Mitsui Sumitomo Insurance

For all the things you care about

Annual Report 2007

Mitsui Sumitomo Insurance Company, Limited

For all the things you care about

Mitsui Sumitomo Insurance Company, Limited ("MSI") and its subsidiaries and affiliates (collectively, the "MSI Group") are active in a wide range of businesses in Japan and overseas, beginning with domestic non-life insurance, as well as life insurance, overseas business, financial services, and risk-related business. Since its formation through a merger in 2001, the MSI Group has continually responded to challenges in achieving growth to become a leading company in Japan's non-life insurance industry.

Today, the MSI Group is set to make a new start. In consideration of the administrative measures imposed in the previous fiscal year, we have concentrated on making comprehensive improvements in the business operations with Group employees and have thoroughly pursued business from the customers' viewpoint.

During this process, we established a new corporate message—"For all the things you care about"—and in April 2007 we began implementing "New Challenge 10," a medium-term management plan aimed at achieving growth and development with corporate quality as a competitive strength.

As we set out on a new stage in our development, the MSI Group is committed to offering the highest-quality products and services, putting the first priority on the customers' viewpoint, and bringing security and safety to people and businesses around the world, thereby contributing to the enrichment of society. In doing so, the MSI Group will strive to establish a sure path to growth as an insurance and finance group that meets the world's highest standards.

MSI Mission Statement

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

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

Contents

Cautionary Statement

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

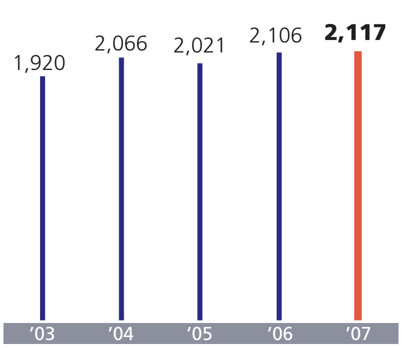
FINANCIAL HIGHLIGHTS

Mitsui Sumitomo Insurance Company, Limited and subsidiaries
For the years ended March 31, 2005, 2006 and 2007

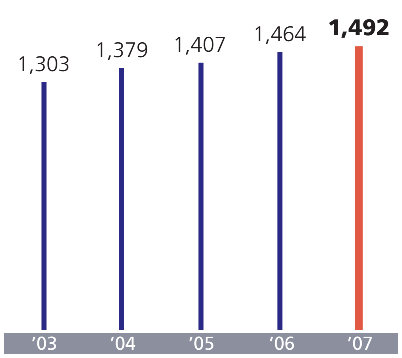
	Yen in millions			Dollars in thousands
	2005	2006	2007	2007
Ordinary income:	¥2,021,917	¥2,106,874	¥2,117,072	$17,941,288
Net premiums written	1,407,328	1,464,107	1,492,808	12,650,915
Ordinary profit	87,577	127,710	91,684	776,983
Net income	65,725	71,660	60,796	515,220
Net assets	1,461,575	2,027,469	2,182,877	18,498,958
Total assets	7,402,311	8,592,873	9,011,652	76,369,932
Net income per share (in yen and U.S. dollars):				
Basic	¥ 45.51	¥ 50.27	¥ 42.82	$ 0.36
Diluted	45.51	50.27	42.82	0.36
Net assets per share	1,021.13	1,427.17	1,536.71	13.02
Equity ratio	19.74%	23.60%	24.06%	—
Return on equity	4.59%	4.11%	2.90%	—
Price earnings ratio	21.60	31.85	34.54	—

Notes: 1. All financial statements in this *Annual Report 2007* are prepared in accordance with Japan GAAP. Results under U.S. GAAP will be posted separately on our website upon completion.
2. U.S. dollar amounts in this table have been translated from yen, for convenience only, at the rate of ¥118=U.S.$1. For details, see Note 1 of the notes to consolidated financial statements, page 39.

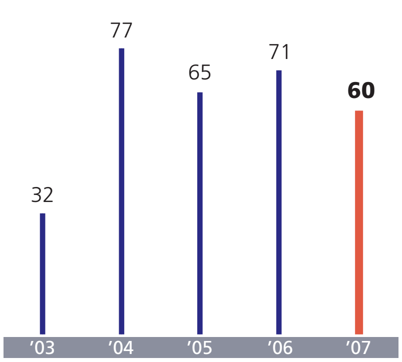
ORDINARY INCOME
(Yen in billions)



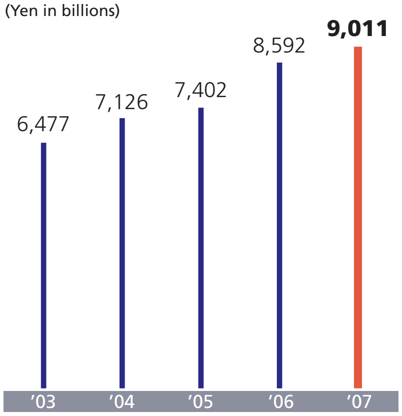
NET PREMIUMS WRITTEN
(Yen in billions)



NET INCOME
(Yen in billions)



TOTAL ASSETS
(Yen in billions)



Looking Back at Fiscal 2006

Fiscal 2006, ended March 31, 2007, was a year in which Mitsui Sumitomo Insurance Company, Limited (MSI) faced unprecedented difficulties while also implementing dramatic reforms for creating a new corporate culture.

On June 21, 2006, the Financial Services Agency (FSA) of Japan imposed stringent administrative measures upon MSI for problems involving the failure to properly pay past claims on insurance contracts. As a result of these measures, MSI was ordered to suspend business in non-life insurance relating to the conclusion of insurance contracts and insurance marketing during a two-week period from July 10 to July 23, 2006. At the same time, MSI was also ordered to suspend business relating to the conclusion of insurance contracts and insurance marketing for whole life medical insurance from July 10, 2006 until the FSA confirmed that MSI improved its management and administrative systems for third-sector insurance products.

"Aiming to become a company that puts the first priority on the customers' viewpoint"

Toshiaki Egashira
President and Chief Executive Officer

Taking these measures by the FSA extremely seriously, on July 21, 2006 MSI submitted a Business Improvement Plan to the FSA. The underlying concept of this plan is the execution of a sweeping review of our business operations and the implementation of measures to become "a company that puts the first priority on the customers' viewpoint." In accordance with our improvement plan, we subsequently implemented measures to thoroughly improve and strengthen our operations, including our corporate governance and claims payment administration systems. As a result, on February 23, 2007, the FSA lifted the suspension on our business for concluding contracts and solicitation in connection with third-sector insurance products.

Although I will provide specific details later, the actual business improvement initiatives that we implemented now serve as our new business model. In this regard, I believe that MSI has gotten off to a faster start in improving corporate quality than its competitors.

Turning to business results for fiscal 2006, we posted declines in revenues and income on a non-consolidated basis due to the FSA's administrative measures along with the impact on performance of placing top priority on implementing business improvement measures.

On a consolidated basis, we achieved an increase in net premiums written underpinned by solid results in our overseas non-life insurance business, including in our non-life insurance business in Asia, our Lloyds operation in Europe, and our overseas re-insurance business. However, we recorded a decline in consolidated net income.

An Evolving Market Environment and the Direction of MSI's Businesses

Before touching upon New Challenge 10, I would first like to describe some of the changes unfolding in the market surrounding the non-life insurance industry as well as the measures we must take to effectively utilize our competitiveness amid this evolving market. Although the Japanese economy is currently enjoying a period of stable growth, Japan's non-life insurance industry has entered a stage of maturity, with dim prospects for sharp growth in the future.

Looking at the insurance industry as a whole, a number of emerging factors, including the liberalization of expense loading rates and revisions of mortality tables for life insurance, are expected to have an impact on profitability. There will be unprecedented complexity in terms of competition upon the emergence of massive sales channels of financial products in the market as a result of the privatization of postal services in October 2007 and the lifting of remaining restrictions on over-the-counter insurance sales at banks in December 2007. Responding to these developments, in our existing sales network, it will become essential for us to reform the activities of sales agents and implement structural reforms aimed at increasing and strengthening our sales capabilities. While vigorously promoting these measures, we must also take a forward-looking strategic approach to respond to the new sales channels.

What are the key points for maintaining and further developing our competitiveness and growth capabilities amid this changing environment? Up until now, each company in the industry has tended to pursue business that emphasizes "scale," which involved competing for premium income and market share as the end result. On the occasion of the recent administrative measures, MSI has made considerations from multiple perspectives and concluded that "quality" is the key to ensuring competitiveness and growth.

The insurance industry has now entered a new phase. As such, developing and supplying products and services that will be chosen by customers, thus earning true support from customers, represents a crucial strategy for helping to restore customer trust that will lead directly to new growth. This thinking is embodied in the New Challenge 10 medium-term management plan.

Focus of the New Challenge 10 Medium-Term Management Plan

Launched in April 2007, New Challenge 10 was crafted through more than 1,500 suggestions received in conjunction with a reevaluation of MSI's business operations undertaken by all employees. Although management plans are ordinarily formulated from a top-down perspective, MSI took the bold step of using a bottom-up approach by consolidating opinions and suggestions from all work sites and sales agents.

New Challenge 10 coalesces the values important to all MSI Group employees and encapsulates the strategies for realizing MSI's desired shape by 2010, namely, "to become a leading global insurance and financial group seeking sustainable development with corporate quality as the main source of competitiveness."

New Challenge 10 consists of three pillars. The first is the "Basic Group Strategy," which focuses on putting top priority on improving the quality of our products and services to secure the trust of customers, which will serve as a source of competitiveness for driving growth. This is also our basic strategy for realizing "CSR-Oriented Management" to appropriately fulfill our responsibilities to our seven types of stakeholders. As concrete actions, first we will continually check and execute all improvement measures and new measures based on their contribution to quality and customer satisfaction. By earning an even higher level of trust from a larger number of customers, we can raise the rate of customer retention by gaining greater support from customers while elevating the level of capabilities of our sales agents to help drive further growth in business. We plan to allocate financial and other management resources derived from this process toward measures that will enable us to achieve even higher levels of quality. An essential element of our growth strategy will be to firmly establish a growth spiral that involves resolutely repeating the virtuous cycle that starts with "quality" and leads to "trust" and "growth," which, in turn, enables further "improvement in quality."

The second pillar of New Challenge 10 is our "Quality Improvement Strategy." MSI considers "quality improvement" as consisting of two stages "desirable quality" and "outstanding quality." The first stage, "desirable quality," involves resolutely performing tasks that are taken for granted, with service quality on a level that customers find satisfactory. The second stage is the pursuit of "outstanding quality" that exceeds customer expectations. Customer needs and desires are constantly evolving. With "outstanding quality," something considered satisfactory in the past is no longer a goal. In some instances, "outstanding quality" today can become "desirable quality" tomorrow. For this reason, it is essential that we relentlessly pursue "outstanding quality."

The pursuit of improved quality also has three vital elements forming a common foundation. The first is to "reflect a wide range of stakeholders' voices in our operations." Under our Business Improvement Plan, just as we have bolstered organizations and frameworks, we are working to eliminate the detrimental effects of vertical

Basic Group Strategy

Through quality improvement originating from the customers' viewpoint, trust and growth towards CSR-oriented management

1	**Quality improvement**	Acquire customer's trust by valuing the voice of each and every customer to improve our products/services as the top priority
2	**Trust**	Corporate growth through greater and enhanced customer confidence
3	**Growth**	Invest managerial resources, increased as a result of corporate growth, in activities for improving corporate quality

Realize persistent development through this positive growth cycle

New Challenge 10 Framework

Improve quality, putting the first priority on the customers' viewpoint
Achieve CSR-oriented management through trust and growth

Implement 3 quality improvement strategies
Demonstrate group total power in the 5 business domains

Seek **quality improvement** and **business expansion** in each business domain

Human resources development, job satisfaction, comfortable workplace, corporate governance, branding strategy, etc.

segmentation and are taking initiatives for utilizing opinions of third parties, including customers as well as other experts. The second element is "development of employees and agents," and the third is "improvement of business processes and infrastructure." Employees naturally have a keen interest in both of these, and management certainly shares their views. With these three elements serving as an important foundation for supporting MSI's quality, we are actively promoting the creation of environments for realizing our aims of "cultivating our human assets," "raising motivation," and "creating employee-friendly workplaces." Together with these initiatives, we will allocate management resources for the education and training of sales agents. By taking these steps, we aim to raise corporate quality and increase our competitiveness.

The third pillar of New Challenge 10 is our "Group Business Strategies." The MSI Group carries out its operations in the five business domains of "Domestic Non-Life Insurance," "Life Insurance," "Overseas," "Financial Services," and "Risk-Related" and strives to provide customers with maximum value through the businesses of the entire MSI Group. With "quality" also underscoring these domains, each MSI Group company pursues business strategies focused on raising quality with the aim of securing the deep trust of our customers.

I pledge to our customers and society that all MSI Group companies will make their utmost efforts to raise quality. By repeatedly building on initiatives geared toward raising quality, I am confident we can establish a brand that directly makes MSI synonymous with "quality" and "trustworthiness."

Priority Business Strategies in Fiscal 2007

In Domestic Non-Life Insurance, we are undertaking reviews of a series of business processes, beginning with product proposals and extending to claims payments. Specifically, we are carrying out what we call "product innovation," "sales innovation," and "claims handling innovation."

First, regarding "product innovation," we are streamlining our product lineup and paraphrasing technical terms of contracts into plain language, thereby making it significantly easier for customers to understand our products. In systems as well, we will build a product control system to monitor our product development processes to raise the precision of product information administration across product lines.

Regarding "sales innovation," we will establish a system for ensuring that all agents fulfill their responsibility of providing explanations to all customers by ensuring the proper execution of the "basic cycle of insurance." Regarding "claims handling innovation," we will realize fair, uniform, and speedy claims payment services by enhancing educational programs, organizations, and systems.

The top priority is on quality improvement. While we have set numerical targets, we would not sacrifice quality in order to achieve such objectives.

In the Life Insurance Business, we will utilize the respective two business models of Mitsui Sumitomo Kirameki Life Insurance Company, Limited and Mitsui Sumitomo MetLife Insurance Co., Ltd. as we further expand the scale of our life insurance business.

In our Overseas Business, we will maintain a policy of putting top priority on upgrading and expanding business in Asia. Utilizing and expanding our current base, we are always ready to pursue promising M&As, including in the life insurance field.

Raising Corporate Value

During the past year, management and regular employees worked together to implement the Business Improvement Plan and devoted our utmost energies to formulating New Challenge 10. Thereafter, we strived to execute and promote the cycle of "quality," "trust," and "growth." I have a strong sense that we are making important strides in achieving the goals of New Challenge 10. I recognize that the most important mission placed on management is to raise corporate value. I would like to ensure a stable return to shareholders in line with our endeavor to realize growth.

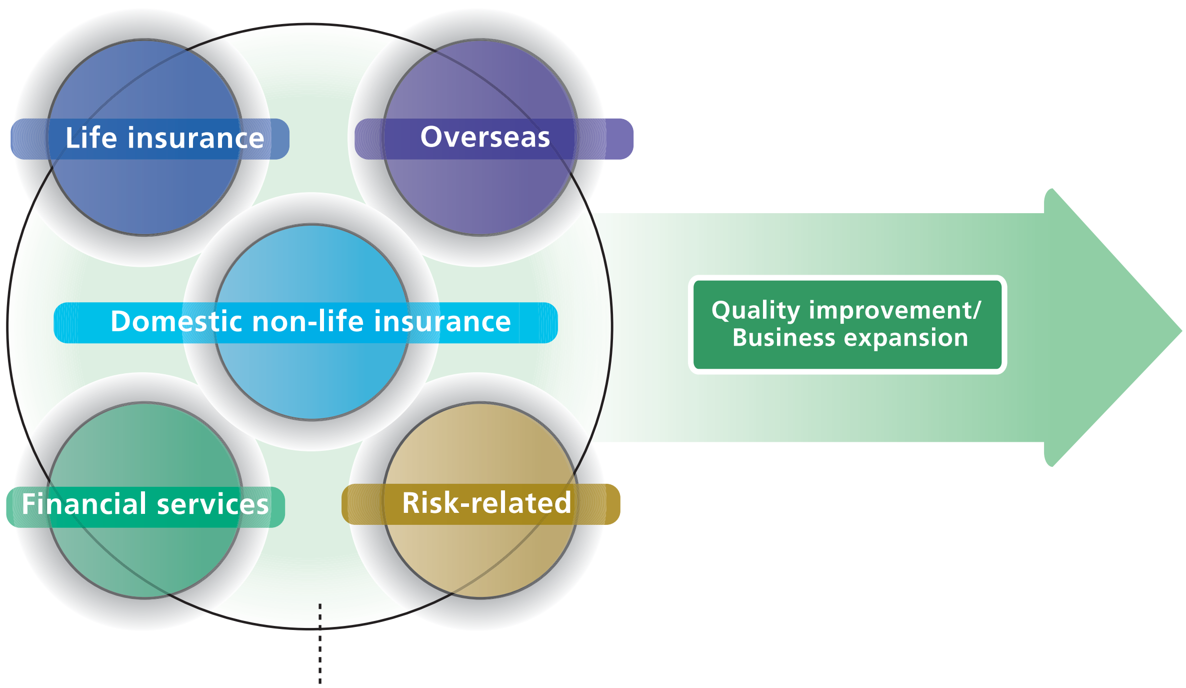
I ask shareholders and investors for their understanding of the approach the MSI Group is taking and ask for their support in the future from the perspective of achieving stable growth over the long term.

