional stocks (468 thousand shares).

c. The decrease in the number of common treasury stocks during the year was 108,853 thousand shares, as a result of retirement of stocks (108,782 thousand shares) and sales of fractional stocks (71 thousand shares).

2. Dividends

(1) Dividends paid (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Aggregate amount of dividends	Dividend per share	Date of record	Effective date
General meeting of stockholders held on June 27, 2007	Common share	¥11,289	¥8	March 31, 2007	June 28, 2007
Meeting of board of directors held on November 20, 2007	Common share	¥ 9,876	¥7	September 30, 2007	December 13, 2007

March 31, 2007

(2) Dividends to be made effective in the following year for which the date of record is in the current reporting period (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Aggregate amount of dividends	Source of dividend	Dividend per share	Date of record	Effective date
General meeting of stockholders to be held on June 27, 2007	Common share	¥11,289	Retained earnings	¥8	March 31, 2007	June 28, 2007

3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2008

(2) Dividends to be made effective in the following year for which the date of record is in the current reporting period (Yen in millions, except for dividend per share in Yen)

Resolution	Type of share	Aggregate amount of dividends	Source of dividend	Dividend per share	Date of record	Effective date
General meeting of stockholders to be held on June 26, 2008	Common share	¥12,639	Retained earnings	¥9	March 31, 2008	June 27, 2008

3. Amounts are rounded down to the nearest millions of yen, except for those stated otherwise.

March 31, 2007

Notes to Consolidated Statements of Cash Flows

1. Reconciliation of balance sheet items to cash and cash equivalents outstanding

	Yen in millions
Cash, deposits and savings	¥345,330
Call loans	41,600
Monetary claims bought	84,349
Money trust	57,138
Time deposit with an original maturity of more than three months	(47,210)
Monetary claims bought other than cash equivalents	(64,248)
Money trust other than cash equivalents	(51,608)
Cash and cash equivalents	¥365,350

2. Major items of assets and liabilities of newly consolidated subsidiaries due to the acquisition of shares

Major items of assets and liabilities of Mitsui Direct General Insurance Co., Ltd., the newly consolidated subsidiary due to the acquisition of its shares, at the date of consolidation and reconciliation of the acquisition costs of its shares to net cash paid for the acquisition of the business were as follows:

	Yen in millions
Assets (including investment in securities of ¥22,228)	¥32,840
Goodwill	12,969
Liabilities (including underwriting funds of ¥21,170)	(22,415)
Minority interests	(3,495)
Acquisition costs of the shares	19,898
Cash and cash equivalents	(2,997)
Net cash paid for acquisition	¥16,901

3. Significant non-cash transaction

Assets and liabilities recorded on new finance lease transactions in the current year amounted to ¥771 million.

4. Cash flows from investing activities include cash flows from investments made as part of the insurance business.

March 31, 2008

Notes to Consolidated Statements of Cash Flows

1. Reconciliation of balance sheet items to cash and cash equivalents outstanding

	Yen in millions	Dollars in millions
Cash, deposits and savings	**¥363,179**	**$3,631**
Call loans	**39,900**	**399**
Monetary claims bought	**96,401**	**964**
Money trust	**49,697**	**496**
Time deposit with an original maturity of more than three months	**(56,947)**	**(569)**
Monetary claims bought other than cash equivalents	**(80,317)**	**(803)**
Money trust other than cash equivalents	**(47,831)**	**(478)**
Cash and cash equivalents	**¥364,081**	**$3,640**

2. Significant non-cash transaction

Assets and liabilities recorded on new finance lease transactions in the current year amounted to ¥923 million ($9 million).

3. Cash flows from investing activities include cash flows from investments made as part of the insurance business.

KPMG

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 consolidated subsidiaries as of March 31, 2007 and 2008, the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. 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 consolidated financial position of Mitsui Sumitomo Insurance Company, Limited and consolidated subsidiaries as of March 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

KPMG AZSA & Co.

Tokyo, Japan
May 19, 2008

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law, is the Japan member firm of KPMG International, a Swiss cooperative.

OVERSEAS NETWORK

(AS OF JULY 31, 2008)

☆ MSI Overseas Branches
★ MSI Overseas Offices
● Overseas Subsidiaries and Affiliates
△ Branches or Offices of Overseas Subsidiaries and Affiliates
■ Underwriting Agents for MSI Head Office

ASIA AND OCEANIA

Singapore
● MSIG Holdings (Asia) Pte. Ltd.
● Mitsui Sumitomo Insurance (Singapore) Pte Ltd
● MSIG Insurance (Singapore) Pte. Ltd.
● Interisk Asia Pte Ltd
△ Mitsui Sumitomo Reinsurance Limited Singapore Branch

Thailand
☆ Thailand Branch
● MSIG Insurance (Thailand) Co., Ltd.
● MSI Holding (Thailand) Company Limited
● MSI Adjusting (Thailand) Co., Ltd.
● Calm Sea Service Company Limited
● MBTS Broking Services Company Limited
● MBTS Life Insurance Broker Co., Ltd.
● Ueang Mai Co., Ltd.
● Yardhimar Company Limited

Malaysia
● MSIG Insurance (Malaysia) Bhd.
● MSI Risk Consultancy Services (Malaysia) Sdn Bhd
△ Mitsui Sumitomo Reinsurance Limited Labuan Branch Labuan Main Office Labuan Branch Kuala Lumpur Marketing Office

Philippines
● BPI/MS Insurance Corporation
● FLT Prime Insurance Corporation
● Philippine Charter Insurance Corporation

Indonesia
● PT. Asuransi MSIG Indonesia
● PT. Auto Management Services

Republic of Korea
☆ Korea Branch

People's Republic of China
● Mitsui Sumitomo Insurance (China) Company Limited
★ China General Representative Office
★ Beijing Representative Office
★ Guangzhou Representative Office
★ Shenzhen Representative Office
★ Dalian Representative Office
★ Chengdu Representative Office
★ Tianjin Representative Office
★ Suzhou Representative Office
★ Hangzhou Representative Office
★ Qingdao Representative Office

Hong Kong
● Mitsui Sumitomo Insurance Company (Hong Kong), Limited
● MSIG Insurance (Hong Kong) Limited
● Oriental Management Services Limited
● M&H Insurance Agency Limited

Taiwan
☆ Taipei Branch
★ Kaohsiung Representative Office
★ Yangming Representative Office
● MSIG Mingtai Insurance Co., Ltd.

