A Wave of Opportunities

Mitsui Sumitomo Insurance

Annual Report 2002

Financial Highlights

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2000, 2001 and 2002

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Net premiums written	¥1,157,796	¥1,195,450	**¥1,232,000**	**$ 9,263,158**
Net premiums earned	1,141,198	1,154,425	**1,182,675**	**8,892,293**
Premium income for life insurance contracts	95,610	116,369	**137,324**	**1,032,511**
Net income (loss) from underwriting	(19,393)	(36,518)	**5,355**	**40,262**
Investment income, net of investment expenses	128,948	137,310	**124,029**	**932,549**
Net income	60,993	37,983	**25,981**	**195,346**
Net income per share (in yen and U.S. dollars)				
—basic	¥40.17	¥25.41	**¥17.58**	**$0.13**
—diluted	37.28	23.71	**16.53**	**0.12**
Total assets	¥7,979,086	¥7,717,668	**¥7,416,455**	**$55,762,820**
Total shareholders' equity	2,180,308	1,996,517	**1,827,169**	**13,738,113**
Combined loss and expense ratio*	101.2%	102.1%	**97.8%**	
ROE	3.0%	1.8%	**1.4%**	

Note: U.S. dollar amounts in this annual report have been translated from yen, for convenience only, at the rate of ¥133=U.S.$1. See Note 1 (a) of the notes to consolidated financial statements, page 38.
* The combined loss and expense ratios relate to property and casualty insurance.
** Amounts in the table have been restated from amounts previously reported. See Note 1 (a) of the notes to the consolidated financial statements, page 38.

CONTENTS

Cautionary Statements

Any statements about Mitsui Sumitomo Insurance Co., Ltd.'s future plans, strategies, and performance contained in this report that are not historical facts are meant as, or should be considered as, forward-looking statements. These forward-looking statements are based on the Company's assumptions and opinions in the 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 the tax rates.

Mitsui Marine and Fire Insurance Co., Ltd., and The Sumitomo Marine & Fire Insurance Co., Ltd., merged on October 1, 2001, and embarked on a new beginning as Mitsui Sumitomo Insurance Co., Ltd. The Company will leverage the separate strengths of the two pro forma companies to provide clients with peace of mind and security from its superior-quality products. This is the very cornerstone of our management philosophy. We will forge ahead with the "MS Wave" medium-term

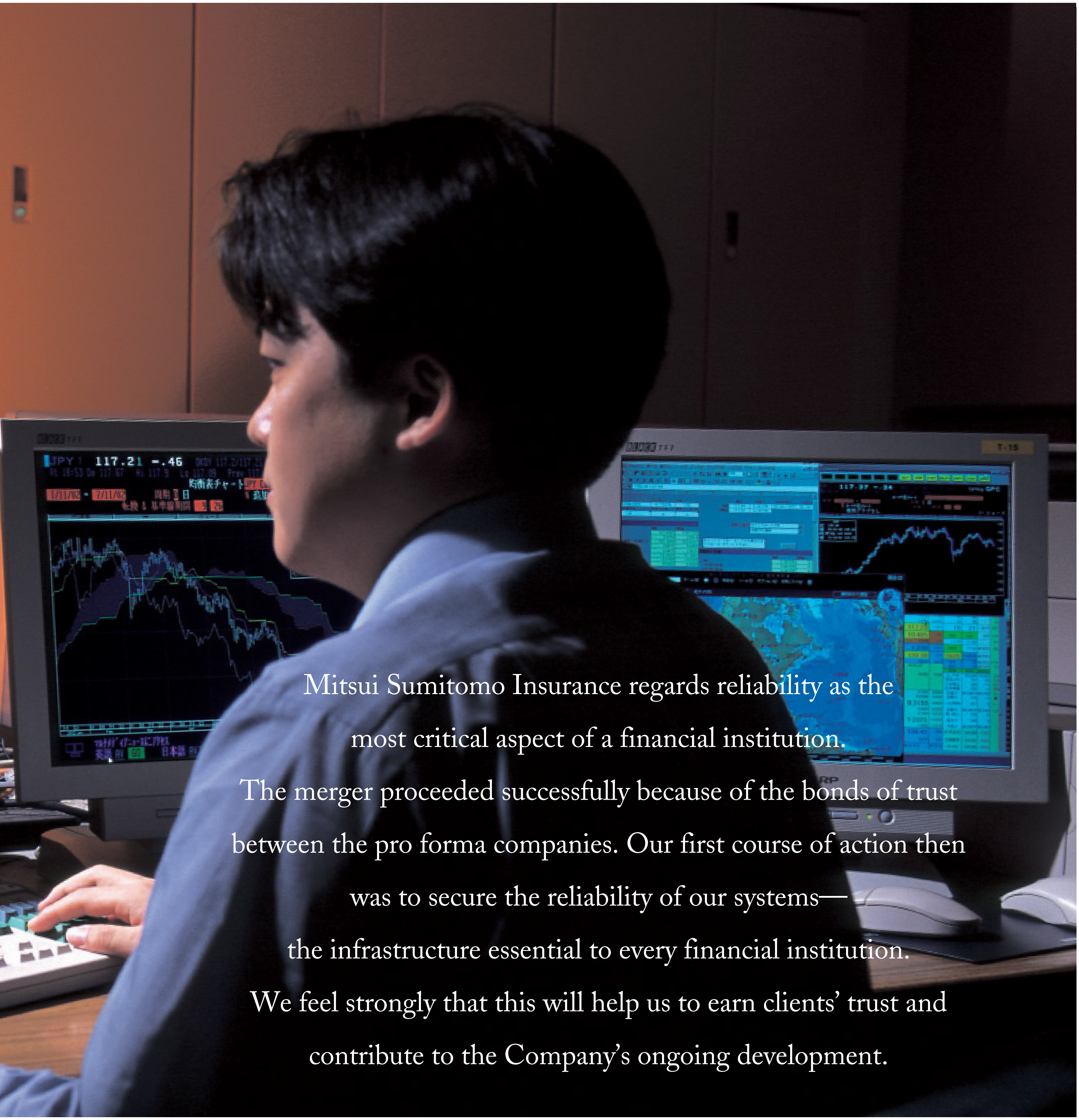
We See Opportunities for...

management plan with the goal of becoming number one in the industry with regard to profitability and capacity for growth.

The merger resulted in the integration of the Mitsui Marine and Sumitomo Marine brands and synergies that have created ample opportunities to capitalize on our reliability, marketing strength, and streamlined operations to boost our corporate value.

We are pleased to present you with our first annual report as Mitsui Sumitomo Insurance, and we ask you to join us on the path to future growth.

...Communicating Reliability



Mitsui Sumitomo Insurance regards reliability as the most critical aspect of a financial institution. The merger proceeded successfully because of the bonds of trust between the pro forma companies. Our first course of action then was to secure the reliability of our systems—the infrastructure essential to every financial institution. We feel strongly that this will help us to earn clients' trust and contribute to the Company's ongoing development.

Mitsui Sumitomo Insurance

...Differentiating Ourselves through Quality

Our primary missions are creating and sustaining quality that will make clients choose us. Products and services are no longer enough. An industry-leading sales network is also essential. At Mitsui Sumitomo Insurance, we are taking advantage of the latest IT, and we regard the quality of our agents—the link between the Company and its clients—as the driving force behind corporate growth.

Mitsui Sumitomo Insurance

...Expanding in Emerging Markets

Mitsui Sumitomo Insurance

With reliability and quality at the heart of its management, Mitsui Sumitomo Insurance is facing the challenge of entering uncharted waters, be it the development of new products or the entering of overseas markets. We are forging ahead with the development of products in new sectors and forming marketing alliances not only within the Mitsui Sumitomo Insurance Group but also with companies outside the industry. We are also preparing for the growth anticipated in Asia through investing resources in Southeast Asian nations and the People's Republic of China.

...Cultivating Strength and Speed

Hiroyuki Uemura
President and
Chief Executive Officer

Takeo Inokuchi
Chairman and
Chief Executive Officer

Strength and speed are the Company's key-words. The rapidly changing operating environment offers an increasing number of business opportunities, but, if those opportunities are allowed to pass, our performance will be negatively impacted. We are striving to promptly realize the effects of the merger, leveraging the synergies arising from the separate strengths of the former Mitsui Marine and Sumitomo Marine to maximize Mitsui Sumitomo Insurance's corporate value.

Mitsui Sumitomo Insurance

To Our Shareholders

A Future Together—
A Springboard for Soaring Growth

We are pleased to present our shareholders with the first annual report of the newly formed Mitsui Sumitomo Insurance Co., Ltd. In October 2001, Mitsui Marine and Fire Insurance Co., Ltd., and The Sumitomo Marine & Fire Insurance Co., Ltd., merged to embark on a new beginning as Mitsui Sumitomo Insurance. For the purposes of the merger, Mitsui Marine was the surviving entity and Sumitomo Marine was dissolved, but, in the interest of presenting as fair and accurate a view of the Company's results as possible, the figures and indices in this annual report reflect the aggregation of both companies' pro forma results.

First, we would like to explain why the two companies chose to merge. The prevailing belief is that the merger was in response to intensified competition due to deregulation and the threat of new entrants to the market from other industries and overseas. However, both companies were major players in the industry, with solid management, ample financial power, and admirable business results before the merger. Indeed, both companies were strong enough to weather fierce competition, and, had the parties recognized that the best course of action was to strictly pursue non-life insurance businesses, the merger would not have been necessary. The two companies merged to leverage the synergies generated by the Mitsui Marine and Sumitomo Marine brands to accomplish goals that each company could not have done on its own. Mitsui Sumitomo Insurance aims to form an insurance and financial group with the high-quality management and fortitude expected of a global insurance and finance enterprise, and acquire robust growth and profitability to establish a firm position as an industry leader. The Company's following mission statement reflects the essence of its postmerger goals.

MISSION STATEMENT

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

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

The First Year—Off to a Good Start

To ensure the success of the colossal task of merging two major corporations and promote the prompt realization of synergies, we established and enacted a management plan and goals for the Company in April 2001, six months prior to the merger. The consolidation of branches and offices nationwide and the integration of electronic data processing and personnel systems were nearly complete by the merger date.

Looking back, the timing of the merger was almost perfect. Reinsurance was becoming a hard market, the domestic economy and investment conditions were growing worse, and there was pressure on rating agencies to downgrade ratings. We were not operating in the most favorable environment. However, the Company got off to a good start by leveraging

Takeo Inokuchi
Chairman and
Chief Executive Officer (left)

Hiroyuki Uemura
President and
Chief Executive Officer (right)

the benefits of internal economies of scale and both companies' strengths to overcome arduous conditions. Our greatest achievement during this period was the rapid progression of employee integration. Within a few months, a new and vital Company spirit was born to unite, face challenges, and work as one to solve problems. Everyone joined in the effort to write the first chapter of the Company's history with the recording of outstanding results. The Company appears to be completely free of the divisions and power struggles that tend to be common in postmerger corporations. Thus, the Company has greatly benefited from striving to achieve high goals despite the harsh operating environment.

It has been less than a year since the merger and the de facto start of the Company, but the Company image of "stability" and "reliability" is already taking root. That our first fiscal year after the merger was successful and the six-month time advantage over the top three groups in the industry was leveraged to great effect helped us to gain an excellent reputation. We aim to use our dynamic growth potential and earning capacity as well as stability and reliability to strengthen our position of leadership in the industry.

New Company Strengths—Top-Class Sales Network and Know-How

The merger created a new company with 350 sales bases, 260 claims-handling offices, and approximately 86,000 agents throughout Japan to form a sales network of the highest class in the industry. The Company also offers global service with 63 sales bases in 36 countries and regions overseas. This solid sales service network is one of our greatest strengths. Another major strength is the synergies generated from the combination of two industry-leading companies' new product development capabilities and underwriting know-how. The Company is supported by some of the best talent in the industry, brought together from both companies, to give the Company a competitive edge and ensure that competitors will remain at our heels. The Company will leverage these strengths to develop its customized risk solution services to assist clients in managing a variety of risks.

Fiscal 2001 Performance

For fiscal 2001, ended March 31, 2002, total revenue amounted to ¥1,436.7 billion and net income logged in at ¥26.0 billion. The scale of operations nearly doubled as a result of the merger. In our core non-life insurance operations, the new Automobile Insurance and Home Owners' Fire Insurance products for the Japanese market were well received by customers and sales were strong. In addition, deregulation enabled the sale of insurance at bank counters and entry into the Third Sector of insurance, which helped us to achieve a 3.1% increase in revenue from net premiums written concordant with the Company's position as an industry leader. New products that appealed to customers and positive IT investment in the customer relationship management and agent network systems also contributed to the increase in revenue. The combined ratio improved substantially, owing partly to the absence of significant natural disasters and mainly to steady reductions in the operating expenses ratio brought about by the merger. The life insurance business, another pillar of the Mitsui Sumitomo Insurance Group, is becoming more important. It is demonstrating steady growth, with approximately 626,000 life insurance contracts in force, an increase of 18.3% compared to the previous fiscal year, and premium income amounting to ¥137.3 billion, an 18.0% increase from the previous fiscal year.