Toshiaki Egashira
President and CEO

In each of our five major business domains, we will undertake efforts mainly for *quality improvement* and *business expansion*, aimed at raising core profit to the ¥100 billion level as of fiscal 2010 and making a better-balanced, diversified business portfolio. This is the way in which we at MSI are going to pave the way toward realizing world top-class operations in terms of profit scale and business diversification. Also, we will continue to fortify the management base, which supports quality improvement and growth in each of the five major business domains.

Stronger management base for increasing Group-wide corporate value

Five major business domains



Stronger management base for increasing Group-wide corporate value

Corporate Governance
Strengthen supervisory functions of Board of Directors and enhance transparency in decision-making

Corporate Brand
Build corporate brand through Group-wide efforts toward quality improvement

Risk Management and Legal Compliance
Upgrade the risk management and compliance promotion system to further earn customers' trust

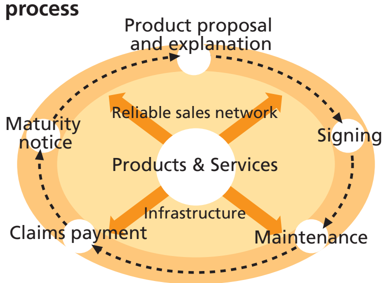
Capitalization Policy
Appropriate approximately 40% of Group Core Profit for dividend payment and share buyback

Organization and Personnel System
Seek new organizational and personnel structure that best matches new business process

Exploit total Group strength and offer service of the utmost value to customers

Domestic non-life insurance business

Business process



- Products: Products and services for customers that are easier to understand
- Sales: Sales network that is more reliable for customers and a proactive approach toward promising fields
- Claims handling: Strengthen claims handling system to respond to customers accurately and respectfully
- Procedures and computer system: Enhance business process
- Investment: Maintain investment expertise and manage risk properly

Life insurance business

- Profit increase at the two life insurers
- Mitsui Sumitomo Kirameki Life Insurance to solidify the base for growth with a stronger sales force and diversified distribution channels centered on cross-sales
- Mitsui Sumitomo MetLife Insurance to bolster competitiveness in the personal annuity market
- Expansion of overseas life insurance business

Overseas business

- Complete the Three Regional Holding Company Framework in Asia, Europe, and the Americas and strengthen corporate governance by MSI Head Office
- Establish a predominant business base in Asia
- Select and concentrate for strategic investment in regions and fields with potential growth

Financial services business

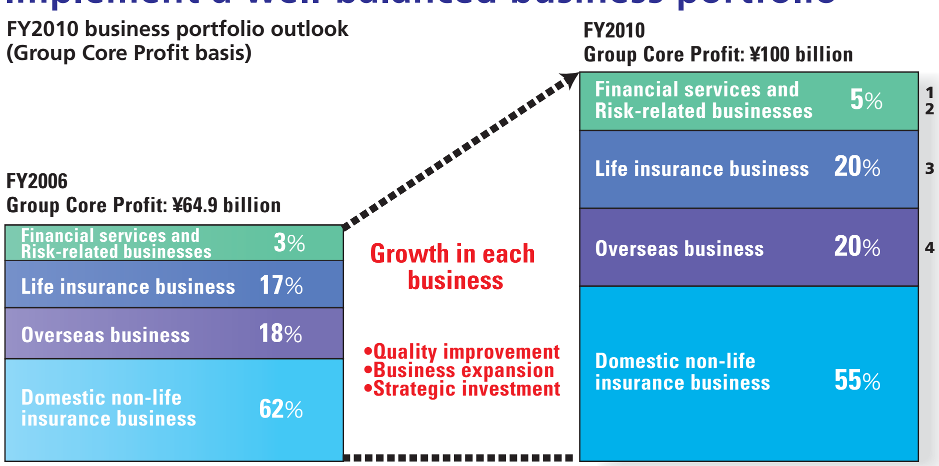
- Enhance capability of developing attractive financial services/products and effectiveness of sales efforts

Risk-related business

- Identify and develop new business to boost our competitiveness in the insurance business and contribute to the Group's expansion

Implement a well-balanced business portfolio

FY2010 business portfolio outlook (Group Core Profit basis)



FY2010 numerical targets

Group Core Profit	¥100 billion or more	5
Group ROE	5.0% or more	6
(Consolidated, Non-life) Net premiums written	¥1,650 billion or more	
(Non-consolidated, Non-life) Net premiums written	¥1,370 billion or more	7
Combined ratio	95.0% or less	8

1. **Core profit of Financial Services business** = profit of Financial Services business on a non-consolidated basis + equity in earnings of Financial Services companies of the Group
2. **Core profit of Risk-related business** = equity in earnings of Risk-related business companies of the Group
3. **Core profit of Life insurance business** = profit before the provision of additional policy reserve for standard underwriting reserve at Mitsui Sumitomo Kirameki Life + equity in earnings under U.S. GAAP of Mitsui Sumitomo MetLife
4. **Core profit of Overseas business** = profit from overseas departments on a non-consolidated basis + equity in earnings of overseas insurance companies of the Group
5. **Group Core Profit** = consolidated net income
   minus capital losses/gains on stocks
   minus evaluation losses/gains on credit derivatives
   minus other special losses/gains
   minus consolidated net income of life insurance subsidiaries
   plus profit before the provision of additional policy reserve for standard underwriting reserve at Mitsui Sumitomo Kirameki Life
   plus equity in earnings under U.S. GAAP of Mitsui Sumitomo MetLife
   and certain other items
   (All profit figures are on an after-tax basis.)
6. **Group ROE** = Group Core Profit ÷ consolidated shareholders' equity (defined as the average of shareholders' equity at the beginning and at the end of the fiscal year)
7. Excludes refundable premiums under *Modo-Rich* automobile insurance policies that provide for return of premium on maturity (and takes account of the impact of abolition of the government reinsurance program of compulsory automobile liability insurance).
8. **Combined ratio** = net loss ratio + net expense ratio

Yoshiaki Shin
Chairman

In this interview, we asked Chairman Yoshiaki Shin to explain the initiatives the MSI Group is taking to strengthen corporate governance and compliance and realize the "New Challenge 10" medium-term management plan. Mr. Shin will fully describe the MSI Group's corporate stance that will serve as the cornerstone for executing these initiatives.

Q-1

In the fiscal year ended March 31, 2007, the Financial Services Agency (FSA) imposed administrative measures upon more than 10 non-life insurers for past non-payments of claims. In June 2006, such administrative measures were also imposed on MSI. Could you explain the factors leading up to these measures?

Since our establishment in October 2001, MSI has successfully achieved steady growth in business results while focusing on raising corporate quality as a company advocating CSR-oriented management. Nonetheless, as clearly evidenced by the FSA's inspections, there were numerous instances in which we failed to correctly pay incidental claims for automobile insurance. Additionally, it also came to light that MSI did not properly pay claims for third-sector products such as whole life medical insurance, and there were also cases of improper sales and contract procedures at some of our agents. Although the main factor underlying these problems was the growing complexity of insurance products resulting from intense competition to develop new products in the wake of liberalization of insurance products, a more fundamental reason was our failure to appropriately heed the voices of our customers and employees. For example, with regard to problems involving the failure to properly explain complex products, we should have been able to take proper steps, such as provide feedback to the product development departments and improve the features of these products. In actuality, however, we failed to properly respond to signs of problems from our customers, sales agents, and employees. Simply put, we lacked an adequate framework for reflecting important information from the perspective of customer protection in our management strategies and our business operations.

Q-2

What types of measures have you implemented to improve this situation?

We have taken a host of measures to improve and strengthen our operations spanning the broad categories of "policyholder protection and convenience," "governance," and the "claims handling administration system."

First, let us look at "policyholder protection and convenience." To ensure that complaints we receive ultimately lead to improvements in our business operations, we newly established the Customer Service Department for the integrated management of customer complaints and also set up the Claims Handling Consulting Section to serve as a point of contact for handling complaints related to insurance claims payments. Moreover, we overhauled our existing compliance promotion organization and set up the new Compliance Department for unified management of compliance matters related to insurance soliciting in Japan and overseas. In parallel, we have placed general managers overseeing compliance promotion in each regional division under the direct supervision of the new Compliance Department.

To further enhance "governance," we established the Corporate Quality Control Department for verifying that business processes are undertaken properly in such areas as product development, sales, and claims payments, while also increasing and strengthening staff in the Internal Audit Department. Highlighting our commitment to enhancing management checking functions from an external perspective, we established the Audit Committee, the majority of which is comprised of outside directors, to perform checks on our business operations, internal audits, and compliance. Likewise, the majority of members of our existing Nomination Committee and Remuneration Committee are now outside directors, which allows us to further raise transparency. Additionally, the chairpersons of the three aforementioned committees are outside directors.

We also took steps to bolster our claims handling administration system by strengthening and increasing staff at the claims handling division while also improving information systems. We also set up the Claims Handling Consulting Section and the Claims Payment Objection System. By making these important organizational moves, we have firmly put into place a structure for appropriately listening to the voices of our customers on issues related to claims payments. To review important cases, MSI also launched the Claims Payment Examination Council, consisting of such third parties as lawyers and consumers. As an internal organization for properly monitoring and verifying claims payments, we also set up the Claims Handling Examination Department.

Q-3

In the course of rebuilding your governance structure, have you formulated any action plan for regaining customer trust?

Recently there have been mounting demands on Japanese companies, particularly financial institutions, for "consumer protection" and "customer protection." Although MSI has traditionally advocated "CSR-oriented management," in view of these rising demands, we believe it is imperative to adopt unprecedented and comprehensive initiatives for "putting first priority on the customers' viewpoint."

Besides executing our "Business Improvement Plan," we launched the "New Vision Promotion Division," and initiated the "Create and Change Project," in order to firmly establish a new corporate culture involving all employees. In striving to create a new corporate culture, this project emphasizes promoting discussions for determining any material issues in our immediate environment that we can address and making improvement proposals, thus realizing a new vision. Specific activities include holding "Workplace Meetings" at each work site and exchanging opinions based on such themes as "Values," "The Customer's Viewpoint," and "Communication." Concurrently, President Egashira, executive officers of the Head Office, and I have engaged in spirited debate at "Meet-the-Management Campaign" meetings held on 120 occasions spanning 189 branches. We received a total of 1,560 suggestions from employees at these meetings and have incorporated these ideas into New Challenge 10.

Under the administrative measure imposed by the FSA, MSI was ordered to partially suspend business operations during a two-week period in July 2006, which proved to be a difficult and trying time for all MSI employees. But now we know the experience yielded valuable lessons, and has given us an opportunity to reflect upon various aspects of the ways we have conducted business. All proposals made during discussions under the "Create and Change Project" are truly valuable precisely because they have emerged from the pain suffered by all employees. I am confident these ideas will coalesce into an action plan that enables our corporate culture to become firmly entrenched.

Q-4

Could you describe the corporate stance adopted through the "Create and Change Project"?

Our corporate stance has been consolidated into our corporate message, "For all the things you care about," which we crafted based on the numerous opinions and proposals received under the "Create and Change Project." This message represents our commitment to place great value on everything that people may care about so that appreciation is felt everywhere. This same message also expresses the spirit of the existing *Mitsui Sumitomo Insurance Group Charter on Professional Conduct*.

We regard "improving corporate quality" as the main source of MSI's competitiveness. Every MSI employee remains focused on valuing each customer and business partner and performing every single task wholeheartedly, courteously, and considerately. We believe that these efforts will eventually give rise to a feeling of appreciation from our customers, facilitate communications with sales agents, and create an abundant sense of mutual appreciation by employees. Additionally, we believe this will lead to a further "increase in corporate quality" and "brand formation." Our corporate message was created with these intentions.

With all employees approaching their daily work activities with such a feeling for valuing individuals, I am confident that we can attain the Group's basic strategy under New Challenge 10, namely, realizing a virtuous cycle that generates an upward spiral that begins with "quality" improvement and leads to "trust" and "growth."

Q-5

Could you describe the finer attributes of the MSI Group's corporate culture and explain the active initiatives you are implementing to achieve further growth and development?

The MSI Group's corporate culture can be aptly described as "a learning culture" that is intrinsically woven into our operations. Utilizing employees' great "eagerness for learning," we strive to further cultivate our human assets and raise employees' motivation. This passion for learning serves as an indispensable cornerstone for enhancing quality.

By taking this approach throughout the last year, we have been striving to firmly nurture three aspects of corporate culture, specifically, "put the first priority on the customers' viewpoint," which serves as a basic point, "think and act for oneself" and "thoughtful communications," along with approaches developed through the "Create and Change Project."

Regarding "put the first priority on the customers' viewpoint," fiscal 2006 was a year of reflection. In fiscal 2007, we will put this basic idea firmly into practice. The world around us is always evolving, and for this reason, our reform efforts will never end.

I have no doubt that the MSI Group will achieve remarkable growth in many ways, as each and every one of us pursues our endeavor of improving quality with "the first priority on the customers' viewpoint" and "create and change" always in mind.

Basic Policies on Corporate Governance

MSI has designated "further strengthening of corporate governance" as one of its most crucial management issues and is actively promoting a host of related initiatives. Through efficient utilization of its management resources and appropriate risk management, MSI is striving to achieve long-term stability and development by creating a transparent management framework equipped with thorough checking functions, with the aim of raising corporate value.

Corporate Governance Structure

MSI has adopted the corporate auditor governance model and is working to improve corporate governance by strengthening the functions of its Board of Directors and Board of Corporate Auditors in addition to emphasizing proactive disclosure. To ensure quick decision-making and appropriate monitoring of management activities, MSI adopts an executive officer system. In doing so, we aim to make a clear distinction between the roles of the Board of Directors, which decides on important management matters and oversees operations from an overall perspective, and the roles of the executive officers, who are responsible for executing day-to-day business activities. Four of the 13 members on the Board of Directors are outside directors.

The Audit Committee was established in September 2006 as an internal committee of the Board of Directors with a view toward further bolstering compliance, checks on the adequacy of our business operations, and internal audits and compliance initiatives carried out at various divisions. Outside directors comprise the majority in the Audit Committee, as well as in the existing Nomination and Remuneration committees, to ensure transparency. The resulting management structure is a functional equivalent of that under the company with committees governance model, a statutory alternative of having the three committees in lieu of a Board of Corporate Auditors, except that we also have had a statutory Board of Corporate Auditors. The chairpersons of all three committees are outside directors.

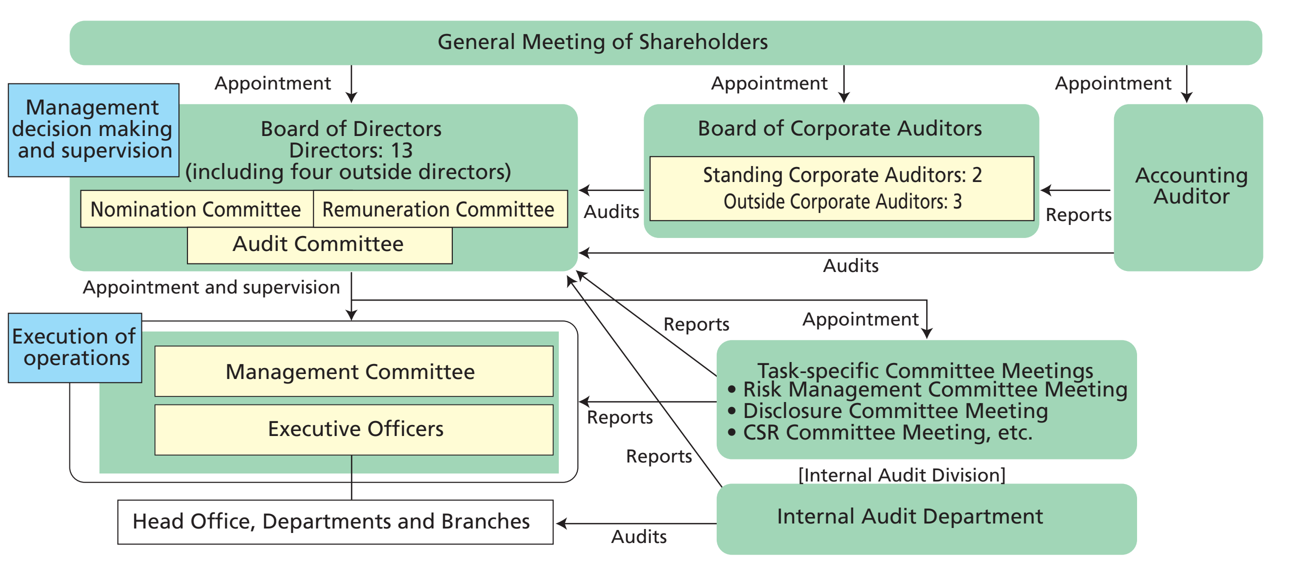
MSI has set up the Management Committee as an organization responsible for deliberating certain key issues of MSI and the MSI Group, including management policies and corporate strategies as well as important issues related to the execution of business activities. Certain other executive matters are discussed at Task-specific Committee Meetings that include Disclosure, Risk Management and CSR committee meetings.