Vietnam
● United Insurance Company of Vietnam
★ Hanoi Representative Office
★ Ho Chi Minh Representative Office

India
● Cholamandalam MS General Insurance Company Limited
● Cholamandalam MS Risk Services Limited
★ New Delhi Representative Office

Myanmar
★ Yangon Representative Office

Cambodia
● Asia Insurance (Cambodia) Plc.

Australia
☆ Australia Branch
★ Sydney Representative Office
★ Melbourne Representative Office

New Zealand
☆ New Zealand Branch
★ New Zealand Representative Office

Papua New Guinea
☆ Papua New Guinea Branch
★ Papua New Guinea Representative Office

THE AMERICAS

U.S.A.
● MSIG Holdings (Americas), Inc.
● Mitsui Sumitomo Insurance Company of America
● Mitsui Sumitomo Insurance USA Inc.
● Mitsui Sumitomo Marine Management (U.S.A.), Inc.
△ New York Office
△ Cincinnati Office
△ Atlanta Office
△ San Francisco Office
△ Los Angeles Office
△ Chicago Office
△ Detroit Office
● MSI Risk Management Services, Inc.
● Seven Hills Insurance Agency, LLC
● MSI Claims (USA), Inc.
● MSI GuaranteedWeather, LLC

Guam (U.S.A.)
■ Cassidy's Associated Insurers Inc.
■ Aon Insurance Micronesia (GUAM) Inc.

Northern Marianas (U.S.A.)
■ Associated Insurance Underwriters of the Pacific Inc.
■ Aon Insurance Micronesia (SAIPAN) Inc.

Canada
★ Toronto Representative Office c/o Chubb Insurance of Canada
■ Chubb Insurance Company of Canada

Bermuda
● MS Frontier Reinsurance Limited
● SPAC Insurance (Bermuda) Limited
● Interisk Global Management (Bermuda) Limited

Mexico
★ Mexico Representative Office

Panama
★ Panama Representative Office

Brazil
● MSI Do Brasil Ltda
● Mitsui Sumitomo Seguros S/A.
★ São Paulo Representative Office

Colombia
★ Bogotá Representative Office

Peru

★ Lima Representative Office

Argentina

★ Buenos Aires Representative Office

EUROPE AND MIDDLE EAST

United Kingdom

● MSIG Holdings (Europe) Limited
● Mitsui Sumitomo Insurance Company (Europe), Limited
△ UK Branch
△ Derby Branch
● MSIG Corporate Services (Europe) Limited
● Mitsui Sumitomo Insurance (London Management) Ltd
● MSI Corporate Capital Limited
● Mitsui Sumitomo Insurance (London) Limited
● Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited

Ireland

● Mitsui Sumitomo Reinsurance Limited

Germany

△ Mitsui Sumitomo Insurance Company (Europe), Limited German Branch
● MSIG German Services GmbH

The Netherlands

△ Mitsui Sumitomo Insurance Company (Europe), Limited The Netherlands Branch

France

△ Mitsui Sumitomo Insurance Company (Europe), Limited France Branch

Belgium

△ Mitsui Sumitomo Insurance Company (Europe), Limited Belgium Branch

Spain

△ Mitsui Sumitomo Insurance Company (Europe), Limited Spain Branch

Italy

△ Mitsui Sumitomo Insurance Company (Europe), Limited Italy Branch

Czech Republic

★ Prague Representative Office
△ Mitsui Sumitomo Insurance Company (Europe), Limited Czech Branch

Russia

★ Moscow Representative Office
★ St. Petersburg Representative Office

Norway

● SMA MSI AS

Saudi Arabia

★ Al Khobar Representative Office

United Arab Emirates

★ Dubai Representative Office
★ Abu Dhabi Representative Office

CORPORATE DATA

(AS OF JUNE 30, 2008)

Mitsui Sumitomo Insurance Group Holdings, Inc.
27-2, Shinkawa 2-chome,
Chuo-ku, Tokyo 104-8252, Japan
Tel: 81-3-3297-6486

Date Established
April 1, 2008

Number of Employees (consolidated basis)
20,876

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

Number of Shares of Common Stock

Authorized:	900,000,000
Issued:	421,320,739

Paid-in Capital
¥100,000 million

Independent Auditor
KPMG AZSA & Co.

Investor Relations
Investor Relations Department
Mitsui Sumitomo Insurance Group Holdings, Inc.
27-2, Shinkawa 2-chome,
Chuo-ku, Tokyo 104-8252, Japan
Tel: 81-3-3297-6486
Fax: 81-3-3297-6935

Mitsui Sumitomo Insurance Group Online
Key financial results and information about Mitsui Sumitomo Insurance Group can be found on MSIG's IR Home Page at:
http://www.msig.com/en/ir/index.html

Mitsui Sumitomo Insurance Group Holdings, Inc.

27-2, SHINKAWA 2-CHOME
CHUO-KU, TOKYO 104-8252, JAPAN
TEL: 81-3-3297-6486
URL: http://www.msig.com

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