For Future Growth and Earnings

The Company's IT-related efforts included deciding on a mainframe immediately after the merger was announced, moving forward with systems integration to substantially reduce system-related costs, and aggressively investing in new IT to enhance the capabilities of its sales force and improve operating efficiency. These efforts have paid off, as we employ the latest IT in insurance sales in the form of an on-line system that currently links 36,000 agents, responsible for approximately 80% of our domestic sales, to the Company.

Restrictions on insurance companies' entry into the Third Sector of insurance were removed in 2001, and there has been steady growth in the sales of our subsidiary Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.'s Cancer Insurance and Medical Insurance products as well as the Company's newly introduced Individual Accident and Medical Group Insurance product. In addition, the Company began selling Individual Accident and Medical Insurance in April 2002, and sales have been exceeding expectations. Fiscal 2001 was a year of rapid market expansion in Third Sector business areas in Japan due to the entrance of major life and non-life insurance companies. The Company competed with foreign-affiliated life insurance companies and major life insurance companies already established in this field to acquire approximately 5% of the market share in the number of new contracts.

The Company entered into a partnership outside the realm of its usual business activities with Citigroup of the United States to establish a life insurance company in Japan under joint management, and preparations are under way to commence underwriting and sales of variable annuities. We also reached an agreement to form strategic partnerships with Mitsui Mutual Life Insurance Company, Sumitomo Life Insurance Company, and Sumitomo Mitsui Banking Corporation (SMBC) as part of efforts to enhance alliances within the Mitsui Group and the Sumitomo Group, upgrade the insurance business within the new cooperative framework, and gain a competitive edge. As a part of this agreement, a decision was made in June 2002 to integrate asset management businesses. Through this integration, the Company intends to create one of the best asset management companies in Japan in terms of the quality and quantity of its transactions during the year to come.

In our overseas businesses, we are focusing on parts of Asia where future growth is expected, stepping up sales efforts at our Shanghai Branch in the People's Republic of China as well as consolidating our overseas affiliate in the Philippines with a major local insurance company. We are also pressing ahead with preparations to establish a branch in the Republic of Korea to expand our non-life insurance operations to the second largest market in Asia.

The Company will continue along the courses followed by both companies prior to the merger as described in the foregoing, aggressively developing measures that will lead to growth and earnings.

Management's Highest Priority Is Improving Shareholder Value

In fiscal 2001, the Company endeavored to enhance its asset portfolio and optimize its resource allocation activities through the all-out implementation of balance sheet management. Mitsui Sumitomo Insurance regards the enhancement of shareholder value as a top management priority and will strive to continue to lead the industry in this endeavor.

We proceeded with the reduction of relatively inefficient equities and fallow real estate to reduce our asset risk, and proceeds from their sale were shifted to domestic and overseas fixed-income securities and repurchased stock. The Company also strategically invested in insurance and financial service areas where synergies and growth are predicted as part of efforts to improve Group profitability. Furthermore, in line with plans to provide good returns to shareholders, in March 2002 we appropriated funds to buy back approximately 19 million shares of our own stock.

The Company will continue with its efforts to improve shareholder value and endeavor to achieve optimal capital efficiency in management. As the Mitsui Sumitomo Insurance Group's Mission Statement expresses: "We commit ourselves to continuously improving our business, thereby meeting our shareholders' expectations and earning their trust."

August 2002

Takeo Inokuchi, Chairman and Chief Executive Officer

Hiroyuki Uemura, President and Chief Executive Officer

Corporate Governance

When the Mitsui Sumitomo Insurance Group was formed, the Company clearly expressed in its mission statement: "Through our insurance and financial services businesses, we commit ourselves to continuously improving our business, thereby meeting our shareholders' expectations and earning their trust." The Company regards with equal importance its aims to be a group that benefits clients as well as society at large by striving to balance the interests of shareholders, clients, and society.

The strategy for attaining top-quality products, one of the three main strategies in the Company's medium-term strategic business plan for fiscal 2001 and fiscal 2002, "MS WAVE," calls for improving corporate governance to meet market and shareholder expectations. The Company believes that the achievement of top-level quality management that stands up to international standards is crucial to the development of global insurance and financial services businesses.

● Before the merger both companies were working toward the separation of management and policy execution. The Company will continue with these efforts and has implemented the following structural management reforms in the interest of strengthening corporate governance.

- At the time of the merger, the total number of directors from the two companies was cut from 22 to 18, and this was reduced again in June 2002 to 16 to facilitate more effective discussion and quicker decision making.
- An executive officer system was introduced to accelerate the execution of business policies and strategies established by the Board of Directors.
- A nominating committee and a compensation committee were established as internal organizations within the Board of Directors to enable effective fundamental supervision of management.

● The Company is considering the introduction of a stock option program as part of efforts to link executive compensation and financial performance more closely and thus boost corporate value.

● The Company implemented reforms to improve capital efficiency and is pushing forward with the following balance sheet improvements to continue to ensure a sufficient solvency margin.

- Improving the asset portfolio through the reduction of equities, deposits, and real estate with low returns relative to risk
- Considering capital investment schemes for highly effective business units to improve ROE
- Buying back shares through the treasury stock system used in March 2002

● As a proactive industry member, the Company is taking part in discussions regarding the formulation of international accounting standards for insurance. The Company is also working to incorporate new perspectives gleaned from these discussions in the management of operations.

● The Company will enhance investor relations activities to ensure the timely and fair disclosure of information in response to the globalization of the Japanese financial market.

Risk Management

Our View on Risk Management

Mitsui Sumitomo Insurance strives to respond appropriately to its increasingly complex and diverse operating environment. Our goal is to achieve a balance between maintaining soundness and improving capital efficiency and profitability in our operations. We regard risk management as a high-priority issue and endeavor to recognize and assess risks accurately and practice pertinent risk management.

Risk Management Framework

Mitsui Sumitomo Insurance has divided the risks it faces into five major categories—insurance underwriting risks, risk associated with asset management, liquidity risks, administrative risk, and systems risk—and each department monitors and manages these risks. The Company's risk exposure is reported periodically or as needed to management and the Board of Directors and is dealt with as necessary.

We established the Risk Management Committee and the Asset-Liability Management (ALM) Committee to promote comprehensive risk management across the board. One of the vice presidents heads the Risk Management Committee, which is composed of senior executives. The committee plans risk management strategies, monitors risk exposure, verifies that there is adequate capital to cover risks, and reports its findings and makes recommendations to the Board of Directors.

The ALM Committee is composed of management from several departments, including the Asset Management Department and the Product Development Department. The ALM Committee's responsibilities include analyzing market risk related to asset management and monitoring the committed interest rates on savings-type insurance products. An important committee task is to monitor the profitability of savings-type insurance products based on the current market environment and incorporate this information in our sales policies.

Quantitative Risk Management

Quantitative risk management involves the measurement of such risks as insurance underwriting risk and asset management risk using Value-at-Risk calculations to ensure that the Company's risk exposure is not excessive relative to its capital base and that risk taking is done efficiently to work toward providing reassurance to clients and meeting shareholders' expectations.

At Mitsui Sumitomo Insurance, we are working to upgrade our quantitative risk management, as it is the fundamental resource upon which management policy is determined and management resources are distributed.

What's

What's New?

Life Insurance Company Established in Joint Venture with Citigroup

In September 2001, Mitsui Sumitomo Insurance and the U.S.-based Citigroup agreed to establish a joint-venture life insurance company in Japan that will offer variable annuities insurance. After the agreement was made, we organized a preparatory team within the Company and moved forward with the plan, establishing Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd., 51% owned by Mitsui Sumitomo Insurance and 49% owned by CitiInsurance International Holdings Inc. The new company has opened after securing a license to operate in the life insurance business.

The Company aims to enhance its life insurance business, pioneer a new individual financial market, and strengthen its asset management business by promoting variable annuities activities through financial institution channels, with the greater goal of expanding the Mitsui Sumitomo Insurance Group's insurance and financial services businesses. The Company already has a wholly owned subsidiary—Mitsui Sumitomo Kirameki Life Insurance—and will work to elicit the separate strengths of and synergies from both companies to fortify the Company's life insurance business.

Establishment of American Appraisal Japan

Mitsui Sumitomo Insurance Group's InterRisk Research Institute & Consulting, Inc., and American Appraisal Associates, Inc. (AAA), the world's largest valuation consulting firm, set up a joint venture, American Appraisal Japan Co., Ltd. (AAJ), in April 2002 to enter into the appraisal market in Japan and begin a full-service professional valuation practice. AAA is acclaimed worldwide for its expertise and innovation and has many clients that are global corporations. In Japan, with M&A activities on the rise and such intangible assets as brands and patents becoming increasingly important, an environment is being created that requires AAJ's fair and independent third-party valuation. Amid these conditions, Mitsui Sumitomo Insurance has designated the appraisal business as a part of its risk-related service business and will boost synergies with underwriting insurance from corporate clients, leading to enhanced growth and earning capabilities.

Merger of Asset Management Subsidiaries

In November 2001, Mitsui Sumitomo Insurance, Mitsui Mutual Life Insurance, Sumitomo Life Insurance, and SMBC agreed to a full-scale alliance to strengthen the Mitsui Group's and the Sumitomo Group's insurance businesses by stepping up coordination among the companies.

Future market expansion is expected in the asset management business sector. However, the further intensification

Brochure of Mitsui Sumitomo CitiInsurance Life Insurance

Grand opening ceremony of AAJ

New?

of market competition is predicted, and asset management companies are being pressed to strengthen asset management capabilities and management efficiency.

The four companies reached a basic agreement to work together to integrate the companies' asset management subsidiaries. The companies intend to establish Sumitomo Mitsui Asset Management Co., Ltd., in December 2002 to cope with changing market environments.

The new company will aspire to be a premier asset management company by leveraging their asset management subsidiaries' strengths to enhance asset management capabilities and management efficiency, gain client satisfaction with high-quality products, and provide superior client services.

New Framework for Underwriting in the Philippines

On February 1, 2002, an affiliate of Mitsui Sumitomo Insurance in the Philippines, FEB Mitsui Marine Insurance Company, Inc., merged with FGU Insurance Corporation, whose major shareholder is the Bank of the Philippine Islands—the largest local bank. The new company got off to a new start under the name BPI/MS Insurance Corporation.

The newly formed BPI/MS Insurance will inherit the two companies' performance and credibility, making it a top-notch company in the Philippine non-life insurance market in terms of scale, growth capabilities, and earning potential.

BPI/MS Insurance office

Mitsui Sumitomo Insurance owns 48.5% of BPI/MS Insurance's stock and is taking management initiative by dispatching a president for the new company from Mitsui Sumitomo Insurance as the Company did with the former FEB Mitsui Marine. The Company will use the new company's vast sales and service network in the Philippines to provide its clients with superior quality, reassurance, and security while greatly contributing to the development of the Philippine non-life insurance market.

Korea Branch Opens

On August 16, 2002, Mitsui Sumitomo Insurance attained preliminary approval to set up a branch in the Republic of Korea. Formerly, using foreign capital to conduct non-life insurance business in the Republic of Korea was regulated, but this restriction was lifted in 1998, enabling entrance by foreign investors. The Company seized this opportunity, opening a branch in the Republic of Korea and becoming the first Japanese non-life insurance company to acquire a license from local authorities.

In the past, we had provided insurance services in this area by referring clients to local insurance companies affiliated with the Company. However, the opening of the new branch establishes the necessary framework to provide a variety of services directly to clients. The Company considers its expansion into the Republic of Korea a great business opportunity with the joint sponsorship of the 2002 FIFA World Cup™ predicted to spark a closer economic relationship between Japan and the Republic of Korea and the progressing deregulation of the Republic of Korea's non-life insurance market. The Company is working to acquire more advantageous local contracts in addition to contracts with Japanese clients in the Republic of Korea.

Insurance Business

Hull Insurance

Mitsui Sumitomo Insurance provides a full range of Hull Insurance products for the shipping industry and the shipbuilding industry. These include coverage against physical damage to ships, collision liability, and damage due to war risk. For shipbuilders, we offer policies that cover damage to vessels under construction or repair. Additional products include insurance against losses incurred during marine-based civil engineering work, oil field development, and plant construction.

The Company utilizes its unparalleled sales force and product development capabilities to provide services that match client needs, in turn winning the unwavering trust and praise of clients.

In fiscal 2001, net premiums written increased 19.9%, to ¥13.1 billion, owing mainly to the depreciation of the yen.