The corporate auditors examine directors' execution of their responsibilities and the effectiveness of internal controls; the means of conducting audit includes attending such important meetings as the Board of Directors and the Management Committee, examination of important records and documents, on-site examination at the head office and other departments, branches and offices both inside and outside Japan, and checking on subsidiaries. MSI retains KPMG AZSA & Co. as an accounting auditor.

Basic Policy on Compliance

Strict compliance with the law and a high sense of ethics are prerequisite for any enterprise to achieve sustained development. As the basis for the fundamental values to be shared by all MSI Group employees and the execution of appropriate and lawful corporate activities, MSI formulated the *Mitsui Sumitomo Insurance Group Charter on Professional Conduct*, with the aim of fostering an awareness of compliance among all officers and employees.

Corporate Governance Framework (As of August 31, 2007)



Compliance Promotion Structure

The Compliance Department, re-established in September 2006 under an organizational reform, is responsible for overseeing all compliance matters related to insurance solicitation. The Compliance Department handles the planning and advocacy of policies for employee and agent compliance as well as rules for business operations pertaining to insurance solicitation. Additionally, specialist teams have been set up within the Compliance Department as shown in the diagram below. The structure is designed to facilitate the promotion of compliance and investigation of improprieties throughout the MSI Group.

Specific Compliance Activities

Compliance Program

A compliance program that functions as a Company-wide and practical compliance plan is formulated each year by the Board of Directors. The Corporate Quality Control Department and the Audit Committee verify the appropriateness and effectiveness of the Compliance Program.

Compliance Manuals

MSI publishes *Compliance Manuals* that contain the *Mitsui Sumitomo Insurance Group Charter on Professional Conduct* and a summary of relevant laws and ordinances. They are also practical tools for all recipients in that they introduce a variety of case studies on compliance-related problems. The manuals are distributed to all officers and employees who need to familiarize themselves and observe the rules codified.

Business Operation Monitoring Inspection

Autonomous inspections called *Business Operation Monitoring Inspections* are carried out monthly with the aims of detecting possible violations and managing operational risk. The results of the inspections are electronically reported on the Business Monitoring Report System. The Compliance Department tracks the number of inadequacies by category, the details of each inadequacy, and the progress on necessary correction through these reports in an effort to assure proper administration and prevent recurrence.

Compliance Strengthening Months

In addition to monthly autonomous inspections, we have established biannual Compliance Strengthening Months for which we select high-priority inspection categories determined by need and importance. During Compliance Strengthening Months, we make complete checks to determine whether there are any deficient categories that were overlooked during day-to-day business operations and business monitoring inspection activities. Corrective measures are then promptly taken with respect to all deficiencies thus identified. We also hold training sessions to keep all employees and agents well advised on compliance.

Agent Operation Inspections

We conduct inspections pertaining to our agents and evaluate the propriety of their solicitation practices and custody of premiums collected, and guide them toward improved operational quality. We intend these Agent Operation Inspections to serve as an early detector of and effective education against substandard operation.

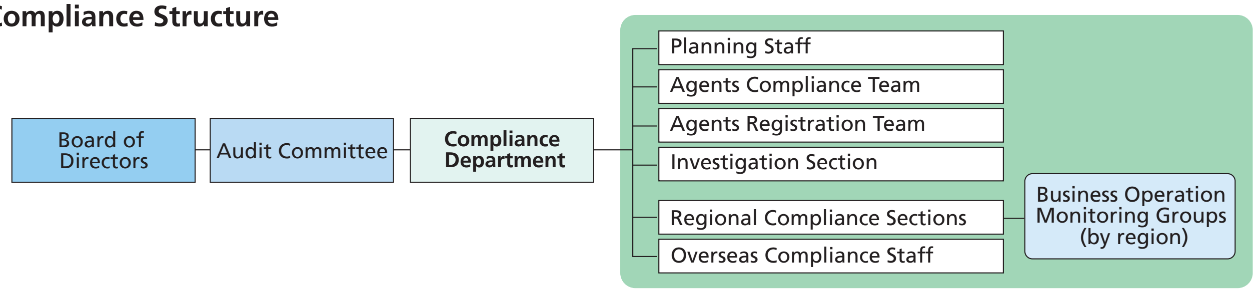
Monitoring Activities

Regional Compliance Sections carry out on-site inspections at selected departments, branches, sections, and service centers. Direction on improvements is given for any deficiencies that are uncovered.

Compliance Training

Under the Compliance Program, we formulate and implement an education and training plan each fiscal year for all employees and agents.

Compliance Structure



Seated from left: Hiromi Asano, Ken Ebina, Yoshiaki Shin, Toshiaki Egashira, Isamu Endo, Katsuaki Ikeda
Standing from left: Iwao Taka, Eiko Kono, Yasuyoshi Karasawa, Hitoshi Ichihara, Susumu Fujimoto, Kenji Koroyasu, Toshihiko Seki

DIRECTORS

Chairman
Yoshiaki Shin

President
Toshiaki Egashira

Ken Ebina
Isamu Endo
Hiromi Asano
Katsuaki Ikeda
Hitoshi Ichihara
Yasuyoshi Karasawa
Susumu Fujimoto

OUTSIDE DIRECTORS

Eiko Kono
Kenji Koroyasu
Iwao Taka
Toshihiko Seki

EXECUTIVE OFFICERS

Chief Executive Officer
Toshiaki Egashira

Vice President Executive Officers
Ken Ebina
Yoshihiko Mikuni

Senior Executive Officers
Toshihiro Nakagawa
Isamu Endo
Hiromi Asano
Kazuo Kondo

Managing Executive Officers
Kazuo Araya
Koichi Kubota
Katsuaki Ikeda
Ichiro Iijima
Hideharu Nishida
Hitoshi Ichihara
Yasuyoshi Karasawa
Toshio Irie
Hironobu Namba
Kouji Amano

Executive Officers
Yukihiro Kawazu
Makoto Toyoshima
Shigeru Kondo
Masamichi Irie
Toshio Yagi
Keizou Yamamoto
Junichi Ui
Katsuhiko Kaneyoshi
Yukio Higuchi
Shizuka Sasaki
Susumu Ichihara
Yasuo Kishimoto
Shuhei Horimoto
Hirofusa Matsukuma
Mitsuaki Matsumoto
Jun Utamaru
Masaaki Nishikata
Tetsuro Kihara

CORPORATE AUDITORS

Standing Corporate Auditors
Sanpei Nozaki
Takashi Yamashita

Corporate Auditors
Sosuke Yasuda
Megumi Suto
Kuniaki Nomura

(As of August 31, 2007)

Basic Policy

MSI aspires to respond accurately to increasingly complex and diverse risks associated with its business operations, thus improving the quality of management and fulfilling its responsibilities to customers, shareholders, and all other stakeholders. To this end, MSI positions risk management as one of its top management issues and works to precisely recognize and assess risks before taking appropriate measures in regard to their management.

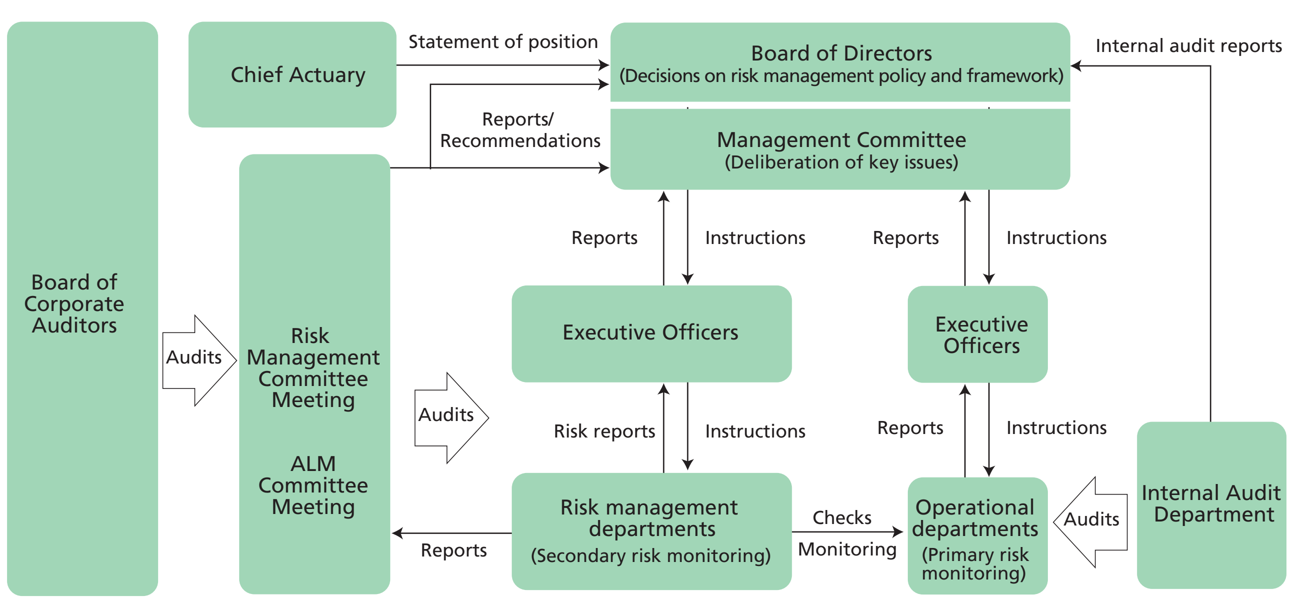
Risk Management Framework

The entire MSI Group shares basic ideas on risk management issues and takes concerted approaches toward relevant risks under the Basic Policy on Risk Management adopted by MSI's Board of Directors. MSI broadly categorizes risk into insurance underwriting risk, investment risk, and operational risk; MSI's internal regulations and criteria adopted under this Policy facilitate management of risks by means fit for the characteristics of each type of risk. Moreover, the Risk Management Committee Meeting, an advisory body to the Board of Directors, helps promote thorough, efficient, and effective risk management activities. Each operational department manages those risks which are specific to its scope of responsibilities, while the Risk Management Committee Meeting coordinates comprehensive management and monitoring of risks from a cross-sectional, Group-wide standpoint.

Risk monitoring departments, such as the Corporate Risk Management Department and the Financial Risk Management Department, examine the state of risks and their management as the secretariat for the Risk Management Committee Meeting, while also checking on each operational department. The ALM (Asset Liability Management) Committee Meeting is in place to evaluate market risks in order to appropriately conduct the product design process and asset management. Further, the Internal Audit Department audits the operations of all organizational units as well as Group companies. By assigning each of these functions to horizontally separate units, MSI seeks to monitor and check on risk management efforts in the best way possible, while at the same time promoting efficiency and ensuring management is continually advised of the progress.

In addition, MSI is making further improvements in regard to protection of privacy, especially as related to customer information. MSI has established the Information Security Section and set up the Group-wide Information Security Policy and Information Management Regulations to guide day-to-day business operations.

Risk Management Framework



The MSI Group's Stance on CSR

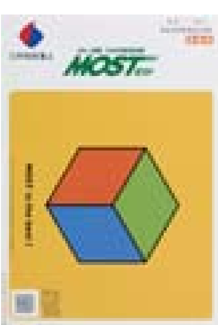
Through our insurance and financial services businesses, we commit ourselves to bringing security and safety to people and businesses around the world and making lasting contributions to the enrichment and perpetual development of society.

Based on the idea that CSR represents the cornerstone of an enterprise, under our New Challenge 10 medium-term management plan, MSI considers its stakeholders to include not only customers, shareholders, agents, business partners, and employees but also local and international communities, while also taking the natural environment into account. We believe that appropriately fulfilling our responsibilities to all these stakeholders is the basis of our operations. Below, we introduce examples of how MSI is making lasting contributions to the enrichment and perpetual development of society.

Also, in our* CSR Report 2007*, we provide detailed explanations of our CSR initiatives that include "Responsibility to the environment" and "Responsibility to local and international communities." MSI plans to post* CSR Report 2007 *on its website as soon as the English-language version is issued, and invites readers to view this report.

Audio Pamphlets

For our automobile and other insurance product pamphlets, we have introduced *SP Codes*, which facilitate the visually impaired and the elderly in learning about our insurance products through an audio recording. These are the first such audio pamphlets in the Japanese insurance industry. This system utilizes a specialized code-reading device to activate audio explanations of each insurance product. We are progressing with the creation of these audio-version pamphlets from the perspective of equally providing a wide range of information to all customers.



SP Code is a registered trademark of Kosaido Co., Ltd.

Insurance Technology Transfer Project

Determined to support the healthy and sustainable development of insurance markets in Asia, MSI has provided insurance technology support training for those engaged in insurance regulations and those who work for insurers in various countries in Asia. In March 2007, in cooperation with *Japan International Cooperation Agency (JICA)*, we provided training for developing non-life insurance systems for insurance regulators in Cambodia, Laos, and Myanmar. We will continue to actively contribute to the development and improvement of insurance markets in Asian countries.

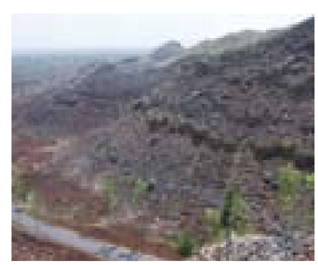
Training session

Environment-friendly "Eco Inspections and Eco Maintenance" of Vehicles

"Eco Vehicle Inspections" and "Eco Vehicle Maintenance" refer to our initiatives toward spreading the use of eco-friendly technologies that help reduce the burden on the natural environment caused by the operation of vehicles, such as by reducing the emission of hazardous exhaust and lowering CO_2 emissions through improved fuel efficiency. We will work for the spread of "Eco Vehicle Inspections and Eco Vehicle Maintenance" through *Advance Club*, a nationwide automobile maintenance organization (an organization of excellent vehicle maintenance shop companies that are MSI agents).

Project for Regenerating a Tropical Forest in the Republic of Indonesia

MSI sponsors a project for regenerating a tropical forest in Indonesia that is being undertaken on government land deforested by illegal logging in the Paliyan Wildlife Sanctuary, which covers approximately 300 hectares. Begun in April 2005, the six-year project entails the planting of a total of 260,000 trees, including indigenous trees, trees usable as timber, and fruit trees. This project strives to restore forest functions while also targeting "forest regeneration" that emphasizes economic support for the local region. The Indonesian government fully supports these initiatives by expressly pledging that any future crops will be for the local community to harvest.



Paliyan Wildlife Sanctuary
Java, Republic of Indonesia

For persons wishing to receive a copy of *CSR Report 2007*, please contact us at the following address.

Mitsui Sumitomo Insurance Company, Limited
Corporate Planning Department, CSR Section
E-mail: aaa703_csr@ms-ins.com

Business Domain	Companies	Overview
Domestic Non-Life Insurance	Mitsui Sumitomo Insurance Company, Limited	We offer top-quality products and services through an extensive domestic network of 710 sales branch offices and approximately 53,000 agents. At the same time, we operate a network of 277 claims handling offices staffed with approximately 7,100 claims handling professionals, whose expertise helps to provide customers with a sense of security and peace of mind.
Life Insurance	Mitsui Sumitomo Kirameki Life Insurance Company, Limited Mitsui Sumitomo MetLife Insurance Co., Ltd.	Mitsui Sumitomo Kirameki Life Insurance offers an extensive lineup of highly distinctive life insurance products and services that address the particular needs of each customer. Mitsui Sumitomo MetLife Insurance, specializing in individual annuities, provides customers with an array of appealing products, making the best of the experience of the MSI Group and know-how of U.S.-based MetLife, Inc.
Overseas	62 major cities in 37 countries covered 54 subsidiaries and affiliated companies	Drawing on over 50 years of experience in international business, the MSI Group is further solidifying its operations and network around the world. Our overseas network, among the largest of Japan-based non-life insurers, consists of 281 locations spanning 62 major cities in 37 countries. Our focus is on Asian countries recording remarkable growth. Our products and services respond to a diversity of risks throughout the world.
Financial Services	Financial Services Division MITSUI SUMITOMO INSURANCE Loan Service Company, Limited Sumitomo Mitsui Asset Management Company, Limited MITSUI SUMITOMO INSURANCE Venture Capital Company, Limited	MITSUI SUMITOMO INSURANCE Loan Service provides loans to individuals as well as related loan guarantees. Sumitomo Mitsui Asset Management is one of the largest asset management companies in Japan, and boasts strength in the pension, investment trust, and insurance asset fields. MITSUI SUMITOMO INSURANCE Venture Capital primarily takes a "hands-on investment approach," providing both financial support on one hand and management support following investment on the other.
Risk-Related	InterRisk Research Institute & Consulting, Inc. MITSUI SUMITOMO INSURANCE Care Network Company, Limited American Appraisal Japan Co., Ltd.	The Risk-Related Business is carried out through four companies: InterRisk Research Institute & Consulting, a risk management specialist that undertakes risk management-related consultation; MITSUI SUMITOMO INSURANCE Care Network, engaging in the nursing care business; American Appraisal Japan, involved with comprehensive asset appraisal consulting.