Cargo and Transit

Mitsui Sumitomo Insurance primarily offers customized Cargo and Transit Insurance products that provide protection against accidental losses or damage to cargoes during shipment both domestically and overseas by vessel, aircraft, or land conveyance.

The Company has an extensive sales and claims-handling network throughout Japan and overseas and maintains a leading position in the industry and the world market.

In fiscal 2001, net premiums written remained basically unchanged from the previous fiscal year at ¥53.2 billion.

Fire and Allied Lines Insurance

The Company got a head start in fiscal 2001 with the pre-merger July launch of "Home Pikaichi," premium Fire Insurance for home owners, and, when the two companies merged in October 2001, the Company launched "Business Guard," Fire Insurance with full coverage for all risks for small and medium-sized corporations. Aggressive marketing of these and other original products with high unit value that incorporate the merits of the pro forma companies' products offset the adverse effects of a downturn in private-sector capital investment and a decline in new housing starts. As a result, net premiums written for Fire Insurance decreased 0.5%, to ¥166.5 billion.

In April 2002, we introduced "Property Master," comprehensive insurance for property damage and business interruption, and we are actively marketing our newly enhanced product lineup.

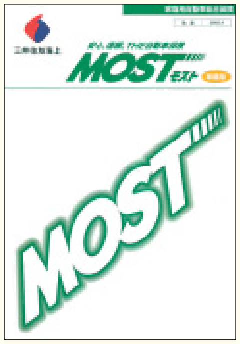
Personal Accident Insurance

The sales environment for Personal Accident Insurance is undergoing a major transformation with the entry into the Third Sector of insurance from July 2001 of life and non-life insurance companies. The Company responded to this change by developing and marketing Individual Accident and Medical Group Insurance and launching in November a product targeting individuals—savings-type Cancer Insurance with a refund at policy maturity.

Despite these efforts, the September 11 terrorist attacks in the United States led to a reduction in travel, which adversely affected sales of Personal Accident Insurance for overseas

Individual Accident
and Medical Insurance "VIV"

Automobile Insurance "MOST"



travel. Net premiums written decreased 4.7%, to ¥125.4 billion, owing to such factors as a backlash from sluggish growth in savings-type Personal Accident Insurance due to falling interest rates.

In fiscal 2001, we launched products related to the Third Sector of insurance, including "VIV" Individual Accident and Medical Insurance and "VIV Flora" Individual Accident and Medical Insurance for ladies, as part of efforts to provide fine-tuned high-quality products and services that meet clients' needs.

Voluntary Automobile Insurance

Against a backdrop of increasingly fierce competition in the automobile insurance market, the premerger companies Mitsui Marine and Sumitomo Marine worked together to develop an Automobile Insurance product that offers the most advanced coverage and service. "MOST" was created and launched in June 2001 by both companies under the same name and with identical contents.

MOST for households is the first product in the industry to cover portions of medical expenses for which the third party is liable in the event of an accident in which the third party requires medical care due to severe sequelae. In addition, if a traffic accident results in the loss of the insured's life, the plan will cover the expenses required immediately by the family of the deceased. Premiums reflect the policyholder's risk exposure more accurately by taking into account intended vehicle use and offering discounts for drivers with excellent driving records. MOST for businesses offers comprehensive basic coverage that addresses corporations' unique needs. With a wide variety of policies available, clients can select the coverage that meets their needs.

In fiscal 2001, aggressive marketing focused mainly on MOST led to a 1.7% increase in net premiums written, to ¥602.8 billion.

Compulsory Automobile Liability Insurance

In Japan, the Automobile Liability Security Law requires all automobile owners to have compulsory automobile liability insurance that indemnifies—up to a prescribed amount—against the death or injury of other persons as a result of an automobile accident.

In fiscal 2001, net premiums written rose 3.2%, to ¥90.5 billion, owing to efforts to enlist new clients and enhance our sales network.

Other Property and Casualty Insurance

Mitsui Sumitomo Insurance has responded to the deregulation of insurance for commercial businesses by actively introducing new insurance products that meet market needs and cover new risks.

In fiscal 2001, we drew on the strengths of both premerger companies to revamp products, including "Mitsui Sumitomo Liability Policy," a premier-quality commercial general liability policy for businesses; "NET Guard," a policy that covers such IT-related risks as the leakage of personal information from databases, unauthorized access to computer systems, and computer viruses; and "Brand Equity Protection Insurance," a policy that indemnifies against damage to brand image. We also introduced Electrical Appliance Recycling

Insurance, which offers coverage in the event that actual collection and transportation costs resulting from adherence to the Electric Appliance Recycling Law that went into effect April 1, 2001, exceed estimates.

In fiscal 2001, net premiums written rose 18.8%, to ¥180.5 billion, thanks to the aforementioned activities as well as expanded sales in overseas markets.

Life Insurance

One of the highlights of fiscal 2001 was the October 1 merger of Sumitomo Marine's subsidiary The Sumitomo Marine Yu-Yu Life Insurance Co., Ltd., and Mitsui Marine's subsidiary Mitsui Mirai Life Insurance Co., Ltd. Mitsui Sumitomo Kirameki Life Insurance, which is responsible for the Group's life insurance business, got off to a new start with this merger. The life insurance business has been expanding substantially, with profits being logged for three consecutive years in the pro forma results of the two companies.

The merger created a sales network of approximately 23,000 agencies, and the company actively invested resources in the improvement of agencies' sales performance through such measures as the enhancement of sales training at agencies.

We continued to concentrate on income protection policies and other highly profitable term products covering cessation of life, and we enhanced our product lineup with the introduction of lapse-supported term insurance in October 2001 and semi-par juvenile insurance in April 2002.

The company's efforts paid off, as total insurance in force at the end of fiscal 2001 amounted to ¥6,469.8 billion, a 19.5% expansion from the combined fiscal 2000 figures for the two premerger companies.

Mitsui Sumitomo Kirameki Life Insurance is amply capitalized at ¥23 billion and has ¥404.3 billion in total assets, a 27.9% increase from the combined fiscal 2000 figures of the two premerger companies. With a solvency margin ratio of 1,101.2%, the company has adequate resources to cover all potential risks.

International Operations

The Company focused on enhancing its international operations to ensure the continued provision of effective advice as well as products and services optimally suited to client needs on a global basis by drawing on many years of international insurance business experience.

China is experiencing remarkable economic growth. Accordingly, we established a branch in Shanghai in May 2001. As of February 2002, the Company expanded its services, as it became able to offer insurance products directly to clients outside Shanghai, subject to certain requirements. In February 2002, our Group company in the Philippines, FEB Mitsui Marine, merged with FGU Insurance, a major local non-life insurance company, to form BPI/MS Insurance, a new leading insurance company in the Philippines in terms of scale, growth capabilities, and earning potential. In January 2002, we established the first Japanese non-life insurance holding company in the United States—with eight subsidiaries, including two insurance subsidiaries, under the management of the holding company—in order to make our operations in the region more comprehensive and efficient.

Investment trust product
“New China Fund”

The Group’s open market operation in London, Mitsui Sumitomo Insurance (London Management) Limited, has continued to grow steadily since its foundation in April 2000. It has become well-known at Lloyd’s and the London market.

The merger enabled the integration of overlapping branches, the promotion of effective management at overseas branches, and the further enhancement of our overseas network. As of June 2002, our overseas network comprised 63 cities in 36 countries and regions.

Investment Management Activities

Mitsui Sumitomo Insurance regards security and liquidity as important aspects of investment management to cover claims and maturity refunds and makes diversified investments to secure stable income. In fiscal 2001, in addition to investing mainly in domestic bonds, we increased investment in foreign securities to improve the profitability of our investment management activities.

In risk management, we strive to identify and assess risks by statistical methods, periodically quantifying and monitoring them. To maintain its financial strength, the Company decreased its shareholdings aimed at reducing price fluctuation risks and implemented comprehensive credit exposure management across the board in response to accumulated credit risk.

Financial Services

In financial services, to meet clients’ various financing and risk management needs, we leveraged advanced financial techniques to develop a program to securitize receivables.

In Alternative Risk Transfer operations, Mitsui Sumitomo Insurance led the industry with the development and successful marketing of weather derivative products. The Company also achieved increased profits and diversified its risk exposure through domestic marketing alliances and an international strategic business alliance.

Regarding defined contribution pension systems, we carefully selected qualified products from Japan and overseas, including savings-type Personal Accident Insurance products specialized for these systems and MITSUI SUMITOMO INSURANCE Asset Management Co., Ltd.’s investment trust products “Life View” series. We introduced these products the moment the new system was launched.

In addition to these activities, MITSUI SUMITOMO INSURANCE Asset Management developed the “New China Fund,” which focused on the market growth potential of China. Four months after this fund was set up, this hit product’s total assets reached ¥20 billion.

Corporate Citizenship

Under the Mitsui Sumitomo Insurance's Mission Statement commitment of "through our insurance and financial service businesses bringing security and safety to people and businesses around the world and making a lasting contribution to the enrichment of society," we are bolstering our environmental protection activities and social contribution activities as a part of efforts to provide maximum value to shareholders, markets, and society at large.

Environmental Protection Activities

We introduced the Mitsui Sumitomo Insurance Group Environmental Policy in October 2001, and, at all of our offices, we are pursuing environmental protection activities concordant with the specific action plans in this policy.

Action Plans

1. Contribute to global environmental protection through our insurance and financial service businesses
2. Reduce the environmental burden incurred in conjunction with our business activities
3. Improve our environmental management system
4. Promote environmental education activities among all our employees and public disclosure of environmental information

● Acquiring ISO 14001 Certification at All Offices

In May 2002, Mitsui Sumitomo Insurance acquired ISO 14001 certification—an international standard for environmental management systems—at its Shinkawa Head Office. In addition, the Company is striving to expand the scope of certification and has introduced new strategies for working toward the goal of acquiring ISO 14001 certification at all its domestic offices by October 2002.


Certificate of Registration

ISO 14001 certificate of registration

● Environmentally Sound Products and Services

We are developing a wide range of products and services that aim to diminish the environmental risks surrounding corporations and households.

Our environmentally sound products and services include Representation & Warranties Expense Insurance for the cleanup of polluted land, a discounted premium rate for low-emission vehicles, the Environmental Automobile Inspection Program offered to automobile repair shops to minimize exhaust emissions, an Eco Fund—an investment trust investing in companies with good environmental protection records—and environmental risk and ISO 14001 certification consulting.

● Global Activities

In November 1995, Mitsui Sumitomo Insurance co-drafted and signed the "Statement of Environmental Commitment by the Insurance Industry," a United Nations Environment Programme (UNEP) declaration. We are working hard in this area as the only member from Asia on the Steering Committee of the UNEP Insurance Industry Initiative, an international alliance of the world's insurance companies aiming at addressing environmental issues.

Social Contribution Activities

As a part of the Company Code of Conduct, Mitsui Sumitomo Insurance urges its employees to energetically promote social contribution activities in line with good corporate citizenship and works together with employees in a variety of social contribution activities.

Smile Heart Club

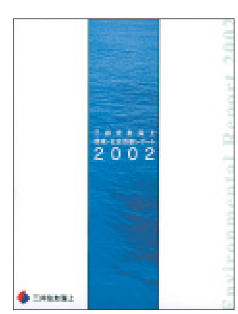
● Smile Heart Club

This is a voluntary organization where Mitsui Sumitomo Insurance Group employees can contribute a portion of their monthly wages to social contribution activities. Mitsui Sumitomo Insurance matches employee contributions and donates the money to such non-profit organizations throughout Japan as welfare facilities and environmental protection groups. This organization also supports children in conflict-stricken regions in the world with the proceeds from charity events and sales of charity greeting cards.


Children in Kosovo

Environmental and Social Activities Report

In April 2002, we issued the *Environmental and Social Activities Report 2002*. This report demonstrates the weight that Mitsui Sumitomo Insurance's management has given to corporate citizenship. It is a straightforward introduction of the Group's Environmental Policy, environmental protection activities, and varied social contribution activities. (Presently, it only has a Japanese-language version.)



Environmental and Social Activities Report 2002

Executive Officers and Corporate Auditors

Seated, from left: Takeshi Kurioka, Mutsuo Hayashi, Takeo Inokuchi, Hiroyuki Uemura, Takashi Kawahara, Sanpei Nozaki
Standing, from left: Kazuo Kondo, Susumu Uchida, Tadao Iso, Ken Ebina, Takazumi Kanai, Yoshiaki Shin, Atsushi Watamura, Yasuo Tsutsumi, Takashi Yamashita, Hiromi Asano

Chairman and Chief Executive Officer

Takeo Inokuchi*

President and Chief Executive Officer

Hiroyuki Uemura*

Vice President Executive Officers

Mutsuo Hayashi*
Takashi Kawahara*

Senior Executive Officers

Takeshi Kurioka*
Norio Kobayashi
Sanpei Nozaki*
Takazumi Kanai*
Yoshiaki Shin*

Managing Executive Officers

Seiichiro Fujita
Hideaki Aida
Atsushi Watamura*
Kenichi Enami
Ken Ebina*
Yoshihiko Mikuni
Tadao Iso*
Tetsuo Kondo
Kazuo Yamada
Yasuo Tsutsumi*
Takashi Yamashita*
Susumu Uchida*

Executive Officers

Hirotoshi Nakamura
Yasuo Ogura
Nobuyuki Hidaka
Koji Yoshida
Toshihiro Nakagawa
Hiromi Asano*
Tsutomu Nagamasa
Kumio Ohisa
Minoru Shoda
Toshiaki Egashira
Hisashi Sato
Norio Misaka
Kazuo Araya
Koichi Kubota
Ichiro Iijima
Shunji Abo
Kazuo Kondo*

Standing Corporate Auditors

Kazuho Tanaka
Satoru Ohno
Shutaro Kubo
Yuji Nishiyama

Corporate Auditors

Kenichi Kamiya
Akira Nishioka

* Member of Board

(As of June 27, 2002)

GAAP in the United States

CONTENTS

Five-Year Summary

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 1998, 1999, 2000, 2001 and 2002

	1998	1999	2000	2001	**2002**
					Yen in millions
For the year:					
Net premiums written	¥1,214,782	¥1,172,644	¥1,157,796	¥1,195,450	**¥1,232,000**
Net premiums earned	1,191,685	1,175,193	1,141,198	1,154,425	**1,182,675**
Premium income for life insurance contracts	47,282	69,141	95,610	116,369	**137,324**
Investment income, net of investment expenses	160,607	144,125	128,948	137,310	**124,029**
Total revenue	1,417,754	1,402,797	1,430,788	1,438,366	**1,436,710**
Total expenses	1,318,752	1,316,640	1,340,110	1,384,159	**1,384,084**
Net income (loss) from underwriting	20,596	18,726	(19,393)	(36,518)	**5,355**
Net income	108,039	136,283	60,993	37,983	**25,981**
At year-end:					
Total investments	5,904,509	5,888,004	6,374,012	6,091,248	**5,784,255**
Total assets	7,708,150	7,596,804	7,979,086	7,717,668	**7,416,455**
Total shareholders' equity	1,845,000	1,891,679	2,179,332	1,996,517	**1,827,169**
					Percent
Key ratios*:					
Loss ratios	50.9%	51.3%	54.4%	57.5%	**54.9%**
Combined loss and expense ratios	97.0	98.3	101.2	102.1	**97.8**
Annual percentage change:					
Net income (loss) from underwriting	—	(9.1)	(203.6)	—	**—**
Investment income, net of investment expenses	—	(10.3)	(10.5)	6.5	**(9.7)**

See accompanying notes to consolidated financial statements.

* The key ratios relate to property and casualty insurance.

Management's Discussion and Analysis

Operating Results

In non-life insurance, net premiums written rose 3.1% from the previous term, to ¥1,232.0 billion. This increase was due to aggressive operating activities, including the launch of new products in such major sectors as automobile, fire, and casualty insurance as well as profit-centered business development that capitalized on the particular characteristics of overseas markets. Net premiums earned increased 2.4%, to ¥1,182.7 billion.

In life insurance, premium income for life insurance rose 18.0%, to ¥137.3 billion, owing to the active development of business operations at our subsidiary Mitsui Sumitomo Kirameki Life Insurance.

Performance by business sector was as follows.

Hull

Net premiums written rose 19.9% from the previous term, to ¥13.1 billion, due to such factors as increased revenue from contracts in foreign currencies owing to the yen's depreciation and increases in premium rates owing to the terrorist attacks in the United States. The net loss ratio increased 10.2 percentage points, to 88.7%, due mainly to a rise in large claims.

Cargo and Transit

Net premiums written for International Cargo Insurance rose due to the effects of the yen's depreciation on contracts in foreign currencies. However, net premiums written for Inland Transit Insurance decreased, and overall net premiums written remained largely unchanged from the previous fiscal year at ¥53.2 billion. The net loss ratio fell 1.8 percentage points, to 47.3%.

Fire and Allied Lines

Net premiums written fell 0.5%, to ¥166.5 billion, as robust sales of new products developed for households and small and medium-sized companies were not enough to offset reduced private-sector capital investment and fewer housing starts amid sluggish economic conditions. Although there was comparatively less damage from typhoons and other natural disasters compared to previous fiscal years, due to damage from the September 11 terrorist attacks in the United States, in addition to a decrease in net premiums earned, the net loss ratio improved slightly to 38.7%.

Personal Accident

Net premiums written fell 4.7%, to ¥125.4 billion, due to such factors as reduced revenue from savings-type insurance products owing to continued low domestic interest rates and reduced revenue from casualty insurance for overseas travel due to reduced travel after the September 11 terrorist attacks in the United States. We began offering Individual Accident and Medical Group Insurance and savings-type Cancer Insurance after the restrictions on entrance into the Third Sector of insurance were lifted.

The net loss ratio decreased 1.4 percentage points, to 38.0%. The net loss ratio for the Personal Accident Insurance business sector has remained stable at approximately 39% for the past five years, reflecting the high profitability of this sector.

Voluntary Automobile

Net premiums written increased 1.7%, to ¥602.8 billion. This was due mainly to aggressive marketing of the new product MOST, a policy for individuals that provides enhanced incidental services in addition to a wide range of coverage, which offset reduced revenue from corporate policies due to reduced insurance rates owing to progressive rate deregulation.

Voluntary Automobile Insurance premiums account for approximately half of all insurance premiums, and thus Voluntary Automobile Insurance underwriting results significantly affect the Company's overall profit. Over the past few years, there has been a sharp rise in automobile thefts. Accordingly, public and private measures to prevent these thefts are presently being implemented.

During the fiscal year under review, the number of payable claims due to automobile theft increased. However, the number of luxury automobile thefts decreased, thanks to immobolizers and other antitheft devices, and the unit cost of payable claims decreased. Overall, the total amount of claims related to theft paid remained unchanged from the previous fiscal year. Additionally, there were very few incidents of natural disasters compared to the previous fiscal year's substantial losses as a result of the coverage extended for vehicular damage policies due to flash floods in the Tokai region and hail in Chiba and Ibaraki prefectures. These factors spurred a substantial improvement in the net loss ratio, which fell 4.5 percentage points from the previous fiscal year, to 57.6%.

Compulsory Automobile Liability

Net premiums written rose 3.2%, to ¥90.5 billion, owing to efforts to enlist new clients and enhance our sales network amid the slump in new car sales. The net loss ratio dropped 2.5 percentage points, to 63.6%.

Other Property and Casualty

Net premiums written increased 18.8%, to ¥180.5 billion, due to growth in Liability Insurance coupled with expanded sales of Credit and Guarantee Insurance in overseas markets and premium hikes in Aviation Insurance due to the September 11 terrorist attacks in the United States. The net loss ratio fell 3.3 percentage points, to 69.5%, owing to substantial increases in insurance premiums that countered the negative effects of increased incurred losses due to some large claims in Credit and Guarantee Insurance.

Life

Premium income for Life Insurance rose 18.0%, to ¥137.3 billion, owing to growth in the total amount of insurance in force for individual insurance plans and individual pension plans, a result of efforts made to expand operations at our subsidiary Mitsui Sumitomo Kirameki Life Insurance.

Losses, Claims, and Loss Adjustment Expenses

Losses and claims incurred fell 2.2%, to ¥649.3 billion, due to fewer incidences of natural disasters, and related adjustment expenses dropped 6.0%, to ¥57.8 billion. As a result, losses, claims, and loss adjustment expenses, expressed as a percentage of net premiums earned, amounted to 59.8%, compared with 62.8% in the previous fiscal year.

Underwriting and Administrative Expenses Incurred

Underwriting and administrative expenses incurred fell 0.3%, to ¥468.3 billion, due to efforts to cut nonpersonnel expenses. As a result, underwriting and administrative expenses incurred, as a percentage of premiums written, totaled 38.0%, compared with 39.3% in fiscal 2000. The combined loss and expense ratio decreased by 4.3 percentage points, to 97.8%.

Investments and Income

Investment income, net of investment expenses, fell 9.7% from the previous fiscal year, to ¥124.0 billion, due to weak domestic interest rates. Realized gains on investments deteriorated ¥37.6 billion from the previous fiscal year to losses of ¥7.3 billion, primarily owing to the significant downturn in domestic stock prices.

As a result of the preceding factors, income before income taxes fell 2.9% from the previous fiscal year, to ¥52.6 billion. Net income fell 31.6%, to ¥26.0 billion. Net income per share amounted to ¥16.53, assuming dilution, compared with ¥23.71 in the previous year.

Cash Flow Analysis and Financial Position

Cash and cash equivalents at the end of the fiscal year amounted to ¥372.8 billion, a 7.1% decrease from the previous fiscal year-end. Net cash provided by operating activities amounted to ¥187.4 billion, compared with ¥205.2 billion in the previous fiscal year. The main factor behind the change in net cash provided by operating activities was an increase in other expenses including the costs for integration.

Net cash used in investing activities amounted to ¥15.8 billion, compared to net cash provided by investing activities of ¥44.6 billion in the previous fiscal year. The main factors were a decrease in sales of equity securities, a decrease in redemption of fixed maturities available for sale, and a decrease in collection of other long-term investments.

Net cash used in financing activities totaled ¥201.3 billion, almost the same level as ¥201.1 billion in the previous fiscal year.

Total assets at March 31, 2002, stood at ¥7,416.5 billion, down 3.9% from the previous fiscal year-end. Investments—other than investments in affiliates—declined 5.0%, to ¥5,784.3 billion, due mainly to a substantial decrease in equity securities.

Total shareholders' equity was ¥1,827.2 billion, down 8.5% from the end of the previous fiscal year. The main factor was a decrease in accumulated other comprehensive income due to a fall in unrealized gains on equity securities.

The equity ratio was 24.6%, compared with 25.9% at the end of the previous fiscal year.

Solvency Margin Ratio

The solvency margin ratio is the solvency margin amount (payment capability, for example, capital and reserves) as a percentage of total risk, which is calculated as "risk exceeding ordinary forecast" based on the Japanese Ministry of Finance's Note 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 forecast, 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 Notification No. 3 of the Ministry of Finance and the Financial Supervisory Agency of Japan, a solvency margin ratio of 200% indicates that an insurance company has sufficient capability to pay insurance claims and other obligations.

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

The Company's Solvency Margin Ratio

As of March 31, 2001 and 2002 (Yen in billions)

	2001	**2002**	Change	(%)
Solvency margin total amount.....................	¥2,626.7	**¥2,297.1**	–329.6	(–12.5%)
Risk amount.......................	472.6	**429.7**	–42.9	(–9.1%)
Solvency margin ratio......................	1,111.6%	**1,069.2%**	–42.4 points	

Note: The figures for March 31, 2001 reflect the aggregation of both premerger companies' pro forma results.

The Company'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 bonds, 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.

As of July 31, 2002

Standard & Poor's	Insurer Financial Strength Rating	AA-
Moody's Investors Service	Insurance Financial Strength Rating	Aa3
Moody's Investors Service	Short-Term Insurance Financial Strength Rating	Prime-1
A. M. Best Company	Best's Ratings	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.

Summary of Premiums Written

Direct Premiums Written

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

	1998		1999		2000	
Hull	¥ 23,520	1.78%	¥ 21,114	1.65%	¥ 18,608	1.47%
Cargo and Transit	66,529	5.02	64,732	5.05	57,249	4.53
Fire and Allied Lines[1]	200,018	15.10	194,248	15.16	189,292	14.99
Personal Accident[2]	150,653	11.37	142,156	11.10	134,615	10.66
Voluntary Automobile	583,967	44.06	563,857	44.02	568,105	44.97
Compulsory Automobile Liability[3]	142,597	10.76	141,816	11.07	146,120	11.57
Other[4]	157,751	11.91	153,008	11.95	149,220	11.81
Total	¥1,325,035	100.00%	¥1,280,931	100.00%	¥1,263,209	100.00%

1 Includes savings-type insurance and Earthquake Insurance
2 Includes savings-type insurance
3 Japanese law requires that all automobiles be covered by Compulsory Automobile Liability-type insurance.
See Note 2 (k) of the notes to consolidated financial statements.
4 Of which, major lines of insurance are Liability, Aviation, Workers' Compensation, and Movables Comprehensive All Risks, including savings-type insurance.
*Amounts in the table have been restated from amounts previously reported. See Note 1 (a) of the notes to the consolidated financial statements, page 38.

Net Premiums Written*

The following table shows the breakdown of net premiums written and reinsurance by major lines of property and casualty insurance for the fiscal years ended March 31, 2001 and 2002.