Under New Challenge 10, the MSI Group is undertaking initiatives to "improve quality" and "promote business" in each of its five business domains of Domestic Non-Life Insurance, Life Insurance, Overseas, Financial Services, and Risk-Related, with the target of realizing ¥100.0 billion or more in Group Core Profit (GCP)* by fiscal 2010. The current status of each business and the measures we are implementing in the run-up to fiscal 2010 are explained herein.

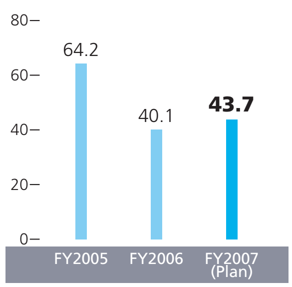
*For the method of calculating Group Core Profit (GCP), please refer to page 7 of this Annual Report.

Domestic Non-Life Insurance Business

MSI plans to raise core profit in the Domestic Non-Life Insurance business from ¥40.1 billion in fiscal 2006 (62% of GCP) to ¥55.0 billionin fiscal 2010 (55% of GCP).

Core Profit

(Yen in billions)



Despite the slow but steady growth of the Japanese economy, the market environment for non-life insurers is such that surpassing the growth rate of the overall Japanese economy is difficult. Equally challenging will be intensifying competition by the end of 2007, along with the launch of privatized postal operations in October and the lifting of remaining restrictions on over-the-counter sales of non-life insurance at banks in December.

We believe that "quality" will serve as a competitive strength in the domestic non-life insurance industry and the "quality" and consequent trust of stakeholders, once attained, will inevitably bring about "growth."

As part of initiatives to improve quality, the Domestic Non-Life Insurance business will focus on "product innovation," "sales innovation," and "claims handling innovation" while concurrently promoting "business process innovation," which supports the other three types of innovation.

"Product innovation" entails streamlining our existing product lineup that has become too complex, and issuing policy certificates and pamphlets that explain product features in plain language.

"Sales innovation" involves building a sales network that is capable of more appropriately fulfilling our responsibilities to provide explanations to customers. We seek to regenerate and improve the quality of our sales network by "consolidating and/or dismissing agents," "recruiting promising new agents," and "upsizing existing agents." Steady progress is being made under our plan to reduce the number of agents to 50,000 by March 31, 2008.

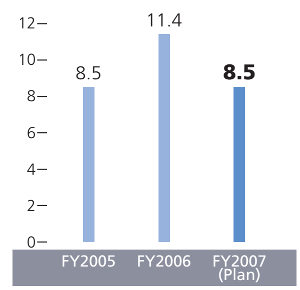
Regarding "claims handling innovation," to prevent any further recurrence of failure to properly pay claims, we are taking such measures as reinforcing frontline employees, establishing checking systems, enhancing training programs, and rebuilding computer systems.

Life Insurance Business

We aim to raise core profit in the Life Insurance business from ¥11.4 billion in fiscal 2006 (17% of GCP) to ¥20.0 billion in fiscal 2010 (20% of GCP).

Core Profit

(Yen in billions)



Mitsui Sumitomo Kirameki Life celebrated its 10th anniversary in August 2006. Overcoming a slight decline in new policies written due to the administrative measures imposed on MSI, Mitsui Sumitomo Kirameki Life steadily expanded its business, and its insurance amount in force surpassed ¥8,000 billion. Pro forma net income before the provision for standard underwriting reserve jumped from ¥4.5 billion to ¥6.9 billion. With a business model centered on cross-sales by non-life insurance agents, Mitsui Sumitomo Kirameki Life aims to expand the "number of customers," "insurance in force," and "annualized net premiums" by 50% in fiscal 2010.

Mitsui Sumitomo MetLife, a relatively new insurer that commenced sales in fiscal 2002, has also steadily expanded its business operations. Policies written by Mitsui Sumitomo MetLife demonstrated a significant increase in fiscal 2006. Despite a net loss under the Japanese GAAP attributable to recognition of all policy acquisition costs in the year a policy is written, the growing joint venture recorded net income of

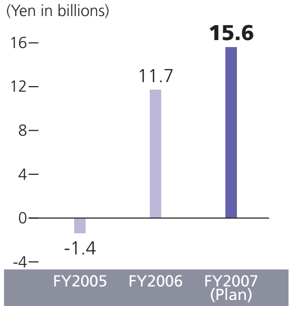
¥8.9 billion (MSI's equity in earnings: ¥4.4 billion) under US GAAP, which allows deferred recognition of acquisition costs. Mitsui Sumitomo MetLife targets a profit on a single-year basis under Japanese GAAP and net income of ¥20 billion (MSI's equity in earnings: ¥10.0 billion) under US GAAP in fiscal 2010.

Overseas Business

MSI will strive to raise core profit in Overseas business from ¥11.7 billion in fiscal 2006 (18% of GCP) to ¥20.0 billion in fiscal 2010 (20% of GCP).

Core Profit

(Yen in billions)



In fiscal 2006 we recorded a steep increase in net premiums written on the back of robust results in Asia and in our Lloyds operation in Europe. Also, with no particularly large natural disasters or accidents, the loss ratio in our Overseas Business remained low for the year. Accordingly, we achieved a solid recovery in Overseas Business, as the core profit amounted to ¥11.7 billion, a sharp improvement compared with a net loss of ¥1.4 billion in the previous fiscal year.

In the future as well, our efforts to expand revenues and income will center on the rapidly growing Asian market, Europe, and the reinsurance business.

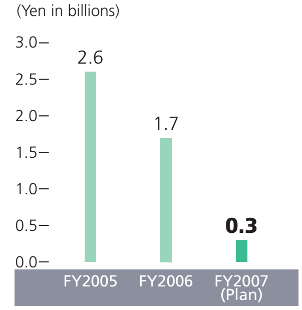
With regard to Asia, we will continue to improve corporate quality and expand the scale of our business to further reinforce our industry presence as a top-class insurer in principal Asian countries. In Europe, we are expanding underwriting in local commercial markets, with these efforts centered on our Lloyds operation. In the re-insurance business, we will secure stable and high earnings by utilizing two subsidiaries that have different business models.

Financial Services / Risk-Related Businesses

We plan to raise total core profit in Financial Services and the Risk-Related businesses combined from ¥1.7 billion in fiscal 2006 (3% of GCP) to ¥5.0 billion in fiscal 2010 (5% of GCP).

Core Profit

(Yen in billions)



In Financial Services, we will continue to expand the business volume by carrying out wide-ranging businesses related to financial markets. These include our financial guarantee and alternative risk transfer (ART) operations handled by MSI's Financial Solutions Department; diverse business development related to personal finance handled by the Retail Financial Services Department; defined contribution pension plan business handled by MSI's Financial Business Department; investment advisory services and management of investment trusts handled by Sumitomo Mitsui Asset Management; and equity investment in venture companies taking a "hands-on investment approach" handled by MITSUI SUMITOMO INSURANCE Venture Capital.

In the Risk-Related Business, we seek expansion by carrying out diverse business related to MSI's other businesses and various risks. These include the risk management consulting business carried out by InterRisk Research Institute & Consulting; nursing care business managed by MITSUI SUMITOMO INSURANCE Care Network; and comprehensive asset appraisal consulting provided by American Appraisal Japan.

In accordance with its "Group Business Strategies" under New Challenge 10, the MSI Group is undertaking initiatives to "improve quality" and "promote business" in each of its five business domains, while fully utilizing its overall strengths to provide customers with maximum value.

In this section, we will introduce examples of the numerous ways in which the MSI Group provides value for its customers in the Domestic Non-Life Insurance, Life Insurance, and Financial Services businesses.

TOPIC 1

Domestic Non-Life Insurance

Business Model for In-House Agents

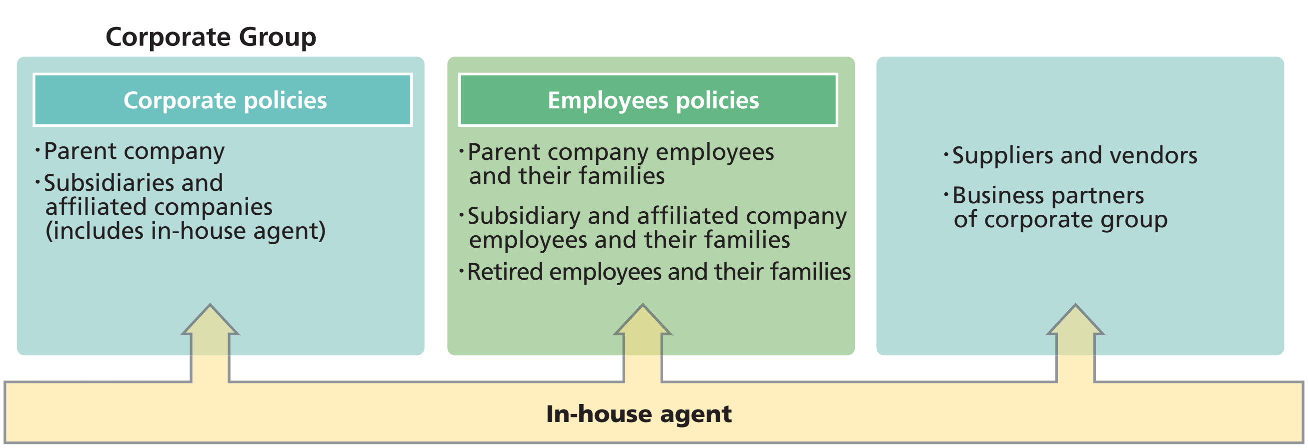
Our domestic non-life insurance policies are written almost entirely through agents. Just as with Japan's other non-life insurers, MSI concludes an agent contract with numerous parties. Among these agents are in-house agents, which play a vital role in the sale of MSI's non-life insurance products targeted at large corporate groups. In fiscal 2006, although MSI's top-line results were influenced to a certain extent by administrative measures imposed by the FSA, these measures had a relatively modest effect on premiums received through in-house agents.

The term in-house agent refers to specialist companies set up within corporate groups to operate as non-life insurance agents. Ordinarily, these agents handle all insurance policies for their corporate group.

In-house agents mainly offer and sell those types of insurance which cover risks specifically associated with the business operations within their corporate groups. Insurance policies covering the business operations of each company within a corporate group are called "corporate" policies. In-house agents are well-versed in risks not only in the business fields of the parent company but also in related fields, and accordingly, can offer appropriate products as solutions to these risks. While utilizing these products and risk-related knowledge, efforts are also essential for expanding insurance transactions not only with the parent company but also with other companies, including affiliated companies, raw materials suppliers, companies to which products are delivered, and business partner companies.

As an equally integral part of their business, in-house agents engage in sales of household-related policies to employees within their corporate group. Typical products in

Prospective Clients Associated with a Corporate Group



this context include automobile, fire, personal injury, and medical expense insurance. This type of insurance is called "employees" policies. Company employees have shown a preference for making insurance contracts through in-house agents within their corporate group. This is because dealing with an agent within their corporate group for insurance policies usually gives employees considerable peace of mind and provides such advantages as the option of automatically deducting insurance premium installment payments from their salaries without incurring any extra charge.

"Employees" policies are also eligible for group discounts under prescribed conditions. The benefits of these group discounts can also be extended, at the option of the employer, to employees of affiliated companies and even retired employees.

In this manner, the population making up the "employees" category is extensive. In terms of premiums derived from corporate groups, premiums from "employees" policies are usually larger than the total from "corporate" policies.

As previously explained, in-house agents are not just a source of premiums of insurance policies that cover the risks of a company's business but also provide insurance premiums from employees, retired employees, employees of affiliated companies, and business partner companies, thus representing a huge business opportunity. Therefore, the degree to which MSI can continue expanding the number of agency contracts with in-house agents will be one significant key to further developing our Domestic Non-Life Insurance Business. Ordinarily, in-house agents carry out business with multiple insurance companies, leading to fierce competition among such insurance companies. One of MSI's major strengths historically lies in its superiority in accounts maintained with corporate groups, with both the Mitsui Group and the Sumitomo Group being representative. Accordingly, MSI will offer quality risk solutions and pursue increased volume of business through its in-house agent channel.

TOPIC 2

Life Insurance

Individual Annuities Market Specialist

Mitsui Sumitomo MetLife Insurance Co., Ltd. is a joint venture of MSI and U.S.-based MetLife, Inc. specialized in individual annuities mainly through agent financial institutions.

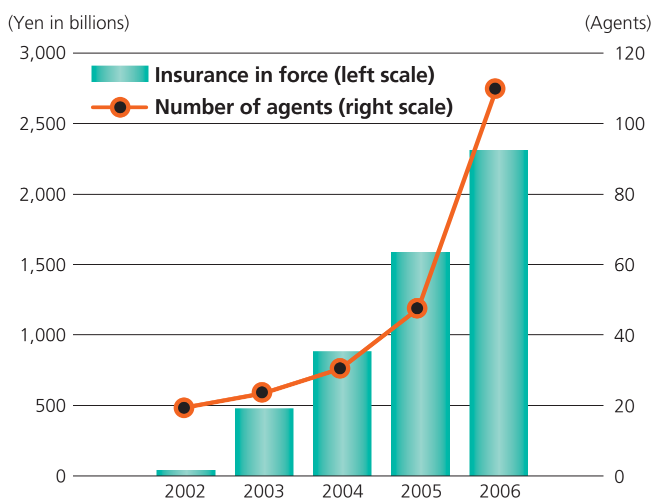
Since inaugurating operations in October 2002, Mitsui Sumitomo MetLife Insurance (formerly Mitsui Sumitomo CitiInsurance Life Insurance, Co., Ltd.), has smoothly expanded its product lineup, commencing sales of fixed individual annuities in January 2005 and Lifetime Guaranteed (LG)-type variable individual annuities in January 2006. These LG-type annuities are the first "early-benefit lifetime" variable individual annuities developed in Japan. In an age of ongoing low interest rates, this type of annuity meets a wide array of customer needs such as the need for guaranteed minimum benefit, early receipt of annuity benefits, and lifetime annuity benefits, in addition to addressing the need for countermeasures against inflation. Supported by these benefits, since its debut this LG-type annuity has been chosen by numerous customers and has achieved growth to become Mitsui Sumitomo MetLife Insurance's mainstay product. Reflecting favorable sales of this core product, Mitsui Sumitomo MetLife Insurance's outstanding balance of life insurance in force at the end of November 2006 topped ¥2,000 billion.

Mitsui Sumitomo MetLife Insurance has also achieved steady progress in expanding the size of its distribution network of associated financial institutions, and in fiscal 2006 formed tie-ups with an additional 31 agent financial institutions.

Looking ahead, an inflow of retirement funds from Japan's baby boomers facing retirement age between 2007 and 2010 is expected to fuel further growth in the individual annuities market. Meanwhile, providing customers with proper product explanations will become more important than ever in conjunction with the growing complexity of products and an expansion of over-the-counter sales. Mitsui Sumitomo MetLife Insurance has consistently emphasized the promotion of compliance, which includes making proper product explanations, and has provided guidance to its agents to ensure they can sell insurance products to customers based on a sufficient understanding of both compliance and the purpose and functions of the annuity products. As part of this commitment to compliance, in April 2007 we opened a large-scale education and training center in the center of Tokyo for further upgrading education and training for agents.

Mitsui Sumitomo MetLife Insurance will continue to meet customer needs and earn their trust while providing appealing products and services and contributing to the development of a robust individual annuities market.

Mitsui Sumitomo MetLife Insurance's Business Operations



Credit Ratings

Long-term creditworthiness is a key criterion in customers' selection of an insurance company, especially when considering that an annuity contract represents a company's promise to provide the annuitant with payments over a long term. Reflecting its high creditworthiness, Mitsui Sumitomo MetLife Insurance has secured an AA rating (for Insurer Financial Strength) from Standard & Poor's and an AA rating from Rating and Investment Information, Inc. (for Insurance Claims Paying Ability).

(As of August 31, 2007)

TOPIC 3

Financial Services
Weather Derivatives Business

With four clearly distinct seasons, Japan has numerous companies operating businesses offering products and services oriented toward the nation's seasonality. Accordingly, these companies are exposed to the risk of decreased earnings caused by irregularities and fluctuations in such weather elements as temperature and snowfall. Taking the lead in providing solutions to hedge these risks, in 1999 MSI concluded a weather derivative contract with a company involved in the sale of ski-related merchandise, in which MSI is to provide compensation payments to that company in the event of a snow shortage. This was the first such weather derivative to be sold in Japan. Subsequently, MSI steadily developed derivative products covering an even broader spectrum of weather elements such as temperature, precipitation, and wind speed. MSI also developed order-made weather derivative products that respond to diverse demands of customers. Such products have been provided to customers as part of MSI's Financial Services business.

Because Japan often suffers extensive damage from typhoons in autumn, MSI received numerous requests from companies in the tourism and leisure industries for the development of products to alleviate the risks from typhoons. Addressing these requests, in 2005 MSI developed and released a product to hedge risks of losses arising from typhoons. This product provides compensation payments depending on the number of centers of typhoons that pass through a pre-specified zone, which is a circle with a specific radius from a designated point.

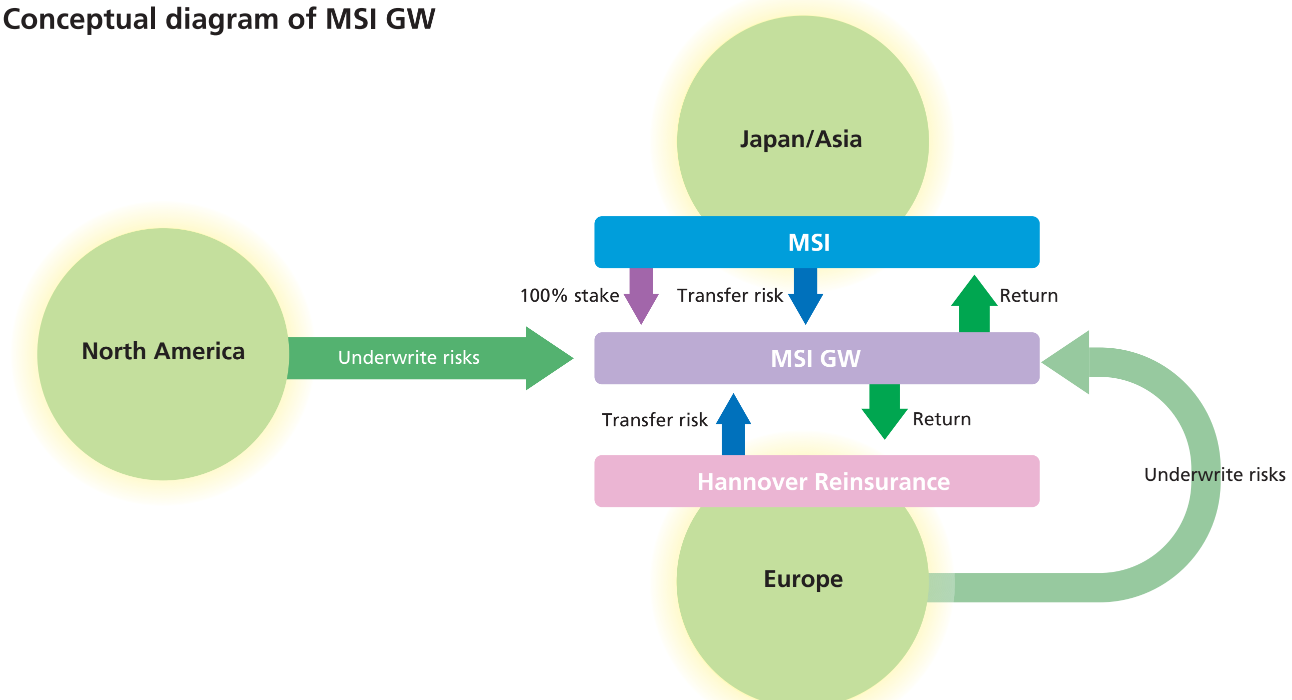
MSI sells weather derivatives primarily through two sales channels: direct sales by MSI employees and regional financial institutions such as banks. Having built close alliances with regional financial institutions through over-the-counter sales of various insurance products, we have now formed tie-ups with over 60 institutions for our weather derivatives as we work to build a strong sales network covering all areas of Japan.

In this manner, MSI carries out flexible product development that is unique to derivative transactions. On the other hand, weather derivatives have relatively low liquidity because the over-the-counter markets are still not fully developed. To compensate for this drawback, in 2001 MSI and a U.S.-based energy-related trading company formed an alliance for mutually exchanging risks held with the aim of reducing risk exposure and dispersing risk geographically.

In a decisive move to further bolster our weather derivatives business, in April 2007 MSI acquired the entire business of its alliance partner, GuaranteedWeather, a U.S.-based risk management company handling weather derivatives, and established MSI GuaranteedWeather, LLC (MSI GW) as a wholly owned subsidiary. MSI GW underwrites weather derivatives in the North American market and carries out global portfolio management of derivatives that also encompass the Japanese, Asian, and European markets with the aim of optimizing risk exposure and risk dispersal.

Through the establishment of this subsidiary, we have reduced our weather derivative-related risk exposure and established a structure that allows us to continuously provide customers with stable and diverse lineup of affordably priced weather derivative products. On the occasion of our full-fledged entry into the global market for weather derivatives, MSI will further pursue leading-edge weather derivative technologies as well as work to expand this business and raise profitability.

Conceptual diagram of MSI GW



FINANCIAL SECTION

GAAP in Japan

Contents

FIVE-YEAR SUMMARY (UNAUDITED)

MITSUI SUMITOMO INSURANCE CO., LTD. AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2003, 2004, 2005, 2006 AND 2007

	Yen in millions					Dollars in thousands
	2003	2004	2005	2006	**2007**	**2007**
Ordinary income:	¥1,920,379	¥2,066,500	¥2,021,917	¥2,106,874	**¥2,117,072**	**$17,941,288**
Net premiums written	1,303,946	1,379,119	1,407,328	1,464,107	**1,492,808**	**12,650,915**
Ordinary profit	49,557	174,943	87,577	127,710	**91,684**	**776,983**
Net income	32,812	77,787	65,725	71,660	**60,796**	**515,220**
Net assets	1,041,955	1,401,911	1,461,575	2,027,469	**2,182,877**	**18,498,958**
Total assets	6,477,614	7,126,961	7,402,311	8,592,873	**9,011,652**	**76,369,932**
	Yen					Dollars
Net income per share						
Basic	¥ 22.46	¥ 53.94	¥ 45.51	¥ 50.27	**¥ 42.82**	**$ 0.36**
Diluted	21.35	52.78	45.51	50.27	**42.82**	**0.36**
Net assets per share	717.74	963.51	1,021.13	1,427.17	**1,536.71**	**13.02**
Equity ratio	16.08%	19.67%	19.74%	23.60%	**24.06%**	—
Return on equity	2.84%	6.37%	4.59%	4.11%	**2.90%**	—
Price earnings ratio	22.62	20.54	21.60	31.85	**34.54**	—
	Yen in millions					Dollars in thousands
Cash flows						
Cash flows from operating activities	¥ 75,878	¥ 181,584	¥ 160,695	¥ 313,007	**¥ 227,417**	**$ 1,927,263**
Cash flows from investing activities	2,213	(155,321)	(222,940)	(264,352)	**(220,522)**	**(1,868,831)**
Cash flows from financing activities	(78,840)	(37,727)	63,622	(33,580)	**(37,358)**	**(316,593)**
Cash and cash equivalents at the end of year	370,775	363,011	365,815	386,179	**365,350**	**3,096,186**
Number of employees	16,013	15,980	16,432	18,154	**18,882**	—

Notes: 1. U.S. dollar amounts in this table have been translated from yen, for convenience only, at the rate of ¥118=U.S.$1. For details, see Note 1 of the notes to consolidated financial statements, page 39.
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 the MSI Group's financial condition and business results. Specifically, upon describing the MSI Group'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 the Company, risk analysis, solvency margin ratio, and MSI's credit rating.

(1) Description of Businesses

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

1) Non-Life Insurance Business

MSI and one subsidiary 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 37 group companies, including MSIG Holdings (Americas), Inc.

3) Life Insurance Business

The MSI Group's Life Insurance business in Japan is carried out by Mitsui Sumitomo Kirameki Life Insurance Company, Limited and Mitsui Sumitomo MetLife Insurance Co., Ltd.

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 3 group companies. In Japan, 14 group companies, including MITSUI SUMITOMO INSURANCE Venture Capital Company, Limited, are involved in asset management-related businesses, and overseas this business is undertaken by 4 group companies.

(2) Points to Be Noted Regarding Figures

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

2. Critical Accounting Policies and Estimates

The Company's consolidated financial statements are prepared in accordance with Japan GAAP. The preparation of these financial statements requires the management of the Company 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 the Company's consolidated financial statements are presented in Note 5, "Accounting Policies" of "Basis of the Preparation of 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, the Company carries out impairment accounting for securities based on reasonable criteria set by the Company in accordance with relevant accounting standards and practices. If the securities markets decline, the Company's marketable securities could be subject to losses on their devaluation.

3) Impairment of Long-Lived Assets

The Company 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 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 the Company 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 the Company 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, the Company 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
The Company 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, the Company 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 (The following explanation is based on the financial statements prepared in accordance with Japan GAAP.)

During the fiscal year ended March 31, 2007, despite sluggish personal consumption in the second half of the term, the Japanese economy remained on a recovery track owing to generally favorable housing investment in addition to an increase in private-sector capital investment against a background of favorable corporate earnings.

In Japan's non-life insurance industry, although premium income and interest and dividends received increased, reflecting the aforementioned favorable domestic economic trends, the difficult insurance business environment continued owing to such factors as an increase in insurance claims payments resulting from natural disasters.

Amid this environment, during fiscal 2006 the MSI Group completed Challenge 10 Stage I, a two-year medium-term management plan launched in the fiscal year ended March 31, 2006. Under Challenge 10, we designated raising corporate quality as a top-priority issue and focused on our responsibilities for providing product explanations and making claims payments from the customers' viewpoint. Concurrently, we also undertook proactive initiatives such as taking thorough measures to further bolster risk management and compliance as well as strengthen corporate governance. The implementation of these measures led to the following business results for the fiscal year.

Ordinary income amounted to ¥2,117.0 billion and included ¥1,947.1 billion in underwriting income, ¥165.2 billion in investment income, and ¥4.6 billion in other ordinary income. On the other hand, ordinary expenses amounted to ¥2,025.3 billion and included ¥1,738.7 billion in underwriting expenses, ¥16.6 billion in investment expenses, ¥262.9 billion in operating expenses and general and administrative expenses, and ¥6.9 billion in other ordinary expenses. As a result, ordinary profit declined ¥36.0 billion from the previous fiscal year to ¥91.6 billion. After adding and subtracting extraordinary income and losses and current and deferred income taxes, net income amounted to ¥60.7 billion, down ¥10.8 billion from the previous fiscal year.

Business results by segment were as follows.

Non-Life Insurance
In the non-life insurance business, the administrative measures imposed by the Financial Services Agency (FSA) on June 21, 2006 had the effect of reducing net premiums written by ¥7.8 billion compared with the previous fiscal year. Nonetheless, total net premiums written increased ¥28.7 billion to ¥1,492.8 billion due to an expansion in business operations by subsidiaries in Europe and because of the full-year contribution to consolidated results by insurance companies acquired in Asia in the previous fiscal year, for which results were included only for the second-half of the previous fiscal year. Ordinary income, which includes the addition of investment income, rose ¥4.1 billion to ¥1,940.8 billion due to an increase in interest and dividends received. On the other hand, ordinary expenses rose ¥39.6 billion to ¥1,846.5 billion due to an increase in provision for outstanding claims and a rise in net claims paid in relation to an increase in natural disasters as well as to the full-year inclusion of expenses by insurance companies acquired in Asia in the previous fiscal year for which expenses were included only for the second-half results of the previous fiscal year. As a result, consolidated ordinary profit declined ¥35.5 billion to ¥94.3 billion.

Fire and Allied Insurance
During the year, net premiums written rose 1.2% to ¥208.9 billion. This rise is due to an expansion in the business operations of reinsurance companies and the full-year inclusion of the results of insurance companies acquired in Asia in the previous fiscal year, for which the results were included only for the second-half of the previous fiscal year. On the other hand, net

claims paid amounted to ¥100.2 billion, an increase of 13.6%, owing to a rise in claims paid for natural disasters.

Marine Insurance

Net premiums written increased 12.6% to ¥95.4 billion reflecting efforts to expand the sales network. Net claims paid rose 10.0% to ¥38.6 billion.

Personal Accident Insurance

Net premiums written declined 2.6% to ¥139.5 billion due to a decline in revenues resulting from the effects of the imposition of administrative measures by the FSA. Net claims paid rose 12.2% to ¥62.9 billion.

Voluntary Automobile Insurance

During the year, net premiums written rose 1.9% to ¥601.3 billion. This rise was due to the full-year inclusion of the results of insurance companies acquired in Asia in the previous fiscal year, for which the results were included only for the second-half of the previous fiscal year. Net claims paid rose 3.0% to ¥375.2 billion.

Compulsory Automobile Liability Insurance

Net premiums written declined 0.7% to ¥192.0 billion. Net claims paid rose 3.4% to ¥134.9 billion.

Other Property and Casualty Insurance

During the year net premiums written rose 3.9% to ¥255.3 billion due to an expansion in the business operations of subsidiaries in Europe. Net claims paid increased 13.2% to ¥134.4 billion.

Life Insurance

In the life insurance business, despite an increase in insurance contract dissolutions, wholly owned subsidiary Mitsui Sumitomo Kirameki Life Insurance Company, Limited recorded a ¥3.1 billion increase in life insurance premium income to ¥165.3 billion by commencing sales of comprehensive income guarantee insurance and new medical insurance as commemorative products marking the 10th anniversary of the start-up of its operations. Therefore, ordinary income, which includes life insurance premium income, increased ¥5.5 billion to ¥179.8 billion. On the other hand, ordinary expenses rose ¥6.0 billion from the previous fiscal year to ¥182.4 billion. Ordinary expenses included a ¥3.1 billion investment loss in equity in Mitsui Sumitomo MetLife Insurance Company, Limited. Nevertheless, this loss resulted from an expansion of business operations by promoting new commissions with financial institution agents, mainly regional banks, as well as the upfront advance payment of sales commissions accompanying an increase in contracts. As a result, an ordinary loss of ¥2.6 billion was recorded, ¥500 million higher than in the previous fiscal year.

Investment Income and Realized Gain on Investments

Interest and dividends received, after deducting income allocated for interest on savings-type insurance, amounted to ¥121.8 billion, up ¥19.5 billion. This rise is attributable to an increase in stock dividends due to the recovery in the Japanese economy as well as a rise in dividends on overseas investment trusts due to the increase in overseas stock prices.

We recorded gains on sale of securities of ¥26.8 billion along with continued efforts to streamline our holdings of domestic stocks as a means of reducing asset price fluctuation risk. Nevertheless, this gain was ¥18.9 billion less than recorded in the previous fiscal year. We recorded gains (losses) on redemption of securities of ¥7.7 billion (an increase of ¥2.7 billion) and losses on devaluation of securities of ¥6.0 billion (an increase of ¥2.2 billion from the previous fiscal year).

As a result, investment income and realized gains on investments increased ¥4.2 billion to ¥148.5 billion.

Geographic Segment Information

Results by geographic segment were as follows.

We recorded ordinary income of ¥1,925.3 billion in Japan, ¥77.1 billion in Asia (excluding Japan), ¥79.6 billion in Europe, and ¥40.2 billion in the Americas. Ordinary profit amounted to ¥78.0 billion in Japan, ¥8.7 billion in Asia (excluding Japan), ¥5.0 billion in Europe, and ¥2.9 billion in the Americas. Japan accounted for 91% and 82% of ordinary income and ordinary profit, respectively, before eliminations for transactions in Japan.

4. Cash Flow Analysis and Financial Position

Cash flows provided by operating activities decreased ¥85.5 billion to ¥227.4 billion due to a rise in income tax paid along with the declaration of corporate and inhabitants' taxes. Net cash used in investing activities decreased ¥43.8 billion to ¥220.5 billion reflecting a decrease in purchase of securities. Net cash used in financing activities increased ¥3.7 billion to ¥37.3 billion. As a result, cash and cash equivalents at end of year declined ¥20.8 billion to ¥365.3 billion.

Total assets at March 31, 2007 stood at ¥9,011.6 billion, a 4.9% gain compared with the previous fiscal year-end. Total invested assets climbed 4.5% to ¥8,465.8 billion. This change was mainly due to an increase in unrealized gains on investment securities. Total net assets amounted to ¥2,182.8 billion. This represents an increase of ¥148.1 billon due to the addition of minority interests to the total amount of stockholders' equity in the previous fiscal year. The principal contributor to this change was an increase in unrealized gains on investments. The equity ratio was 24.1% compared with 23.6% at the end of the previous fiscal year.