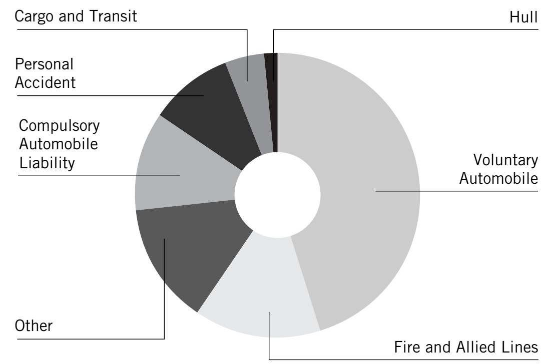
	Reinsurance Premiums Assumed			Reinsurance Premiums Ceded		
	2001	**2002**	**2002**	2001	**2002**	**2002**
Hull	¥ 5,934	**¥ 7,090**	**$ 53,308**	¥ 13,005	**¥ 14,335**	**$ 107,782**
Cargo and Transit	7,103	**8,318**	**62,541**	13,111	**14,904**	**112,060**
Fire and Allied Lines[1]	13,164	**23,098**	**173,669**	42,069	**48,488**	**364,571**
Personal Accident[2]	1,076	**1,034**	**7,775**	2,582	**2,642**	**19,865**
Voluntary Automobile	3,942	**5,957**	**44,790**	5,811	**6,276**	**47,188**
Compulsory Automobile Liability[3]	45,432	**47,588**	**357,804**	107,414	**106,985**	**804,398**
Other[4]	18,019	**46,823**	**352,053**	30,720	**50,221**	**377,602**
Total	¥94,670	**¥139,908**	**$1,051,940**	¥214,712	**¥243,851**	**$1,833,466**

1-4 Same as above notes for Direct Premiums Written

*Net Premiums Written = (Direct Premiums Written + Reinsurance Premiums Assumed – Reinsurance Premiums Ceded)
**Amounts in the table have been restated from amounts previously reported. See Note 1 (a) of the notes to the consolidated financial statements, page 38.

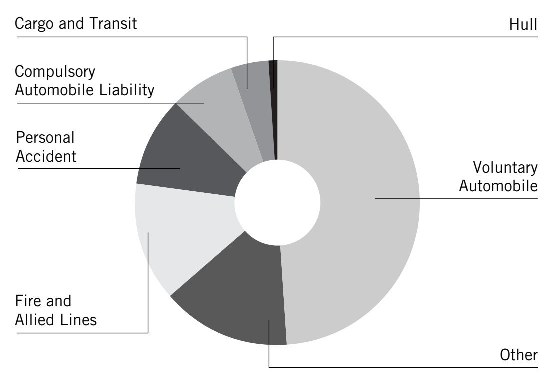
(Yen in millions; dollars in thousands)				
2001				**2002**
¥ 18,018	1.37%	**¥ 20,368**	**1.52%**	**$ 153,143**
59,124	4.49	**59,741**	**4.47**	**449,181**
196,203	14.91	**191,921**	**14.37**	**1,443,015**
133,106	10.12	**127,000**	**9.51**	**954,887**
594,744	45.22	**603,151**	**45.15**	**4,534,970**
149,700	11.38	**149,911**	**11.22**	**1,127,150**
164,597	12.51	**183,851**	**13.76**	**1,382,338**
¥1,315,492	100.00%	**¥1,335,943**	**100.00%**	**$10,044,684**

Direct Premiums Written (2002)
Total ¥1,335.9 billion



(Yen in millions; dollars in thousands)				
Net Premiums Written				
2001				**2002**
¥ 10,947	0.92%	**¥ 13,123**	**1.07%**	**$ 98,669**
53,116	4.44	**53,155**	**4.31**	**399,662**
167,298	13.99	**166,531**	**13.52**	**1,252,113**
131,600	11.01	**125,392**	**10.18**	**942,797**
592,875	49.59	**602,832**	**48.92**	**4,532,572**
87,718	7.34	**90,514**	**7.35**	**680,556**
151,896	12.71	**180,453**	**14.65**	**1,356,789**
¥1,195,450	100.00%	**¥1,232,000**	**100.00%**	**$9,263,158**

Net Premiums Written (2002)
Total ¥1,232.0 billion



Loss and Expense Ratios

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

	Yen in millions					Dollars in thousands
	1998	1999	2000	2001	**2002**	**2002**
Hull:						
Net premiums written	¥ 14,324	¥ 13,939	¥ 12,144	¥ 10,947	**¥ 13,123**	**$ 98,669**
Net premiums earned	14,637	14,442	12,799	11,157	**12,144**	**91,308**
Loss incurred	9,420	9,827	8,945	8,759	**10,772**	**80,993**
Loss ratio	64.4%	68.0%	69.9%	78.5%	**88.7%**	
Cargo and Transit:						
Net premiums written	¥ 61,660	¥ 57,233	¥ 51,455	¥ 53,116	**¥ 53,155**	**$ 399,662**
Net premiums earned	62,134	59,133	51,753	52,719	**52,995**	**398,459**
Loss incurred	30,801	26,869	24,356	25,875	**25,043**	**188,293**
Loss ratio	49.6%	45.4%	47.1%	49.1%	**47.3%**	
Fire and Allied Lines:						
Net premiums written	¥ 176,647	¥ 165,268	¥ 166,106	¥ 167,298	**¥ 166,531**	**$1,252,113**
Net premiums earned	156,570	155,212	152,570	153,961	**150,328**	**1,130,286**
Loss incurred	53,593	73,115	74,125	59,788	**58,153**	**437,241**
Loss ratio	34.2%	47.1%	48.6%	38.8%	**38.7%**	
Personal Accident:						
Net premiums written	¥ 149,653	¥ 140,606	¥ 133,151	¥ 131,600	**¥ 125,392**	**$ 942,797**
Net premiums earned	153,462	145,699	139,103	134,128	**130,410**	**980,526**
Loss incurred	60,306	57,363	54,152	52,861	**49,596**	**372,902**
Loss ratio	39.3%	39.4%	38.9%	39.4%	**38.0%**	
Voluntary Automobile:						
Net premiums written	¥ 579,138	¥ 561,641	¥ 566,064	¥ 592,875	**¥ 602,832**	**$4,532,572**
Net premiums earned	578,694	570,183	560,574	576,635	**593,876**	**4,465,233**
Loss incurred	311,482	300,320	321,476	357,986	**342,008**	**2,571,489**
Loss ratio	53.8%	52.7%	57.3%	62.1%	**57.6%**	
Compulsory Automobile Liability:						
Net premiums written	¥ 85,492	¥ 83,426	¥ 85,356	¥ 87,718	**¥ 90,514**	**$ 680,556**
Net premiums earned	86,740	86,097	84,975	86,037	**87,676**	**659,218**
Loss incurred	51,189	52,133	54,131	56,866	**55,787**	**419,451**
Loss ratio	59.0%	60.6%	63.7%	66.1%	**63.6%**	
Other:						
Net premiums written	¥ 147,868	¥ 150,531	¥ 143,520	¥ 151,896	**¥ 180,453**	**$1,356,789**
Net premiums earned	139,448	144,427	139,424	139,788	**155,246**	**1,167,263**
Loss incurred	89,652	82,669	83,551	101,720	**107,925**	**811,466**
Loss ratio	64.3%	57.2%	59.9%	72.8%	**69.5%**	
Total:						
Net premiums written	¥1,214,782	¥1,172,644	¥1,157,796	¥1,195,450	**¥1,232,000**	**$9,263,158**
Net premiums earned	1,191,685	1,175,193	1,141,198	1,154,425	**1,182,675**	**8,892,293**
Loss incurred	606,443	602,296	620,736	663,855	**649,284**	**4,881,835**
Loss ratio	50.9%	51.3%	54.4%	57.5%	**54.9%**	
Loss adjustment expenses incurred—unallocated	¥ 56,579	¥ 57,333	¥ 59,325	¥ 61,443	**¥ 57,779**	**$ 434,429**
Ratio of losses and loss adjustment expenses incurred to net premiums earned	55.6%	56.1%	59.6%	62.8%	**59.8%**	
Underwriting and administrative expenses incurred	¥ 502,342	¥ 495,256	¥ 482,132	¥ 469,619	**¥ 468,261**	**$3,520,759**
Ratio of underwriting and administrative expenses incurred to net premiums written	41.4%	42.2%	41.6%	39.3%	**38.0%**	
Combined loss and expense ratio	97.0%	98.3%	101.2%	102.1%	**97.8%**	
Net premiums/direct premiums written ratio	91.7%	91.5%	91.7%	90.9%	**92.2%**	

* Amounts in the table have been restated from amounts previously reported. See Note 1 (a) of the notes to the consolidated financial statements, page 38.

Investments

The following table summarizes the investments of Mitsui Sumitomo Insurance at March 31, 2001 and 2002.

Cost or amortized cost	Yen in millions 2001	Yen in millions **2002**	Percent of total investments 2001	Percent of total investments **2002**	Dollars in thousands **2002**
Bonds:					
Japanese bonds	¥1,886,145	**¥2,011,329**	40.96%	**43.68%**	**$15,122,774**
Foreign bonds	569,378	**619,906**	12.37	**13.46**	**4,660,947**
Total bonds	2,455,523	**2,631,235**	53.33	**57.14**	**19,783,721**
Stocks—other than affiliates:					
Japanese companies	934,007	**886,431**	20.28	**19.25**	**6,664,895**
Foreign companies	180,283	**172,566**	3.92	**3.75**	**1,297,489**
Total common stock —other than affiliates	1,114,290	**1,058,997**	24.20	**23.00**	**7,962,384**
Loans—other than affiliates:					
Mortgage loans on real estate	53,908	**30,921**	1.17	**0.67**	**232,489**
Mortgage loans on vessels and facilities	11,269	**6,531**	0.25	**0.14**	**49,105**
Collateral and guaranteed loans	356,383	**319,181**	7.74	**6.93**	**2,399,857**
Unsecured loans	431,186	**392,399**	9.36	**8.52**	**2,950,368**
Total loans	852,746	**749,032**	18.52	**16.26**	**5,631,819**
Other:					
Short-term investments	105,299	**88,486**	2.29	**1.92**	**665,308**
Investment real estate	73,268	**76,131**	1.59	**1.65**	**572,414**
Long-term investments	3,438	**1,352**	0.07	**0.03**	**10,166**
Total investments	¥4,604,564	**¥4,605,233**	100.00%	**100.00%**	**$34,625,812**

Value shown on balance sheets	Yen in millions 2001	Yen in millions **2002**	Percent of total investments 2001	Percent of total investments **2002**	Dollars in thousands **2002**
Bonds:					
Japanese bonds	¥1,977,424	**¥2,073,738**	32.46%	**35.85%**	**$15,592,015**
Foreign bonds	625,678	**694,521**	10.27	**12.01**	**5,221,962**
Total bonds	2,603,102	**2,768,259**	42.73	**47.86**	**20,813,977**
Stocks—other than affiliates:					
Japanese companies	2,270,549	**1,917,706**	37.28	**33.15**	**14,418,842**
Foreign companies	182,846	**183,289**	3.00	**3.17**	**1,378,113**
Total common stock —other than affiliates	2,453,395	**2,100,995**	40.28	**36.32**	**15,796,955**
Loans—other than affiliates:					
Mortgage loans on real estate	53,908	**30,921**	0.88	**0.54**	**232,489**
Mortgage loans on vessels and facilities	11,269	**6,531**	0.19	**0.11**	**49,105**
Collateral and guaranteed loans	356,383	**319,181**	5.85	**5.52**	**2,399,857**
Unsecured loans	431,186	**392,399**	7.08	**6.78**	**2,950,368**
Total loans	852,746	**749,032**	14.00	**12.95**	**5,631,819**
Other:					
Short-term investments	105,299	**88,486**	1.73	**1.53**	**665,308**
Investment real estate	73,268	**76,131**	1.20	**1.32**	**572,414**
Long-term investments	3,438	**1,352**	0.06	**0.02**	**10,166**
Total investments	¥6,091,248	**¥5,784,255**	100.00%	**100.00%**	**$43,490,639**