5. Issues to be Addressed by the Company New Challenge 10 Medium-Term Management Plan

In Japan's non-life insurance industry, the outlook is for stable growth of premium income, mainly in the corporate sector, accompanying the recovery in the Japanese economy. Nonetheless, it will be extremely important to build a structure for properly executing all areas of operations, from concluding insurance contracts to making claims payments, to prevent reccurrences of failure to properly pay incidental insurance claims, non-payment of claims for third-sector products, and application of inappropriate insurance premium rates on fire insurance. Also, in addition to satisfying the demand for the diversification of sales channels, including full-fledged OTC insurance sales at banks and the privatization of the postal services business, there will be a need for further strengthening risk response capabilities and guarantee capabilities against natural disaster risks.

Under these circumstances, we formulated New Challenge 10, the MSI Group's medium-term management plan to be implemented from fiscal 2007 through fiscal 2010. Under this plan, we aim to make corporate quality a competitive enhancement by repeating a virtuous cycle whereby we enhance corporate value and earn the trust of customers, which will lead to growth. We will then allocate the assets obtained from this growth toward further improvements in corporate quality. We will strengthen our structure for offering customers easy-to-understand products, providing suitable product proposals and accurate explanations during insurance solicitation, and making fair and proper claims payments. Under the corporate slogan of "For all the things you care about," we will also make unceasing efforts to raise corporate quality. We will also build a high-quality sales network that is trusted by customers, achieve an appropriate balance between income and expenditures through appropriate insurance underwriting management, push ahead with our Asia-Europe-Americas trilateral framework, establish an even more-solid business foundation, particularly in Asia, build a foundation for growth in the life insurance business, and strengthen asset management capabilities. In taking these initiatives, we strive for perpetual business development and to enhance shareholder value. Thus, through these measures, we aim to become an insurance and financial group that dynamically undertakes its businesses, centering on its non-life insurance, life insurance, and overseas businesses, as well as financial services and risk-related businesses.

6. Risk Analysis

The following matters possibly affecting the MSI Group'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 financial reports 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, the MSI Group 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 the Group would incur large amounts of claim payments for these disasters, causing a worsening of business results.

Moreover, there is a risk that the Group 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

The MSI Group 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 the Group's financial balance to worsen. There is also a risk that the Group would be unable to arrange reinsurance protection sufficiently and its insurance underwriting capabilities could decline.

Additionally, the Group 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

The MSI Group 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

The Company 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 the Company's assets with fixed interest rates such as bonds and loans in the event of a rise in interest rates.

3) Exchange rate risk

The Company 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.

The Company 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

The MSI Group'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

The MSI Group 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 businesses risk

The MSI Group actively carries out its overseas operations in Asia, Europe, and the Americas through 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

The MSI Group 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 the MSI Group'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 the Group's business results.

(10) Risk from changes in laws and systems

The MSI Group carries out its operations based on regulations under various laws and ordinances, including the Insurance Business Law, and the Group issues financial reports based on various accounting standards. There is a risk that the Group'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 the Ministry of Finance of Japan's (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 FSA, a solvency margin ratio of 200% indicates that an insurance company has sufficient capability to pay insurance claims and other obligations.

The Company's solvency margin ratio at the end of the fiscal year rose 34.6 percentage points from the previous fiscal year-end to 1,150.0% due mainly to a rise in the fair value of Company-held stocks.

The Company's Solvency Margin Ratio

As of March 31, 2006 and 2007

(Yen in billions)

	2006	**2007**	Change
Solvency margin total amount	¥3,321.3	**¥3,527.6**	206.3 (6.2%)
Risk amount	595.5	**613.5**	18.0 (3.0%)
Solvency margin ratio	1,115.4%	**1,150.0%**	+34.6 points

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.

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

Standard & Poor's, Moody's Investors Service, and A.M. Best

As of July 2, 2007

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	2003 Amount	2003 Change (%)	2003 Share (%)	2004 Amount	2004 Change (%)	2004 Share (%)	2005 Amount	2005 Change (%)	2005 Share (%)
Fire	¥ 273,450	3.4%	16.2%	¥ 289,469	5.9%	16.6%	¥ 281,783	(2.7%)	16.1%
Marine	69,699	3.9	4.1	76,346	9.5	4.4	84,935	11.2	4.8
Personal Accident	352,110	3.3	20.9	359,217	2.0	20.6	354,488	(1.3)	20.3
Voluntary Automobile	578,788	(4.4)	34.3	585,856	1.2	33.5	586,241	0.1	33.5
Compulsory Automobile Liability	181,560	21.1	10.8	183,855	1.3	10.5	187,180	1.8	10.7
Other	230,809	9.5	13.7	251,407	8.9	14.4	254,651	1.3	14.6
Total	¥1,686,419	2.9%	100.0%	¥1,746,152	3.5%	100.0%	¥1,749,279	0.2%	100.0%
Deposit premiums from policyholders	306,757	3.4	18.2	300,819	(1.9)	17.2	272,692	(9.4)	15.6

(b) Net Premiums Written

Lines of Insurance	2003 Amount	2003 Change (%)	2003 Share (%)	2004 Amount	2004 Change (%)	2004 Share (%)	2005 Amount	2005 Change (%)	2005 Share (%)
Fire	¥ 170,821	2.4%	13.1%	¥ 187,209	9.6%	13.6%	¥ 188,856	0.9%	13.4%
Marine	57,502	6.9	4.4	64,671	12.5	4.7	71,828	11.1	5.1
Personal Accident	123,290	(1.1)	9.4	124,917	1.3	9.0	131,900	5.6	9.4
Voluntary Automobile	577,934	(4.5)	44.3	583,654	1.0	42.3	584,728	0.2	41.6
Compulsory Automobile Liability	165,034	82.3	12.7	194,018	17.6	14.1	195,741	0.9	13.9
Other	209,363	7.9	16.1	224,647	7.3	16.3	234,272	4.3	16.6
Total	¥1,303,946	5.6%	100.0%	¥1,379,119	5.8%	100.0%	¥1,407,328	2.0%	100.0%

(c) Net Claims Paid

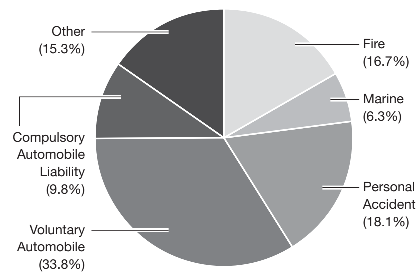
Lines of Insurance	2003 Amount	2003 Change (%)	2003 Share (%)	2004 Amount	2004 Change (%)	2004 Share (%)	2005 Amount	2005 Change (%)	2005 Share (%)
Fire	¥ 57,051	9.4%	8.8%	¥ 60,519	6.1%	8.9%	¥139,884	131.1%	17.2%
Marine	25,870	(12.4)	4.0	28,450	10.0	4.2	27,788	(2.3)	3.4
Personal Accident	50,643	(1.7)	7.8	51,486	1.7	7.6	53,231	3.4	6.6
Voluntary Automobile	338,566	(1.0)	52.4	341,168	0.8	50.1	354,257	3.8	43.7
Compulsory Automobile Liability	60,948	7.9	9.4	82,146	34.8	12.1	113,048	37.6	13.9
Other	113,477	3.0	17.6	116,499	2.7	17.1	122,973	5.6	15.2
Total	¥646,557	0.7%	100.0%	¥680,271	5.2%	100.0%	¥811,183	19.2%	100.0%

(Yen in millions; dollars in thousands)

2006			2007			
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
¥ 304,176	7.9%	17.0%	¥ 301,692	(0.8%)	16.7%	$ 2,556,712
101,461	19.5	5.7	113,005	11.4	6.3	957,669
341,536	(3.7)	19.0	327,518	(4.1)	18.1	2,775,576
595,744	1.6	33.2	611,148	2.6	33.8	5,179,220
181,757	(2.9)	10.1	176,826	(2.7)	9.8	1,498,525
269,307	5.8	15.0	276,517	2.7	15.3	2,343,364
¥1,793,984	2.6%	100.0%	¥1,806,708	0.7%	100.0%	$15,311,085
249,760	(8.4)	13.9	224,676	(10.0)	12.4	1,904,034

Direct Premiums Written (2007)

Total ¥1,806.7 billion

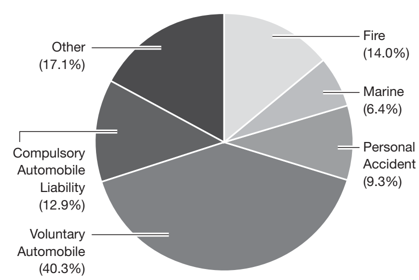


(Yen in millions; dollars in thousands)

2006			2007			
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
¥ 206,373	9.3%	14.1%	¥ 208,951	1.2%	14.0%	$ 1,770,771
84,788	18.0	5.8	95,486	12.6	6.4	809,203
143,316	8.7	9.8	139,531	(2.6)	9.3	1,182,466
590,422	1.0	40.3	601,353	1.9	40.3	5,096,212
193,402	(1.2)	13.2	192,087	(0.7)	12.9	1,627,856
245,805	4.9	16.8	255,398	3.9	17.1	2,164,390
¥1,464,107	4.0%	100.0%	¥1,492,808	2.0%	100.0%	$12,650,915

Net Premiums Written (2007)

Total ¥1,492.8 billion

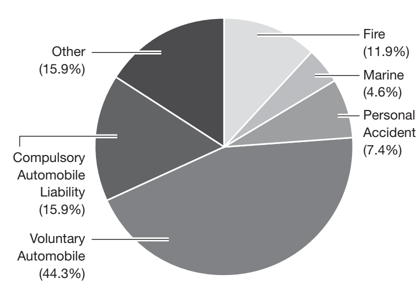


(Yen in millions; dollars in thousands)

2006			2007			
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
¥ 88,202	(36.9%)	11.1%	¥100,229	13.6%	11.9%	$ 849,398
35,175	26.6	4.4	38,684	10.0	4.6	327,831
56,049	5.3	7.1	62,908	12.2	7.4	533,119
364,207	2.8	45.9	375,298	3.0	44.3	3,180,492
130,517	15.5	16.5	134,908	3.4	15.9	1,143,288
118,787	(3.4)	15.0	134,415	13.2	15.9	1,139,110
¥792,941	(2.2%)	100.0%	¥846,445	6.7%	100.0%	$7,173,263

Net Claims Paid (2007)

Total ¥846.4 billion



(2) Return on investments

(a) Income basis

	2006			2007				
	(Yen in millions, %)			(Yen in millions, %)			(Dollars in thousands)	
	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	¥ 6,572	¥ 319,229	2.06%	**¥ 8,082**	**¥ 270,786**	**2.98%**	**$ 68,492**	**$ 2,294,797**
Call loans	12	15,968	0.08	**61**	**23,058**	**0.27**	**517**	**195,407**
Futures bought	0	458	0.01	**5**	**1,687**	**0.34**	**42**	**14,297**
Monetary claims bought	607	93,396	0.65	**1,446**	**106,824**	**1.35**	**12,254**	**905,288**
Money trusts	1,336	53,217	2.51	**1,086**	**53,635**	**2.03**	**9,203**	**454,534**
Investments in securities	120,514	3,695,370	3.26	**133,293**	**3,835,495**	**3.48**	**1,129,602**	**32,504,195**
Loans	12,801	765,411	1.67	**13,494**	**757,868**	**1.78**	**114,356**	**6,422,610**
Land, Buildings	7,194	228,981	3.14	**7,349**	**220,116**	**3.34**	**62,280**	**1,865,390**
Subtotal	¥149,038	¥5,172,035	2.89%	**¥164,819**	**¥5,269,473**	**3.14%**	**$1,396,771**	**$44,656,551**
Others	234	—	—	**613**	**—**	**—**	**5,195**	**—**
Total	¥149,273	—	—	**¥165,433**	**—**	**—**	**$1,401,975**	**—**

(b) Realized basis

	2006			2007				
	(Yen in millions, %)			(Yen in millions, %)			(Dollars in thousands)	
	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	¥ 7,204	¥ 319,229	2.26%	**¥ 8,614**	**¥270,786**	**3.18%**	**$ 73,000**	**$ 2,294,797**
Call loans	12	15,968	0.08	**61**	**23,058**	**0.27**	**517**	**195,407**
Futures bought	0	458	0.01	**5**	**1,687**	**0.34**	**42**	**14,297**
Monetary claims bought	607	93,396	0.65	**1,446**	**106,824**	**1.35**	**12,254**	**905,288**
Money trusts	(93)	53,217	(0.18)	**994**	**53,635**	**1.85**	**8,424**	**454,534**
Investments in securities	164,369	3,695,370	4.45	**160,939**	**3,835,495**	**4.20**	**1,363,890**	**32,504,195**
Loans	12,735	765,411	1.66	**13,573**	**757,868**	**1.79**	**115,025**	**6,422,610**
Land, Buildings	7,299	228,981	3.19	**7,358**	**220,116**	**3.34**	**62,356**	**1,865,390**
Derivatives	(2,244)	—	—	**(703)**	**—**	**—**	**(5,958)**	**—**
Others	820	—	—	**618**	**—**	**—**	**5,237**	**—**
Total	¥190,711	¥5,172,035	3.69%	**¥192,909**	**¥5,269,473**	**3.66%**	**$1,634,822**	**$44,656,551**

(c) Market value basis

	2006			2007				
	(Yen in millions, %)			(Yen in millions, %)			(Dollars in thousands)	
	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	¥ 7,204	¥ 319,229	2.26%	**¥ 8,614**	**¥ 270,786**	**3.18%**	**$ 73,000**	**$ 2,294,797**
Call loans	12	15,968	0.08	**61**	**23,058**	**0.27**	**517**	**195,407**
Futures bought	0	458	0.01	**5**	**1,687**	**0.34**	**42**	**14,297**
Monetary claims bought	607	93,396	0.65	**1,169**	**106,824**	**1.09**	**9,907**	**905,288**
Money trusts	(93)	54,451	(0.17)	**994**	**53,631**	**1.85**	**8,424**	**454,500**
Investments in securities	973,815	4,902,485	19.86	**326,939**	**5,855,908**	**5.58**	**2,770,669**	**49,626,339**
Loans	12,564	765,411	1.64	**13,714**	**757,868**	**1.81**	**116,220**	**6,422,610**
Land, Buildings	7,299	228,981	3.19	**7,358**	**220,116**	**3.34**	**62,356**	**1,865,390**
Derivatives	(3,450)	—	—	**1,409**	**—**	**—**	**11,941**	**—**
Others	626	—	—	**618**	**—**	**—**	**5,237**	**—**
Total	¥998,587	¥6,380,383	15.65%	**¥360,885**	**¥7,289,882**	**4.95%**	**$3,058,347**	**$61,778,661**

SEGMENT INFORMATION — LIFE INSURANCE (UNAUDITED)

(1) Insurance amount

(a) Amount of Policies in Force

(Yen in millions; dollars in thousands)

As of March 31	2003 Amount	2003 Change (%)	2004 Amount	2004 Change (%)	2005 Amount	2005 Change (%)	2006 Amount	2006 Change (%)	**2007** Amount	**2007** Change (%)	**2007** Amount
Individual Insurance	¥4,955,902	13.4%	¥5,588,682	12.8%	¥6,581,088	17.8%	¥7,603,541	15.5%	**¥7,846,571**	**3.2%**	**$66,496,364**
Individual Annuities	81,148	22.2	190,533	134.8	273,609	43.6	314,360	14.9	**317,690**	**1.1**	**2,692,288**
Group Insurance	1,998,861	(9.2)	2,310,200	15.6	2,478,958	7.3	3,047,795	22.9	**2,561,215**	**(16.0)**	**21,705,212**
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 thousands)

As of March 31	2003 Amount	2004 Amount	2005 Amount	2006 Amount	**2007** Amount	**2007** Amount
Individual Insurance	¥1,103,151	¥1,269,568	¥1,632,901	¥1,725,432	**¥1,149,836**	**$9,744,373**
Individual Annuities	19,335	118,054	99,934	66,200	**44,172**	**374,339**
Group Insurance	67,633	40,450	89,220	197,832	**25,795**	**218,602**
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

	2006 (Yen in millions, %)			**2007** (Yen in millions, %)			(Dollars in thousands)	
	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	¥ 0	¥ 19,889	0.00%	**¥ —**	**¥ 10,710**	**—%**	**$ —**	**$ 90,763**
Investments in securities	11,027	673,402	1.64	**13,203**	**782,390**	**1.69**	**111,890**	**6,630,424**
Loans	580	19,367	3.00	**652**	**21,559**	**3.03**	**5,525**	**182,703**
Land, Buildings	—	89	—	**—**	**56**	**—**	**—**	**475**
Subtotal	¥11,608	¥712,749	1.63%	**¥13,855**	**¥814,718**	**1.70%**	**$117,415**	**$6,904,390**
Others	4	—	—	**0**	**—**	**—**	**0**	**—**
Total	¥11,612	—	—	**¥13,855**	**—**	**—**	**$117,415**	**—**

(b) Realized basis

	2006 (Yen in millions, %)			**2007** (Yen in millions, %)			(Dollars in thousands)	
	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	¥ 0	¥ 19,889	0.00%	**¥ —**	**¥ 10,710**	**—%**	**$ —**	**$ 90,763**
Investments in securities	11,086	673,402	1.65	**12,340**	**782,390**	**1.58**	**104,576**	**6,630,424**
Loans	580	19,367	3.00	**652**	**21,559**	**3.03**	**5,525**	**182,703**
Land, Buildings	—	89	—	**—**	**56**	**—**	**—**	**475**
Others	4	—	—	**0**	**—**	**—**	**0**	**—**
Total	¥11,672	¥712,749	1.64%	**¥12,993**	**¥814,718**	**1.59%**	**$110,110**	**$6,904,390**

(c) Market value basis

	2006 (Yen in millions, %)			**2007** (Yen in millions, %)			(Dollars in thousands)	
	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	¥ 0	¥ 19,889	0.00%	**¥ —**	**¥ 10,710**	**—%**	**$ —**	**$ 90,763**
Investments in securities	(9,739)	690,272	(1.41)	**22,829**	**778,434**	**2.93**	**193,466**	**6,596,898**
Loans	580	19,367	3.00	**652**	**21,559**	**3.03**	**5,525**	**182,703**
Land, Buildings	—	89	—	**—**	**56**	**—**	**—**	**475**
Others	4	—	—	**0**	**—**	**—**	**0**	**—**
Total	¥ (9,153)	¥729,618	(1.25%)	**¥23,481**	**¥810,761**	**2.90%**	**$198,992**	**$6,870,856**

CONSOLIDATED BALANCE SHEETS

MITSUI SUMITOMO INSURANCE CO., LTD. AND SUBSIDIARIES
MARCH 31, 2006 AND 2007

	Yen in millions		Dollars in thousands
Assets	2006	**2007**	**2007**
Cash, deposits and savings	¥ 375,874	**¥ 345,330**	**$ 2,926,525**
Call loans	18,000	**41,600**	**352,542**
Monetary claims bought	71,570	**84,349**	**714,822**
Money trusts	53,064	**57,138**	**484,220**
Investments in securities	6,576,008	**6,949,578**	**58,894,729**
Loans	777,659	**768,084**	**6,509,186**
Property and equipment	257,693	**—**	**—**
Tangible fixed assets	—	**261,267**	**2,214,127**
Intangible fixed assets	—	**87,955**	**745,381**
Other assets	428,084	**418,167**	**3,543,788**
Deferred tax assets	6,633	**4,802**	**40,695**
Consolidation adjustments	38,925	**—**	**—**
Customers' liabilities under acceptances and guarantees	1,414	**1,237**	**10,483**
Bad debt reserve	(12,055)	**(7,859)**	**(66,602)**
Total assets	¥8,592,873	**¥9,011,652**	**$76,369,932**

Liabilities and Net Assets (Minority Interests and Stockholders' Equity)	Yen in millions 2006	Yen in millions 2007	Dollars in thousands 2007
Underwriting funds:			
Outstanding claims	¥ 726,003	**¥ 820,714**	**$ 6,955,203**
Underwriting reserve	4,853,933	**4,995,163**	**42,331,890**
Total underwriting funds	5,579,937	**5,815,878**	**49,287,102**
Bonds issued	100,000	**99,998**	**847,441**
Other liabilities	279,392	**271,795**	**2,303,347**
Reserve for pension and retirement benefits	82,457	**81,540**	**691,017**
Accrued bonuses for employees	13,526	**13,468**	**114,136**
Reserve for price fluctuation	23,537	**—**	**—**
Reserves under the special laws:			
Reserve for price fluctuation	—	**26,707**	**226,331**
Total reserve under the special laws	—	**26,707**	**226,331**
Deferred tax liabilities	477,915	**518,149**	**4,391,093**
Liabilities under acceptances and guarantees	1,414	**1,237**	**10,483**
Total liabilities	6,558,183	**6,828,775**	**57,870,975**
Minority interests	7,221	**—**	**—**
Common stock	139,595	**—**	**—**
Capital surplus	93,127	**—**	**—**
Retained earnings	577,028	**—**	**—**
Unrealized gains on investments	1,291,051	**—**	**—**
Foreign currency translation adjustments	3,988	**—**	**—**
Less—treasury stock at cost	(77,321)	**—**	**—**
Total stockholders' equity	2,027,469	**—**	**—**
Total liabilities, minority interests and stockholders' equity	¥8,592,873	**¥ —**	**$ —**
Common stock	—	**139,595**	**1,183,008**
Capital surplus	—	**93,138**	**789,305**
Retained earnings	—	**613,352**	**5,197,898**
Less—treasury stock at cost	—	**(91,142)**	**(772,390)**
Total stockholders' equity	—	**754,943**	**6,397,822**
Unrealized gains on investments	—	**1,402,879**	**11,888,805**
Deferred profits/losses on hedge accounting for derivatives	—	**(4,577)**	**(38,788)**
Foreign currency translation adjustments	—	**15,368**	**130,237**
Total valuation and transaction adjustments	—	**1,413,671**	**11,980,263**
Minority interests	—	**14,261**	**120,856**
Total net assets	—	**2,182,877**	**18,498,958**
Total liabilities and net assets	¥ —	**¥9,011,652**	**$76,369,932**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

MITSUI SUMITOMO INSURANCE CO., LTD. AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2006 AND 2007

	Yen in millions		Dollars in thousands
Ordinary income and expenses	2006	**2007**	**2007**
Ordinary income:			
Underwriting income:			
Net premiums written	¥1,464,107	**¥1,492,808**	**$12,650,915**
Deposit premiums from policyholders	249,760	**224,676**	**1,904,034**
Investment income on deposit premiums from policyholders	57,758	**57,322**	**485,780**
Life insurance premiums	162,225	**165,363**	**1,401,381**
Other underwriting income	4,592	**6,991**	**59,246**
Total underwriting income	1,938,445	**1,947,162**	**16,501,373**
Investment income:			
Interest and dividends received	160,055	**179,081**	**1,517,636**
Investment gains on money trusts	539	**952**	**8,068**
Gains on sale of securities	49,510	**32,815**	**278,093**
Gains on redemption of securities	5,257	**7,909**	**67,025**
Other investment income	2,253	**1,787**	**15,144**
Transfer of investment income on deposit premiums from policyholders	(57,758)	**(57,322)**	**(485,780)**
Total investment income	159,857	**165,224**	**1,400,203**
Other ordinary income	8,571	**4,685**	**39,703**
Total ordinary income	2,106,874	**2,117,072**	**17,941,288**
Ordinary expenses:			
Underwriting expenses:			
Net claims paid	792,941	**846,445**	**7,173,263**
Loss adjustment expenses	63,097	**69,968**	**592,949**
Commissions and collection expenses	257,671	**257,658**	**2,183,542**
Maturity refunds to policyholders	363,976	**340,660**	**2,886,949**
Dividends to policyholders	113	**57**	**483**
Life insurance claims	20,911	**24,849**	**210,585**
Provision for outstanding claims	79,825	**75,783**	**642,229**
Provision for underwriting reserve	131,042	**121,044**	**1,025,797**
Other underwriting expenses	1,039	**2,286**	**19,373**
Total underwriting expenses	1,710,618	**1,738,755**	**14,735,212**
Investment expenses:			
Investment losses on money trusts	646	**—**	**—**
Losses on sale of securities	3,859	**6,018**	**51,000**
Losses on devaluation of securities	3,812	**6,038**	**51,169**
Losses on redemption of securities	227	**192**	**1,627**
Losses on derivative transactions	2,244	**652**	**5,525**
Other investment expenses	4,692	**3,790**	**32,119**
Total investment expenses	15,484	**16,692**	**141,458**
Operating expenses and general and administrative expenses	247,345	**262,989**	**2,228,720**
Other ordinary expenses:			
Interest expenses	753	**829**	**7,025**
Loss on bad debts	75	**37**	**314**
Amortization of deferred assets pursuant to Article 113 of Japanese Insurance Business Law	396	**—**	**—**
Losses from equity method investments	2,060	**2,677**	**22,686**
Other ordinary expenses	2,429	**3,406**	**28,864**
Total other ordinary expenses	5,716	**6,951**	**58,907**
Total ordinary expenses	1,979,164	**2,025,388**	**17,164,305**
Ordinary profit	127,710	**91,684**	**776,983**
Extraordinary income and losses			
Extraordinary income:			
Gains on sale of real estate	2,220	**—**	**—**
Gains on sale of fixed assets	—	**1,984**	**16,814**
Other extraordinary income	6,404	**2,318**	**19,644**
Total extraordinary income	8,625	**4,303**	**36,466**
Extraordinary losses:			
Losses on sale of real estate	3,931	**—**	**—**
Losses on sale of fixed assets	—	**2,079**	**17,619**
Impairment loss on fixed assets	909	**491**	**4,161**
Provision for price fluctuation reserve	3,075	**—**	**—**
Provision for reserves under the special laws:			
Reserve for price fluctuation	—	**3,167**	**26,839**
Total provision for reserves under the special laws	—	**3,167**	**26,839**
Other extraordinary losses	23,491	**2,335**	**19,788**
Total extraordinary losses	31,407	**8,074**	**68,424**
Income before income taxes	104,927	**87,913**	**745,025**
Income taxes—current	36,023	**43,664**	**370,034**
Income taxes—deferred	(4,197)	**(17,529)**	**(148,551)**
Minority interests	1,441	**983**	**8,331**
Net income	¥ 71,660	**¥ 60,796**	**$ 515,220**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

MITSUI SUMITOMO INSURANCE CO., LTD. AND SUBSIDIARIES
FOR THE YEAR ENDED MARCH 31, 2007

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

Dollars in thousands

	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	$1,183,008	$789,212	$4,890,068	$(655,263)	$6,207,025	$10,941,110	$ —	$ 33,797	$ 61,195	$17,243,136
Changes for the year:										
Dividends paid (*)			(108,347)		(108,347)					(108,347)
Dividends paid			(72,220)		(72,220)					(72,220)
Net income			515,220		515,220					515,220
Repurchase of treasury stock				(117,280)	(117,280)					(117,280)
Reissuance of treasury stock		93		153	254					254
Differences due to the change of ownership ratio of the subsidiary			(26,814)		(26,814)					(26,814)
Net change of items other than stockholders' equity						947,695	(38,788)	96,432	59,661	1,065,008
Total changes for the year	—	93	307,822	(117,119)	190,797	947,695	(38,788)	96,432	59,661	1,255,814
Ending balance as of March 31, 2007	$1,183,008	$789,305	$5,197,898	$(772,390)	$6,397,822	$11,888,805	$(38,788)	$130,237	$120,856	$18,498,958

(*) 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 CO., LTD. AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2006 AND 2007

	Yen in millions		Dollars in thousands
	2006	**2007**	**2007**
I. Cash flows from operating activities:			
Income before income taxes	¥ 104,917	**¥ 87,913**	**$ 745,025**
Depreciation	16,290	**16,631**	**140,941**
Impairment loss on fixed assets	909	**491**	**4,161**
Amortization of consolidation adjustments	1,444	**—**	**—**
Amortization of goodwill	—	**2,052**	**17,390**
Amortization of negative goodwill	—	**(8)**	**(68)**
Increase in outstanding claims	79,825	**75,783**	**642,229**
Increase in underwriting reserves	152,555	**118,445**	**1,003,771**
Decrease in bad debt reserve	(7,445)	**(5,018)**	**(42,525)**
Decrease in reserve for pension and retirement benefits	(5,102)	**(983)**	**(8,331)**
Decrease in accrued bonuses for employees	(935)	**(343)**	**(2,907)**
Decrease in reserve for EXPO 2005 Aichi	(140)	**—**	**—**
Increase in reserve for price fluctuation	3,075	**3,167**	**26,839**
Interest and dividends income	(160,055)	**(179,081)**	**(1,517,636)**
Investment related losses (gains)	(47,366)	**(28,730)**	**(243,475)**
Interest expenses	753	**829**	**7,025**
Foreign exchange losses (gains)	(546)	**1,526**	**12,932**
Losses (gains) on disposal of property and equipment	1,114	**—**	**—**
Losses (gains) on disposal of tangible fixed assets	—	**(266)**	**(2,254)**
Equity in earnings of affiliates	2,060	**2,677**	**22,686**
Proceeds from property and equipment as subrogation of paid claim	898	**—**	**—**
Decrease (increase) in other assets	21,137	**(13,621)**	**(115,432)**
Increase (decrease) in other liabilities	(8,561)	**14,853**	**125,873**
Other, net	7,719	**7,295**	**61,822**
Subtotal	162,558	**103,614**	**878,085**
Interest and dividends received	160,058	**176,459**	**1,495,415**
Interest paid	(810)	**(795)**	**(6,737)**
Income tax paid	(14,876)	**(51,861)**	**(439,500)**
Income tax refunded	6,076	**—**	**—**
Net cash provided by operating activities (a)	313,007	**227,417**	**1,927,263**
II. Cash flows from investing activities:			
Net decrease in deposits and savings	¥ (3,347)	**¥ (5,410)**	**$ (45,847)**
Purchases of monetary claims bought	(26,511)	**(22,323)**	**(189,178)**
Proceeds from sales and redemption of monetary claims bought	7,254	**2,299**	**19,483**
Purchase of money trusts	(5,000)	**(15,000)**	**(127,119)**
Proceeds from sales of money trusts	7,938	**14,179**	**120,161**
Purchase of securities	(1,178,588)	**(918,030)**	**(7,779,915)**
Proceeds from sales and redemption of securities	933,941	**764,441**	**6,478,314**
Investment in loans	(278,085)	**(260,617)**	**(2,208,619)**
Collection of loans	283,026	**267,783**	**2,269,347**
Increase (decrease) in cash received under securities lending transactions	26,175	**(20,429)**	**(173,127)**
Other, net	(6,487)	**(1,444)**	**(12,237)**
Subtotal (b)	(239,683)	**(194,551)**	**(1,648,737)**
(a + b)	73,323	**32,865**	**278,517**
Acquisition of property and equipment	(19,259)	**—**	**—**
Proceeds from sales of property and equipment	5,397	**—**	**—**
Acquisition of tangible fixed assets	—	**(23,848)**	**(202,102)**
Proceeds from sales of tangible fixed assets	—	**5,193**	**44,008**
Acquisition of subsidiaries with change in scope of consolidation, net of cash acquired	(10,807)	**(7,337)**	**(62,178)**
Other, net	—	**21**	**178**
Net cash used in investing activities	(264,352)	**(220,522)**	**(1,868,831)**
III. Cash flows from financing activities:			
Repurchase of treasury stock	¥ (12,831)	**¥(13,839)**	**$ (117,280)**
Dividends paid to shareholders	(19,280)	**(21,308)**	**(180,576)**
Dividends paid to minority shareholders	(483)	**(1,207)**	**(10,229)**
Other, net	(985)	**(1,003)**	**(8,500)**
Net cash used in financing activities	(33,580)	**(37,358)**	**(316,593)**
IV. Effect of exchange rate changes on cash and cash equivalents	¥ 5,289	**¥ 9,634**	**$ 81,644**
V. Net change in cash and cash equivalents	¥ 20,364	**¥(20,829)**	**$ (176,517)**
VI. Cash and cash equivalents at beginning of year	¥ 365,815	**¥386,179**	**$3,272,703**
VII. Cash and cash equivalents at end of year	¥ 386,179	**¥365,350**	**$3,096,186**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MITSUI SUMITOMO INSURANCE CO., LTD. AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2006 AND 2007

March 31, 2006

Basis of Presentation

1. Basis of presentation

The accompanying consolidated financial statements (Consolidated Balance Sheet and Consolidated Statement of Income) 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 Enforcement Regulations of the Commercial Code and 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: 35 companies

Major consolidated subsidiaries are as follows:

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

In the year ended March 31, 2006, Aviva Insurance Berhad and P.T. Aviva Insurance have been included in consolidation as subsidiaries due to the acquisition of their shares further to the acquisition of the general insurance operations in Asia from Aviva plc incorporated in the United Kingdom, which transaction was entered into in the previous year. Also, Mingtai Fire & Marine Insurance Co., Ltd. has been included in consolidation from the year ended March 31, 2006 as a subsidiary due to the acquisition of its shares.

ASSUMO Service und Management Organisation GmbH has

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.

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, 2007 have been translated into U.S. dollars at the rate of ¥118=U.S.$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2007. This translation should not be construed as a presentation that all the amounts shown could be converted into U.S. dollars.

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.

March 31, 2006	**March 31, 2007**

been included in consolidation effective from the year ended March 31, 2006 as a subsidiary due to the acquisition of its shares by Mitsui Sumitomo Insurance Company (Europe), Limited which is a consolidated subsidiary of the Company.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited

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.

Mitsui Sumitomo MetLife Insurance Co., Ltd. renamed from Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd. on October 1, 2005.

3. Equity method

(1) Number of affiliate companies accounted for under the equity method: 2 companies

The names of the 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) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited

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. 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.