Consolidated Balance Sheets

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
March 31, 2001 and 2002

Assets	Yen in millions 2001	Yen in millions 2002	Dollars in thousands 2002
Investments—other than investments in affiliates (Notes 3 and 11):			
Securities available for sale:			
Fixed maturities, at fair value	¥2,541,566	**¥2,763,711**	**$20,779,782**
Equity securities, at fair value	2,453,395	**2,100,995**	**15,796,955**
Securities held to maturity:			
Fixed maturities, at amortized cost	61,536	**4,548**	**34,195**
Mortgage loans on real estate	53,908	**30,921**	**232,489**
Investment in real estate, at cost less accumulated depreciation of ¥40,857 million in 2001; ¥46,468 million ($349,383 thousand) in 2002	73,268	**76,131**	**572,414**
Policy loans	32,940	**32,847**	**246,970**
Other long-term investments	769,336	**686,616**	**5,162,526**
Short-term investments	105,299	**88,486**	**665,308**
Total investments	6,091,248	**5,784,255**	**43,490,639**
Cash and cash equivalents	401,282	**372,781**	**2,802,865**
Investments in and indebtedness from affiliates:			
Investments	9,224	**18,731**	**140,835**
Indebtedness	759	**3,451**	**25,947**
Total investments in and indebtedness from affiliates	9,983	**22,182**	**166,782**
Accrued investment income	25,793	**24,852**	**186,857**
Premiums receivable and agents' balances	126,370	**125,028**	**940,060**
Prepaid reinsurance premiums	160,695	**167,642**	**1,260,466**
Funds held by or deposited with ceding reinsurers	49,806	**52,834**	**397,248**
Reinsurance recoverable on paid losses	65,622	**69,083**	**519,421**
Reinsurance recoverable on unpaid losses	87,566	**126,149**	**948,489**
Property and equipment, net of accumulated depreciation (Note 4)	270,583	**253,467**	**1,905,767**
Deferred policy acquisition costs	304,318	**336,750**	**2,531,955**
Other assets	124,402	**81,432**	**612,271**
Total assets	¥7,717,668	**¥7,416,455**	**$55,762,820**

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	Yen in millions 2001	2002	Dollars in thousands 2002
Liabilities:			
Losses and claims (Note 21):			
Reported and estimated losses and claims	¥ 532,159	**¥ 573,087**	**$ 4,308,925**
Adjustment expenses	19,529	**28,996**	**218,015**
Total losses and claims	551,688	**602,083**	**4,526,940**
Unearned premiums	1,054,571	**1,109,904**	**8,345,143**
Future policy benefits for life insurance contracts	257,513	**356,724**	**2,682,136**
Investment deposits by policyholders (Note 8)	2,845,436	**2,677,232**	**20,129,564**
Indebtedness to affiliates	1,697	**2,167**	**16,294**
Accrued income taxes (Note 5):			
Payable	5,388	**3,381**	**25,421**
Deferred applicable to:			
Unrealized gains on investments	536,044	**425,529**	**3,199,466**
Other	(9,013)	**3,981**	**29,932**
Total accrued income taxes	532,419	**432,891**	**3,254,819**
Retirement and severance benefits (Note 7)	167,758	**145,195**	**1,091,692**
Ceded reinsurance balances payable	69,992	**65,326**	**491,173**
Short-term debt (Note 6)	20,559	**64,148**	**482,316**
Long-term debt (Notes 6 and 11)	86,398	**22,500**	**169,173**
Other liabilities	131,939	**109,880**	**826,164**
Total liabilities	5,719,970	**5,588,050**	**42,015,414**
Minority interests	1,181	**1,236**	**9,293**
Shareholders' equity:			
Common stock:			
Authorized—3,000,000,000 shares; issued—1,479,886,520 shares in 2001 and 1,479,894,005 shares in 2002 (Notes 6 and 13)	126,374	**126,376**	**950,196**
Other shareholders' equity:			
Additional paid-in capital (Note 13)	75,369	**75,372**	**566,707**
Retained earnings:			
Appropriated (Note 14):			
Legal reserve	34,257	**36,585**	**275,075**
Reserve for price fluctuation	19,713	**20,663**	**155,361**
Unappropriated (Note 15)	1,026,541	**1,038,971**	**7,811,812**
Accumulated other comprehensive income (Note 16)	714,263	**540,805**	**4,066,203**
Treasury stock, 19,921,884 shares in 2002, at cost	—	**(11,603)**	**(87,241)**
Total shareholders' equity	1,996,517	**1,827,169**	**13,738,113**
Commitments and contingent liabilities (Notes 9 and 12)			
Total liabilities and shareholders' equity	¥7,717,668	**¥7,416,455**	**$55,762,820**

Consolidated Statements of Income

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2000, 2001 and 2002

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Revenue:				
Net premiums written	¥1,157,796	¥1,195,450	**¥1,232,000**	**$ 9,263,158**
Less increase in unearned premiums	16,598	41,025	**49,325**	**370,865**
Net premiums earned (Note 9)	1,141,198	1,154,425	**1,182,675**	**8,892,293**
Premium income for life insurance contracts	95,610	116,369	**137,324**	**1,032,511**
Investment income, net of investment expenses (Note 3)	128,948	137,310	**124,029**	**932,549**
Realized gains (losses) on investments (Note 3)	65,032	30,262	**(7,318)**	**(55,022)**
Total revenue	1,430,788	1,438,366	**1,436,710**	**10,802,331**
Expenses:				
Losses, claims and loss adjustment expenses (Note 9):				
Losses and claims incurred and provided for	620,736	663,855	**649,284**	**4,881,835**
Related adjustment expenses	59,325	61,443	**57,779**	**434,429**
Policyholder benefits for life insurance contracts (Note 9)	79,986	97,304	**120,727**	**907,722**
Policy acquisition costs	377,845	367,520	**330,871**	**2,487,752**
Investment income credited to investment deposits by policyholders (Note 8)	83,909	76,847	**69,440**	**522,105**
Other expenses (Note 20)	118,309	117,190	**155,983**	**1,172,804**
Total expenses	1,340,110	1,384,159	**1,384,084**	**10,406,647**
Income before income taxes	90,678	54,207	**52,626**	**395,684**
Income taxes (Note 5):				
Current	43,832	14,628	**17,862**	**134,301**
Deferred	(14,224)	1,349	**8,090**	**60,827**
Total income taxes	29,608	15,977	**25,952**	**195,128**
Minority interests	77	247	**153**	**1,150**
Income before cumulative effect of change in accounting principle	60,993	37,983	**26,521**	**199,406**
Cumulative effect of change in accounting principle, net of tax (Note 2 (m))	—	—	**(540)**	**(4,060)**
Net income	¥ 60,993	¥ 37,983	**¥ 25,981**	**$ 195,346**

			Yen	Dollars
Earnings per share (Notes 2 (n) and 15):				
Income before cumulative effect of change in accounting principle:				
Basic	¥ —	¥ —	**¥17.94**	**$0.13**
Diluted	—	—	**16.87**	**0.13**
Net income:				
Basic	40.17	25.41	**17.58**	**0.13**
Diluted	37.28	23.71	**16.53**	**0.12**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2000, 2001 and 2002

		Yen in millions		Dollars in thousands
	2000	2001	**2002**	**2002**
Net income	¥ 60,993	¥ 37,983	**¥ 25,981**	**$ 195,346**
Other comprehensive income, net of tax (Note 16):				
Foreign currency translation adjustments	(3,742)	2,699	**5,042**	**37,910**
Unrealized gains (losses) on securities	243,777	(186,859)	**(188,030)**	**(1,413,759)**
Net gains on derivative instruments	—	—	**852**	**6,406**
Minimum pension liability adjustment	1,824	(6,017)	**8,678**	**65,248**
Other comprehensive income (loss)	241,859	(190,177)	**(173,458)**	**(1,304,195)**
Comprehensive income (loss)	¥302,852	¥(152,194)	**¥(147,477)**	**$(1,108,849)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2000, 2001 and 2002

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Common stock:				
Balance at beginning of year	¥ 128,471	¥ 128,071	**¥ 126,374**	**$ 950,180**
Conversion of convertible debentures	—	2	**2**	**16**
Redemption and cancellation of common stock (Note 13)	(400)	(1,699)	**—**	**—**
Balance at end of year	128,071	126,374	**126,376**	**950,196**
Additional paid-in capital:				
Balance at beginning of year	98,148	93,775	**75,369**	**566,684**
Conversion of convertible debentures	—	2	**3**	**23**
Redemption and cancellation of common stock (Note 13)	(4,373)	(18,408)	**—**	**—**
Balance at end of year	93,775	75,369	**75,372**	**566,707**
Legal reserve:				
Balance at beginning of year	29,624	31,964	**34,257**	**257,571**
Transfer from unappropriated retained earnings (Note 14)	2,340	2,293	**2,328**	**17,504**
Balance at end of year	31,964	34,257	**36,585**	**275,075**
Reserve for price fluctuation:				
Balance at beginning of year	12,706	15,601	**19,713**	**148,218**
Transfer from unappropriated retained earnings (Note 14)	2,895	4,112	**950**	**7,143**
Balance at end of year	15,601	19,713	**20,663**	**155,361**
Unappropriated retained earnings:				
Balance at beginning of year	960,297	1,005,481	**1,026,541**	**7,718,354**
Net income for the year	60,993	37,983	**25,981**	**195,346**
Dividends paid (Note 15)	(10,574)	(10,518)	**(10,273)**	**(77,241)**
Transfers to (Note 14):				
Legal reserve	(2,340)	(2,293)	**(2,328)**	**(17,504)**
Reserve for price fluctuation	(2,895)	(4,112)	**(950)**	**(7,143)**
Balance at end of year (Note 15)	1,005,481	1,026,541	**1,038,971**	**7,811,812**
Accumulated other comprehensive income (Notes 3, 5, 7 and 16):				
Balance at beginning of year	662,581	904,440	**714,263**	**5,370,398**
Other comprehensive income (loss), net of tax	241,859	(190,177)	**(173,458)**	**(1,304,195)**
Balance at end of year	904,440	714,263	**540,805**	**4,066,203**
Treasury stock:				
Balance at beginning of year	—	—	**—**	**—**
Purchase of common stock	—	—	**(11,603)**	**(87,241)**
Balance at end of year	—	—	**(11,603)**	**(87,241)**
Total shareholders' equity	¥2,179,332	¥1,996,517	**¥1,827,169**	**$13,738,113**

			Yen	Dollars
Cash dividends per share (Note 15)	¥6.94	¥6.94	**¥6.94**	**$0.05**

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, 2000, 2001 and 2002

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Net cash provided by operating activities (Note 17)	¥132,988	¥205,178	**¥187,442**	**$1,409,338**
Cash flows from investing activities:				
Proceeds from:				
Securities available for sale:				
Fixed maturities	395,389	289,121	**295,243**	**2,219,872**
Equity securities	209,222	97,836	**84,592**	**636,030**
Trading securities:				
Fixed maturities	280	1,944	**—**	**—**
Equity securities	5,138	1,739	**—**	**—**
Fixed maturities available for sale matured	249,451	266,059	**222,581**	**1,673,541**
Fixed maturities held to maturity matured	881	1,415	**4,100**	**30,827**
Investment real estate	121	2	**—**	**—**
Collection of:				
Mortgage loans on real estate	19,189	15,871	**29,884**	**224,692**
Policy loans	55,101	50,716	**36,947**	**277,797**
Other long-term investments	276,262	306,855	**265,020**	**1,992,632**
Purchases of:				
Securities available for sale:				
Fixed maturities	(917,590)	(689,604)	**(692,980)**	**(5,210,376)**
Equity securities	(116,551)	(89,599)	**(43,035)**	**(323,571)**
Trading securities:				
Equity securities	(4,990)	—	**—**	**—**
Securities held to maturity:				
Fixed maturities	—	(13,615)	**—**	**—**
Investments in:				
Mortgage loans on real estate	(8,074)	(7,210)	**(3,874)**	**(29,128)**
Investment real estate	(3)	(299)	**—**	**—**
Policy loans	(19,531)	(49,183)	**(36,854)**	**(277,098)**
Other long-term investments	(217,743)	(174,197)	**(185,131)**	**(1,391,962)**
Decrease in short-term investments, net	10,768	30,184	**18,002**	**135,353**
Decrease (increase) in investments in and indebtedness from affiliates	(2,815)	(1,476)	**3,039**	**22,850**
Increase in property and equipment, net	(21,864)	(4,696)	**(16,259)**	**(122,248)**
Business acquired, net of cash acquired	—	13,744	**—**	**—**
Other, net	(333)	(986)	**2,966**	**22,301**
Net cash provided by (used in) investing activities	(87,692)	44,621	**(15,759)**	**(118,488)**
Cash flows from financing activities:				
Decrease in commercial paper	(19,000)	(30,000)	**—**	**—**
Decrease in investment deposits by policyholders	(83,332)	(140,359)	**(159,054)**	**(1,195,895)**
Repayment of short-term debt	—	—	**(19,854)**	**(149,278)**
Proceeds from long-term debt	—	500	**—**	**—**
Repayment of long-term debt	—	—	**(450)**	**(3,383)**
Redemption and cancellation of common stock	(4,775)	(20,106)	**—**	**—**
Acquisition of treasury stock	—	—	**(11,598)**	**(87,203)**
Dividends paid to shareholders	(10,574)	(10,526)	**(10,328)**	**(77,654)**
Other, net	(699)	(570)	**(3)**	**(23)**
Net cash used in financing activities	(118,380)	(201,061)	**(201,287)**	**(1,513,436)**
Effect of exchange rate changes on cash and cash equivalents	(1,925)	4,275	**1,103**	**8,293**
Net change in cash and cash equivalents	(75,009)	53,013	**(28,501)**	**(214,293)**
Cash and cash equivalents at beginning of year	423,278	348,269	**401,282**	**3,017,158**
Cash and cash equivalents at end of year	¥348,269	¥401,282	**¥372,781**	**$2,802,865**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries

(1) Basis of Presentation

(a) Basis of Financial Statements and Merger

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, 2002 have been translated into United States dollars at the rate of ¥133=U.S.$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2002. This translation should not be construed as a presentation that all the amounts shown could be converted into U.S. dollars.

On October 1, 2001, Mitsui Sumitomo Insurance Company, Limited ("the Company") was formed through the merger of Mitsui Marine & Fire Insurance Company, Limited ("Mitsui") and The Sumitomo Marine & Fire Insurance Company, Limited ("Sumitomo"). The accompanying consolidated financial statements of the Company are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The merger was accounted for under the pooling-of-interests method and accordingly, the consolidated financial statements and financial information prior to the merger have been restated as if the companies had been combined for all periods presented. Certain reclassifications were made to Sumitomo's financial statements to conform to Mitsui's presentation.

The following information is reconciliation of total revenue and net income for the separate companies with amounts presented in the accompanying consolidated financial statements for the years ended March 31, 2000 and 2001, and for the six months ended September 30, 2001, the operating period of Mitsui and Sumitomo prior to the merger.

	Yen in millions		
	Years ended March 31, 2000	2001	Six months ended September 30, 2001 (unaudited)
Revenue:			
Mitsui	¥ 790,956	¥ 757,508	¥424,553
Sumitomo	639,832	680,858	378,605
Combined, as restated	¥1,430,788	¥1,438,366	¥803,158
Net income:			
Mitsui	¥ 47,918	¥ 15,364	¥ 7,104
Sumitomo	13,075	22,619	8,342
Combined, as restated	¥ 60,993	¥ 37,983	¥ 15,446

Intercompany transactions caused by reinsurance transactions were eliminated and reflected in the consolidated balance sheets.

Pursuant to the merger agreement, the Company issued 722,670,455 shares of its common stocks in exchange for all of Sumitomo's outstanding shares based on an exchange ratio of 1.09 of a share of the Company's common stock.

In connection with the merger, ¥27,457 million ($206,444 thousand) were incurred and charged to expenses in September 30, 2001. Such expenses principally consisted of system conversions and integration, various professional fees and employee-related expenses.

(b) Nature of Operation

The Company and subsidiaries operate mainly in the Japanese domestic insurance industry and sell a wide-range of various Property and Casualty Insurance products. Also, the Company sells life insurance products through a wholly-owned subsidiary. Overseas operations are conducted mostly in Southeast Asia, Europe and the United States through overseas branches and subsidiaries.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and revenues and expenses during the reporting period. As additional information becomes available, the estimates may be revised and are generally reflected in current operating results.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The significant subsidiaries include:

Mitsui Sumitomo Insurance Group Holdings (USA), Inc.
Mitsui Marine & Fire Insurance Company of America
Sumitomo Marine & Fire Insurance Company of America
Mitsui Sumitomo Insurance Company (Europe), Limited
The Sumitomo Marine & Fire Insurance
  Company (Europe) Limited

Mitsui Sumitomo Insurance (London Management) Ltd.
Mitsui Sumitomo Insurance (Singapore) Pte Ltd.
Mitsui Sumitomo Insurance Company (Hong Kong) Limited
P.T. Asuransi Mitsui Marine Indonesia
P.T. Asuransi Sumitomo Marine & Pool
Mitsui Sumitomo Seguros S.A.
Mitsui Sumitomo Reinsurance Limited
MM Reinsurance Company Limited
Mitsui Sumitomo Kirameki Life Insurance Company, Limited
MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.
MITSUI SUMITOMO INSURANCE Asset Management Co., Ltd.

All material intercompany balances and transactions have been eliminated.

Mitsui Sumitomo Insurance (Malaysia) Bhd. is a 47% owned affiliate and is accounted for under the equity method.

(b) Cash Equivalents

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

(c) Investments—Other Than Investments in Affiliates

Trading securities in short-term investments are recorded at fair value with unrealized gains and losses included in income. Securities available for sale are recorded at fair value with net unrealized gains and losses reported, net of tax, in other comprehensive income. Securities held to maturity are recorded at amortized cost. Securities which do not have readily determinable fair values are recorded at cost.

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

Mortgage loans on real estate and loans which are included in other long-term investments are generally carried at their outstanding unpaid principal balances, net of valuation allowances.

The Company follows Statement of Financial Accounting Standards (SFAS) No. 114, "Accounting by Creditors for Impairment of a Loan," and SFAS No. 118, "Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosures," which amended SFAS No. 114. These statements require that loans be classified as impaired when it is probable that the Company will be unable to collect all amounts (i.e., principal and interest) which are contractually due. The amount of the impairment is measured based on the present value of expected future cash flows discounted at the loan's original effective interest rate. These statements also permit impairment losses to be measured based on the fair value of the collateral if the loan is collateral dependent. A valuation allowance is established if the present value of expected future cash flows or the fair value of the collateral is less than the recorded investment in the loan. Interest income for impaired loans is recognized as cash is received.

On October 1, 2001, Mitsui Mirai Life Insurance Co., Ltd. ("Mitsui Mirai,"), a wholly-owned life insurance subsidiary of Mitsui merged with and into The Sumitomo Marine Yu-Yu Life Insurance Co., Ltd. ("Sumitomo Yu-Yu,"), a wholly-owned life insurance subsidiary of Sumitomo. On the merger Sumitomo Yu-Yu changed its name to Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. ("Kirameki"). In connection with the merger, fixed maturity debt securities of ¥29,574 million ($222,361 thousand) at the merger held by Mitsui Mirai were reclassified from "held to maturity" to "available for sale" to conform to an investment management policy of Kirameki. The impact of this reclassification on the financial statements is immaterial.

(d) Accounts with Foreign Branches and Agents

The amounts included in the consolidated balance sheets at March 31, 2001 and 2002 with respect to foreign branches and agents of the Company represent data within 3 months before March 31, 2001 and 2002, respectively. The consolidated statements of income likewise include amounts for the corresponding periods ended on those dates.

(e) Property and Equipment

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

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

Long-lived assets and certain identifiable intangibles held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Measurement of an impairment loss for long-lived assets and identifiable intangibles that the Company expects to hold and use are based on the fair value of the asset. Long-lived assets and certain identifiable intangibles to be disposed of are reported at the lower of carrying amount or fair value less related selling costs.

The primary assets of the Company that are subject to SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," are investment real estate and property and equipment used in the Company's daily operations.

(f) Policy Acquisition Costs

For property and casualty insurance, policy acquisition costs are deferred and amortized over the periods in which the related premiums are earned. Acquisition costs include the agent commissions and certain other costs which vary with and are directly related to the acquisition of business. Such deferred costs are limited to the excess of the unearned premiums over the sum of expected claim costs, claim adjustment expenses and policy maintenance expenses for insurance contracts other than savings-type insurance contracts. For savings-type insurance contracts, such deferred costs are limited to the excess of the unearned premiums and anticipated investment income over the sum of expected claim costs, claim adjustment expenses, committed interest and expected dividends to policyholders and policy maintenance expenses.

For life insurance, certain acquisition costs related to acquiring life insurance contracts are deferred and amortized over the expected life of the insurance contracts.

Details of policy acquisition costs are as follows:

(Property and casualty insurance)

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Deferred at				
beginning of year	¥271,407	¥271,418	**¥278,259**	**$2,092,173**
Capitalized during year:				
Commissions				
and brokerage	201,183	205,624	**206,674**	**1,553,940**
Salaries and other				
compensation	93,882	94,236	**94,308**	**709,083**
Other underwriting costs	79,695	71,105	**48,723**	**366,338**
	374,760	370,965	**349,705**	**2,629,361**
Amortized during year	(374,749)	(364,124)	**(325,961)**	**(2,450,835)**
Deferred at end of year	¥271,418	¥278,259	**¥302,003**	**$2,270,699**

(Life insurance)

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Deferred at				
beginning of year	¥12,222	¥19,058	**¥26,059**	**$195,932**
Capitalized during year	9,932	10,397	**13,598**	**102,240**
Amortized during year	(3,096)	(3,396)	**(4,910)**	**(36,917)**
Deferred at end of year	¥19,058	¥26,059	**¥34,747**	**$261,255**

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

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

Liabilities for reported and estimated losses and claims and for related adjustment expenses for property and casualty insurance contracts are based upon the accumulation of case estimates for losses and related adjustment expenses reported prior to the close of the accounting period on direct and assumed business. Provision has also been made based upon past experience for unreported losses and for adjustment expenses not identified with specific claims. The Company believes that the reserves for unpaid losses and adjustment expenses at March 31, 2001 and 2002 are adequate to cover the ultimate cost of losses and claims incurred to those dates, but the provisions are necessarily based on estimates and no representation is made that the ultimate liability may not exceed or be less than such estimates.

For life insurance contracts, reserves for future policy benefits are determined by the net level premium method. Assumed interest rates range from 1.25% to 3.10%. Anticipated rates of mortality are based on the 1996

Mortality Table modified by the recent experience of Japanese life insurance companies.

(h) Insurance Revenue Recognition

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

(i) Reinsurance

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

(j) Income Taxes

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

(k) Compulsory Automobile Liability Insurance

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

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

In the accompanying consolidated financial statements, which are presented in accordance with U.S. GAAP, earned premiums of ¥84,975 million in 2000, ¥86,037 million in 2001 and ¥87,676 million ($659,218 thousand) in 2002 from underwriting compulsory automobile liability insurance were recognized.

(l) Foreign Currency Translation

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

Losses resulting from foreign currency transactions in the amount of ¥1,961 million in 2000, ¥488 million in 2001 and gains in the amount of ¥1,598 million ($12,015 thousand) in 2002, are included in other expenses in the accompanying consolidated statements of income.

(m) Derivatives

The Company has entered into a variety of derivative instruments such as interest futures, forwards, options, interest and currency swaps and non-derivative instruments such as weather derivatives to generate trading revenues and fee income.

The Company has also entered into foreign exchange agreements, interest rate agreements, currency swap agreements and other agreements to control and stabilize currency, interest rate and market price exposures. These instruments include foreign currency forward contracts, currency swap agreements, interest rate swap agreements and stock price option contracts.

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities," and SFAS No. 138, "Accounting for Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS No. 133," on April 1, 2001. On the adoption, all derivatives were recognized on the balance sheet at their fair value. The adoption of SFAS Nos. 133 and 138 resulted in the Company recording a net transition adjustment loss of ¥540 million ($4,060 thousand) (net of related income tax of ¥303 million ($2,278 thousand)) in net income and a net transition adjustment loss of ¥243 million ($1,827 thousand) (net of related income tax of ¥136 million ($1,023 thousand)) in accumulated other comprehensive income at April 1, 2001. Furthermore, the adoption of SFAS No. 133 resulted in the Company recognizing ¥2,720 million ($20,451 thousand) of derivative instrument liabilities and increased the carrying amounts of hedged assets by ¥1,675 million ($12,594 thousand).

On the date the derivative contract is entered into, the Company designates the derivatives as (1) a hedge of change in a recognized asset or liability ("fair-value hedge"), (2) a hedge of variability of cash flow ("cash-flow hedge") or (3) a hedge of foreign-currency risk ("foreign-currency hedge"). The Company documents all relationships between hedging instruments and hedged items, as well as its risk-management objectives for undertaking various hedge transactions. The Company assesses, both at the hedge's inception and ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of hedged items. A hedging relationship is considered highly effective when the changes in the fair value or cash flow of the hedged item are within a ratio of 80%–125%. If the result of the assessment is considered not highly effective, the Company discontinues hedge accounting. In that case, for the fair-value hedge, the related derivative continues to be carried at fair value on the balance sheet and a change in fair value is recognized in earnings and no longer adjusts the hedged assets or liabilities for change in fair value. The adjustments of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. For the cash-flow hedge, including foreign-currency cash-flow hedge, the related derivative continues to be carried at fair value on the balance sheet and gains or losses that were previously recognized and accumulated in other comprehensive income (loss) are reclassified immediately in earnings. If the derivative expires or is sold, terminated, or exercised, for the cash-flow hedge, including foreign-currency cash-flow hedge, gains or losses that were previously recognized and accumulated in other comprehensive income (loss) are reclassified in earnings when gains or losses are impacted by the variability of cash flow of the hedged item. In all other situations in which hedge accounting is discontinued, the derivatives are carried at fair value on the balance sheet, and any changes in its fair value are recognized in earnings.

Fair-value hedge

Changes in the fair value of derivative that is highly effective and qualifies as a fair-value hedge are recorded in earnings as realized gains on investments. In 2002, ¥1,913 million ($14,383 thousand) in losses, net of tax, were recognized in earnings. There was no amount of the hedge's ineffectiveness or components of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness on fair-value hedges.