(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

4. Fiscal year of consolidated subsidiaries

Fiscal year end of consolidated subsidiaries, representing Mitsui Sumitomo Insurance Group Holdings (USA), 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:

(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, which was launched in December 2005, as a subsegment 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, 2006. Net unrealized gains or losses are reported as a separate component of stockholders' equity, and cost of sale is

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.

5. Accounting policies

(1) Valuation policies and methods of securities are as follows:

(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 subsegment 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.

March 31, 2006

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 property and equipment 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 property and equipment 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 consolidated life insurance subsidiary, 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

March 31, 2007

(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.

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, 2006.

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.

Reserve for pension and retirement benefits in the amount of ¥3,629 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.

Pursuant to the enactment of Defined Contribution Pension Law in Japan, the Company also transferred

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-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 ($26,271 thousand) 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.

certain portion of its tax qualified defined benefit pension plan to defined contribution plan effective April 1, 2005, to which the Company applied "Accounting for Transition of Retirement Benefit Plan" (Financial Accounting Standard Implementation Guidance No.1).

The effect of this transaction was recognized in extraordinary income in the amount of ¥3,400 million.

As for the tax qualified defined benefit pension plan, amortization period for actuarial gains and losses has been changed from 10 years to 4 years effective from the current year due to the curtailment of estimated average remaining service years of eligible employees.

As a result, ordinary profit and income before income tax for the current year were respectively decreased by ¥983 million compared to the amounts that would have been reported based on the previous amortization period.

(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) 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) Consumption taxes are accounted for under the "Zei Nuki" (tax exclusive) method except 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

(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 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 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

March 31, 2006	**March 31, 2007**

equal installments over a period of five years.

(7) 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) 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) above.

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.

(9) Amortization of deferred assets pursuant to Article 113 of Japanese Insurance Business Law is calculated in conformity with related regulations and the Articles of Incorporation of the consolidated life insurance subsidiary.

accounted for using the deferred hedge accounting method or the exceptional method when they meet certain criteria, as mentioned in (2) above.

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, 2006

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

Consolidation adjustments relating to Mingtai Fire & Marine Insurance Co., Ltd. and four other companies are amortized using the straight-line method over 20 years. Other insignificant amount of consolidation adjustments is charged to income as incurred in the entire amount.

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. 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 under the previous format would have been ¥2,173,192 million ($18,416,881 thousand).

9. Changes in presentation

(1) Consolidated Balance Sheet

(i) Item previously presented as "Property and equipment" has 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 Flow

(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.

March 31, 2006

Notes to Consolidated Balance Sheets

1. Accumulated depreciation of property and equipment amounted to ¥273,606 million. The acquisition costs of certain properties were reduced by ¥19,703 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)	¥24,048
Investments in securities (Foreign securities)	9,178
Investments in securities (Other securities)	10,155

3.

(1) Loans to financially impaired parties and overdue loans amounted to ¥510 million and ¥3,841 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 ¥724 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.

March 31, 2007

Notes to Consolidated Balance Sheets

1. Accumulated depreciation of Tangible fixed assets amounted to ¥270,935 million ($2,296,059 thousand). The acquisition costs of certain properties were reduced by ¥19,446 million ($164,797 thousand) 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 thousands
Investments in securities (Stock)	**¥17,293**	**$146,551**
Investments in securities (Foreign securities)	**7,068**	**59,898**
Investments in securities (Other securities)	**6,790**	**57,542**

3.

(1) Loans to financially impaired parties and overdue loans amounted to ¥101 million ($856 thousand) and ¥1,457 million ($12,347 thousand), 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 ($8,737 thousand).

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.

March 31, 2006

(3) Restructured loans amounted to ¥4,385 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 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 ¥9,461 million.

4. Securities in the amount of ¥38,107 million, Cash and deposits in the amount of ¥417 million and Property in the amount of ¥42 million are pledged as collateral primarily for security deposits for foreign operations.

5. Investments in securities include those that were loaned under securities lending agreements in the amount of ¥164,050 million.

6. Matters regarding retirement benefits are as follows:

(1) Details of retirement benefit obligation:

	Yen in millions
Projected retirement benefit obligation	¥247,052
Plan assets	(162,774)
Unfunded obligation	84,278
Unrecognized actuarial losses	(7,127)
Net	77,150
Prepaid pension cost	1,677
Reserve for pension and retirement benefits	¥ 78,828

(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

March 31, 2007

(3) Restructured loans amounted to ¥2,233 million ($18,924 thousand).

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 ¥4,825 million ($40,890 thousand).

4. Securities in the amount of ¥66,909 million ($567,025 thousand), Cash and deposits in the amount of ¥883 million ($7,483 thousand) and Tangible fixed assets in the amount of ¥40 million ($339 thousand) 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 ($1,327,025 thousand).

6. Matters regarding retirement benefits are as follows:

(1) Details of retirement benefit obligation:

	Yen in millions	Dollars in thousands
Projected retirement benefit obligation	**¥ 250,294**	**$ 2,121,136**
Plan assets	**(165,968)**	**(1,406,508)**
Unfunded obligation	**84,325**	**714,619**
Unrecognized actuarial losses	**(5,886)**	**(49,881)**
Reserve for pension and retirement benefits	**¥ 78,439**	**$ 664,737**

(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, 2006

7. Gross deferred tax assets and deferred tax liabilities amounted to ¥277,983 million and ¥734,122 million, respectively. The valuation allowance deducted from the gross deferred tax assets amounted to ¥15,144 million.

Major components of deferred tax assets related to underwriting reserve in the amount of ¥148,552 million, reserve for pension and retirement benefits in the amount of ¥28,160 million, investments in securities in the amount of ¥25,428 million, outstanding claims in the amount of ¥20,573 million and software costs in the amount of ¥15,458 million.

Major components of deferred tax liabilities related to net unrealized gains on other securities in the amount of ¥730,788 million.

8. The Company provides guarantees to the transactions of a limited partnership entity. Aggregate net present value of those transactions was ¥73,741 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. Unutilized portion of commitment lines given to third parties amounted to ¥1,099 million.

10. Number of common shares issued is 1,513,184,880 shares.

March 31, 2007

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

	Yen in millions	Dollars in thousands
Deferred tax assets:		
Underwriting reserve	**¥159,056**	**$1,347,932**
Reserve for pension and retirement benefits	**28,683**	**243,076**
Investment in securities	**27,237**	**230,822**
Outstanding claims	**24,950**	**211,441**
Software	**16,447**	**139,381**
Others	**49,602**	**420,356**
Total gross deferred tax assets	**305,977**	**2,593,025**
Less valuation allowance	**(23,308)**	**(197,525)**
Total net deferred tax assets	**282,669**	**2,395,500**
Deferred tax liabilities:		
Unrealized gain on investments	**(792,932)**	**(6,719,763)**
Others	**(3,084)**	**(26,136)**
Total gross deferred tax liabilities	**(796,016)**	**(6,745,898)**
Total deferred tax liabilities net of deferred tax assets	**¥(513,347)**	**$(4,350,398)**

8. The Company provides guarantees to the transactions of a limited partnership entity. Aggregate net present value of those transactions was ¥293,013 million ($2,483,161 thousand), 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, Mitsui Sumitomo MetLife Insurance Co., Ltd. ("MSML") Under this agreement, the Company's funding and other obligations are triggered if MSML 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 MSML as of March 31, 2007 were ¥2,323,989 million ($19,694,822 thousand) (including Underwriting funds in the amount of ¥2,305,443 million ($19,537,653 thousand) and ¥2,346,357 million ($19,884,381 thousand), respectively. This agreement does not provide any guarantees for payment for its obligations. MSML 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 ($50,610 thousand).

March 31, 2006	**March 31, 2007**
11. Number of common shares for treasury held by the Company and its subsidiaries are 92,563,719 shares.	11. Net assets per share as of March 31, 2007 was ¥1,536.71 ($13.02). Minority interests in the amount of ¥14,261 million ($120,856 thousand) were deducted from net assets in its computation. Outstanding common shares as of March 31, 2007 were 1,411,202 thousand shares.
	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. 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, 2006

Notes to Consolidated Statements of Income

1. Business expenses mainly consist of:

Commission expenses	¥261,212 million
Salary	¥122,495 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, 2006 was ¥50.27.

Consolidated net income per share is computed based on the following figures: Consolidated net income and Consolidated net income available to common stockholders, ¥71,660 million; and Average outstanding common shares during the year, 1,425,418 thousand shares. No amount is deductible from Consolidated net income as not being available to common stockholders.

3. Other extraordinary income represents gain on transfer to defined contribution pension plan in the amount of ¥3,400 million and reversal of bad debt reserve in the amount of ¥3,004 million.

4. Other extraordinary loss represents extraordinary provision for catastrophe loss reserves relating to fire insurance in the amount of ¥23,491 million, as a result of the adoption of the new reserve valuation method for losses pertaining to natural disaster claims.

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	¥10,426
Interest cost	4,869
Expected return on plan assets	(4,234)
Amortization of actuarial losses	4,876
Amortization of prior service costs	(2,963)
Net periodic pension cost	12,973
Contributions paid to defined contribution plan	1,338
Total	¥14,312

March 31, 2007

Notes to Consolidated Statements of Income

1.Business expenses mainly consist of:

Commission expenses	**¥260,772 million**	**($2,209,932 thousand)**
Salary	**¥129,144 million**	**($1,094,441 thousand)**

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 ($0.36).

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 ($515,220 thousand); 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	Dollars in thousands
Service costs	**¥10,213**	**$ 86,551**
Interest cost	**4,876**	**41,322**
Expected return on plan assets	**(4,883)**	**(41,381)**
Amortization of actuarial losses	**2,387**	**20,229**
Net periodic pension cost	**12,593**	**106,720**
Contributions paid to defined contribution plan	**1,406**	**11,915**
Total	**¥14,000**	**$118,644**

March 31, 2006

6. Normal income tax rate for the current fiscal year is 36.1%. The effective tax rate after application of deferred tax accounting is 30.3%. The difference arises mainly from dividends received (-5.3%), decrease in valuation allowances (-2.9%), and entertainment and other expenses permanently disallowed for tax purposes (+1.1%).

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	Buildings for rent in Wakayama Prefecture	Land	¥150
			Buildings	241
			Total	¥392
Idle real estate and real estate for sale	Land and buildings	5 properties, including buildings for rent in Ishikawa Prefecture	Land	¥204
			Buildings	312
			Total	¥517

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 their plan for sale and the resulting decreases in the carrying amounts were recorded as an impairment loss in the aggregate amount of ¥909 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 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 6.5%.

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

March 31, 2007

6. A reconciliation of the significant difference between 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%**

7. Impairment losses were recognized for the following assets:

Use	Asset category	Description of assets	Impairment losses	Yen in millions	Dollars in thousands
Rental properties	Land and buildings	2 properties, including buildings for rent in Akita prefecture.	Land	**¥119**	**$1,008**
			Buildings	**244**	**2,068**
			Total	**¥363**	**$3,076**
Idle real estate and real estate for sale	Land and buildings	7 properties, including company residences in Kagawa prefecture.	Land	**¥ 62**	**$ 525**
			Buildings	**65**	**551**
			Total	**¥127**	**$1,076**

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 ($4,161 thousand) 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.

Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of stock issued and treasury stock

	Thousand of shares			
	Outstanding balance as of March 31, 2006	Increase	Decrease	Outstanding balance as of 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

Note:

a. The increase in the number of common treasury shares 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 shares (451 thousand shares).

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

(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, 2006

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	¥375,874
Call loans	18,000
Monetary claims bought	71,570
Money trust	53,064
Time deposit with an original maturity of more than three months	(37,395)
Monetary claims bought other than cash equivalents	(44,500)
Money trust other than cash equivalents	(50,434)
Cash and cash equivalents	¥386,179

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

Major items of assets and liabilities of Mingtai Fire & Marine Insurance Co., Ltd. and 3 other companies, the newly consolidated subsidiaries due to the acquisitions of their shares, at the date of consolidation and reconciliation of the acquisition costs of their shares to net cash paid for the acquisition of the businesses were as follows:

	Yen in millions
Assets (including investment in securities of ¥19,638)	¥ 71,100
Consolidation adjustments	27,143
Liabilities (including underwriting funds of ¥41,160)	(56,080)
Minority interests	(2,056)
Acquisition costs of the shares	40,105
Cash and cash equivalents	(29,298)
Net cash paid for acquisition	¥108,007

3. Significant non-cash transaction

Assets and liabilities recorded on new finance lease transactions in the current year amounted to ¥1,179 million.

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

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	Dollars in thousands
Cash, deposits and savings	**¥345,330**	**$2,926,525**
Call loans	**41,600**	**352,542**
Monetary claims bought	**84,349**	**714,822**
Money trust	**57,138**	**484,220**
Time deposit with an original maturity of more than three months	**(47,210)**	**(400,085)**
Monetary claims bought other than cash equivalents	**(64,248)**	**(544,475)**
Money trust other than cash equivalents	**(51,608)**	**(437,356)**
Cash and cash equivalents	**¥365,350**	**$3,096,186**

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	Dollars in thousands
Assets (including investment in securities of ¥22,228)	**¥32,840**	**$278,305**
Goodwill	**12,969**	**109,907**
Liabilities (including underwriting funds of ¥21,170)	**(22,415)**	**(189,958)**
Minority interests	**(3,495)**	**(29,619)**
Acquisition costs of the shares	**19,898**	**168,627**
Cash and cash equivalents	**(2,997)**	**(25,398)**
Net cash paid for acquisition	**¥16,901**	**$143,229**

3. Significant non-cash transaction

Assets and liabilities recorded on new finance lease transactions in the current year amounted to ¥771 million ($6,534 thousand).

4. 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, 2006 and 2007, the related consolidated statements of income for the years then ended, the consolidated statement of changes in net assets for the year ended March 31, 2007, and the consolidated statements of cash flows for the years ended March 31, 2006 and 2007, 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 subsidiaries as of March 31, 2006 and 2007, 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.

The accompanying consolidated financial statements as of and for the year ended March 31, 2007 have been translated into United States dollars solely for convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements, expressed in yen, have been translated into dollars on the basis set forth in Note 1 to the basis of presentation of the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
May 21, 2007

OVERSEAS NETWORK

(AS OF JULY 31, 2007)

☆ 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
- ● 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.
- ● MSIG Insurance (Thailand) Co., Ltd.
- ● Ueang Mai Co., Ltd.
- ● Yardhimar Company Limited

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

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

Indonesia
- ● PT. Asuransi Mitsui Sumitomo Indonesia

Republic of Korea
- ☆ Korea Branch

People's Republic of China
- ☆ Shanghai Branch
- ★ 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
- ● Oriental Management Services Limited
- ● M&H Insurance Agency Limited
- ● MSIG Insurance (Hong Kong) Limited

Taiwan
- ☆ Taipei Branch
- ★ Kaohsiung Office
- ★ Yangming Office
- ● Mingtai Fire & Marine 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, Inc.
- ● Seven Hills Insurance Agency, LLC
- ● Seven Seas Insurance Agency, Inc.
- ● MSI Claims (USA), Inc.
- ● MSI Property (U.S.A.) Inc.

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

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

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
● Mitsui Sumitomo Insurance Company (Europe), Limited
△ UK Branch
△ Derby Branch
● MSI Claims (Europe) Ltd
● MSI European Services Ltd
● 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
● ASSUMO Service und Management Organisation 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

Saudi Arabia
★ Al Khobar Representative Office
c/o Arab Commercial Enterprises Ltd.,
■ Arab Commercial Enterprises (Group of Companies)

United Arab Emirates
★ Dubai Representative Office
★ Abu Dhabi Representative Office
c/o Abu Dhabi National Insurance Co.,
■ Arab Commercial Enterprises Ltd.

CORPORATE DATA

(AS OF JULY 31, 2007, EXCEPT WHERE NOTED)

Mitsui Sumitomo Insurance Company, Limited Head Office

27-2, Shinkawa 2-chome,
Chuo-ku, Tokyo 104-8252, Japan
Tel: 81-3-3297-1111

Date Established

October 21, 1918

Network

Domestic Offices: 710
Domestic Agents: 53,668 (As of March 31, 2007)
Overseas Branches and Offices: 281

Number of Employees

13,414 (Non-consolidated basis, as of March 31, 2007)

Stock Exchange Listings

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

Transfer Agent

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

Ordinary General Meeting of Shareholders

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

Number of Shares of Common Stock

Authorized:	3,000,000,000
Issued:	1,513,184,880

Paid-in Capital

¥139,595 million

Auditor

KPMG AZSA & Co.

Investor Relations

Investor Relations Department
Mitsui Sumitomo Insurance Co., Ltd.
27-2, Shinkawa 2-chome,
Chuo-ku, Tokyo 104-8252, Japan
Tel: 81-3-3297-6742
Fax: 81-3-3297-6888

Mitsui Sumitomo Insurance Online

Key financial results and information about Mitsui Sumitomo Insurance can be found on Mitsui Sumitomo Insurance's IR Home Page at: http://www.ms-ins.com/english/ir/index.html