Cash-flow hedge

Changes in the fair value of a derivative that is highly effective and qualifies as a cash-flow hedge are recorded in other comprehensive income (loss). In 2002, there was no amount of the hedge's ineffectiveness or components of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness on cash-flow hedges. In 2002,

¥111 million ($835 thousand) were reclassified in earnings as realized losses on investments that were reported in accumulated other comprehensive income for the year ended March 31, 2001. The Company estimates that the net amount of the existing losses at March 31, 2002 that will be reclassified into earnings within the next 12 months is ¥28 million ($211 thousand).

Foreign-currency hedge

Changes in the fair value of derivative that is highly effective and qualifies as a foreign-currency hedge are recorded in earnings or other comprehensive income, depending on whether the hedge transaction is a fair-value hedge or a cash-flow hedge. There was no amount of the hedge's ineffectiveness or components of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness on fair-value hedges.

Prior to the adoption of SFAS No. 133, the Company entered into two types of derivative instruments, trading and other-than trading. Trading derivatives are carried at fair value and changes in fair value were recorded in earnings as realized gains on investments. Gains and losses on foreign exchange and futures instruments caused by other-than trading derivatives are recognized in the same period in which gains or losses from the transaction being hedged are recognized. The difference to be paid or received on interest rate swap agreements of other-than trading derivatives is recognized over the life of the agreement.

(n) Net Income per Share

SFAS No. 128 "Earnings per Share (EPS)" requires dual presentation of basic and diluted EPS with an appropriate reconciliation of both computations. (See Note 13.) Basic EPS is computed based on the average number of shares of common stock outstanding during each period. Diluted EPS assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

(o) Reclassification

Certain amounts as of and for the years ended March 31, 2000 and 2001 have been reclassified in the accompanying consolidated financial statements to conform with the March 31, 2002 presentation.

(p) Future Application of New Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets." This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinions No. 17, "Intangible Assets." It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. SFAS No. 142 also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The Company will adopt SFAS No. 142 for the year ending March 31, 2003 as permitted.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 applies to legal obligations related to the retirement of long-lived assets that result from the acquisition, construction, and development and (or) the normal operation of long-lived assets, except for certain obligation of lessees. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as a part of the carrying amounts of the long-lived asset and subsequently allocated to expenses over the asset's useful life. The Company will adopt SFAS No. 143 on April 1, 2003. The Company is in the process of assessing the impact from the implementation of SFAS No. 143.

In August 2001, the FASB issued SFAS No. 144, which supersedes both SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and APB Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of business. SFAS No. 144 retains the fundamental provisions in SFAS No. 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale. SFAS No. 144 also retains the basic provisions of APB Opinion No. 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of equity. The Company adopted SFAS No. 144 on April 1, 2002. The adoption of SFAS No. 144 did not have a significant impact on the Company's financial position and results of the operation.

(3) Investments

The amortized cost of fixed maturity securities or purchase cost of equity securities and money trusts and related fair values were as follows:

(Securities held to maturity)

				Yen in millions
March 31, 2001:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
U.S. government and government agencies and authorities	¥ 198	¥ 2	¥ —	¥ 200
Governments and government agencies and authorities other than U.S.	12,627	1,023	—	13,650
Municipalities and political subdivisions other than U.S.	9,078	481	(1)	9,558
Other corporate bonds	39,633	1,601	(15)	41,219
Total securities held to maturity	¥61,536	¥3,107	¥(16)	¥64,627

				Yen in millions
March 31, 2002:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
U.S. government and government agencies and authorities	**¥ 212**	**¥ —**	**¥—**	**¥ 212**
Governments and government agencies and authorities other than U.S.	**50**	**—**	**—**	**50**
Other corporate bonds	**4,286**	**508**	**—**	**4,794**
Total securities held to maturity	**¥4,548**	**¥508**	**¥—**	**¥5,056**

				Dollars in thousands
March 31, 2002:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
U.S. government and government agencies and authorities	**$ 1,594**	**$ —**	**$—**	**$ 1,594**
Governments and government agencies and authorities other than U.S.	**376**	**—**	**—**	**376**
Other corporate bonds	**32,225**	**3,820**	**—**	**36,045**
Total securities held to maturity	**$34,195**	**$3,820**	**$—**	**$38,015**

(Securities available for sale)

				Yen in millions
March 31, 2001:	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Book Value/ Fair Value
Fixed maturity securities:				
U.S. government and government agencies and authorities	¥ 61,999	¥ 11,750	¥ (70)	¥ 73,679
U.S. states, municipalities and political subdivisions	—	—	—	—
Other governments and government agencies and authorities	199,938	15,342	(259)	215,021
Other municipalities and political subdivisions	711,315	45,748	(593)	756,470
Convertibles and bonds with warrants attached	91,264	3,974	(8)	95,230
Other corporate bonds	1,331,205	78,561	(8,600)	1,401,166
Total fixed maturity securities	2,395,721	155,375	(9,530)	2,541,566
Equity securities	1,114,277	1,399,117	(59,999)	2,453,395
Total securities available for sale	¥3,509,998	¥1,554,492	¥(69,529)	¥4,994,961

				Yen in millions
March 31, 2002:	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Book Value/ Fair Value
Fixed maturity securities:				
U.S. government and government agencies and authorities	**¥ 74,410**	**¥ 9,972**	**¥ (52)**	**¥ 84,330**
U.S. municipalities and political subdivisions	**5**	**0**	**—**	**5**
Other governments and government agencies and authorities	**313,296**	**17,322**	**(2,937)**	**327,681**
Other municipalities and political subdivisions	**1,016,825**	**70,849**	**(1,049)**	**1,086,625**
Convertibles and bonds with warrants attached	**79,065**	**1,965**	**(94)**	**80,936**
Other corporate bonds	**1,143,084**	**45,462**	**(4,412)**	**1,184,134**
Total fixed maturity securities	**2,626,685**	**145,570**	**(8,544)**	**2,763,711**
Equity securities	**1,055,508**	**1,070,791**	**(25,304)**	**2,100,995**
Total securities available for sale	**¥3,682,193**	**¥1,216,361**	**¥(33,848)**	**¥4,864,706**

March 31, 2002:	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Book Value/ Fair Value
	Dollars in thousands			
Fixed maturity securities:				
U.S. government and government agencies and authorities	$ 559,473	$ 74,978	$ (391)	$ 634,060
U.S. municipalities and political subdivisions	37	0	—	37
Other governments and government agencies and authorities	2,355,609	130,241	(22,083)	2,463,767
Other municipalities and political subdivisions	7,645,301	532,699	(7,887)	8,170,113
Convertibles and bonds with warrants attached	594,474	14,774	(707)	608,541
Other corporate bonds	8,594,617	341,820	(33,173)	8,903,264
Total fixed maturity securities	19,749,511	1,094,512	(64,241)	20,779,782
Equity securities	7,936,150	8,051,060	(190,255)	15,796,955
Total securities available for sale	$27,685,661	$9,145,572	$(254,496)	$36,576,737

(Trading securities)

March 31, 2001:	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Book Value/ Fair Value
	Yen in millions			
Money trusts included in short-term investments	¥53,346	¥1,564	¥(4,809)	¥50,101

March 31, 2002:	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Book Value/ Fair Value
	Yen in millions			
Money trusts included in short-term investments	¥42,942	¥1,486	¥(6,035)	¥38,393

March 31, 2002:	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Book Value/ Fair Value
	Dollars in thousands			
Money trusts included in short-term investments	$322,872	$11,173	$(45,376)	$288,669

The current change in net unrealized losses on trading securities of ¥4,714 million and ¥1,303 million ($9,797 thousand) have been included in earnings for the years ended March 31, 2001 and 2002, respectively.

The amortized cost and fair values of investments in fixed maturity securities held to maturity and available for sale at March 31, 2002 by contractual maturity were as follows:

(Securities held to maturity)

2002:	Yen in millions: Amortized Cost	Yen in millions: Fair Value	Dollars in thousands: Amortized Cost	Dollars in thousands: Fair Value
Due within one year	¥3,613	¥4,121	$27,165	$30,985
Due after one year through five years	935	935	7,030	7,030
Due after five years through ten years	—	—	—	—
Due after ten years	—	—	—	—
	¥4,548	¥5,056	$34,195	$38,015

(Securities available for sale)

2002:	Yen in millions: Amortized Cost	Yen in millions: Fair Value	Dollars in thousands: Amortized Cost	Dollars in thousands: Fair Value
Due within one year	¥ 214,691	¥ 216,876	$ 1,614,218	$ 1,630,647
Due after one year through five years	1,282,688	1,372,025	9,644,271	10,315,977
Due after five years through ten years	971,764	1,007,144	7,306,496	7,572,511
Due after ten years	157,542	167,666	1,184,526	1,260,647
	¥2,626,685	¥2,763,711	$19,749,511	$20,779,782

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

The methods of determining the fair value of the Company's fixed maturity and equity securities are described in Note 11.

Gross unrealized gains and losses from investments were as follows for the years ended March 31:

2000:	Fixed Maturities	Equity Securities	Other Investments	Total Gains
	Yen in millions			
Realized gains (losses)	¥(11,998)	¥ 77,612	¥ (582)	¥ 65,032
Unrealized gains (losses)	(51,958)	432,003	1,193	381,238
Combined realized and unrealized gains (losses)	¥(63,956)	¥509,615	¥ 611	¥446,270

2001:	Fixed Maturities	Equity Securities	Other Investments	Total Gains (Losses)
	Yen in millions			
Realized gains (losses)	¥ (716)	¥ 34,610	¥(3,632)	¥ 30,262
Unrealized gains (losses)	103,732	(394,618)	(1,178)	(292,064)
Combined realized and unrealized gains (losses)	¥103,016	¥(360,008)	¥(4,810)	¥(261,802)

2002:	Fixed Maturities	Equity Securities	Other Investments	Total Losses
	Yen in millions			
Realized gains (losses)	¥ (3,536)	¥ (8,961)	¥ 5,179	¥ (7,318)
Unrealized gains (losses)	(9,916)	(293,631)	5,872	(297,675)
Combined realized and unrealized gains (losses)	¥(13,452)	¥(302,592)	¥11,051	¥(304,993)

2002:	Fixed Maturities	Equity Securities	Other Investments	Total Losses
	Dollars in thousands			
Realized gains (losses)	$ (26,586)	$ (67,376)	$38,940	$ (55,022)
Unrealized gains (losses)	(74,557)	(2,207,751)	44,150	(2,238,158)
Combined realized and unrealized gains (losses)	$(101,143)	$(2,275,127)	$83,090	$(2,293,180)

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

2001:	Fixed Maturities	Equity Securities	Other Investments	Total Gains (Losses)
	Yen in millions			
Gross unrealized gains	¥145,845	¥1,339,118	¥92	¥1,485,055
Unamortized unrealized gains on securities transferred in 2001 to held to maturity	1,097			1,097
Deferred income taxes				(741,064)
Net unrealized gains				¥ 745,088

2002:	Fixed Maturities	Equity Securities	Other Investments	Total Gains (Losses)
	Yen in millions			
Gross unrealized gains	¥137,026	¥1,045,487	¥5,964	¥1,188,477
Deferred income taxes				(631,419)
Net unrealized gains				¥ 557,058

2002:	Fixed Maturities	Equity Securities	Other Investments	Total Gains (Losses)
	Dollars in thousands			
Gross unrealized gains	$1,030,271	$7,860,805	$44,842	$8,935,918
Deferred income taxes				(4,747,512)
Net unrealized gains				$4,188,406

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

(Fixed maturity securities)

	Yen in millions 2000	2001	2002	Dollars in thousands 2002
Gross realized gains	¥ 7,646	¥ 9,858	¥ 11,297	$ 84,940
Gross realized losses	(19,859)	(10,230)	(10,374)	(78,000)
Net realized gains (losses)	¥ (12,213)	¥ (372)	¥ 923	$ 6,940
Proceeds from fixed maturity securities	¥395,389	¥289,121	¥295,243	$2,219,872

(Equity securities)

	Yen in millions 2000	2001	2002	Dollars in thousands 2002
Gross realized gains	¥ 97,455	¥53,960	¥40,787	$306,669
Gross realized losses	(19,843)	(11,880)	(6,107)	(45,917)
Net realized gains	¥ 77,612	¥42,080	¥34,680	$260,752
Proceeds from equity securities	¥209,222	¥97,836	¥84,592	$636,030

Bonds carried at ¥9,489 million at March 31, 2001 and ¥16,244 million ($122,135 thousand) at March 31, 2002, short-term investments carried at ¥2,411 million at March 31, 2001 and ¥1,554 million ($11,684 thousand) at March 31, 2002 and cash equivalents carried at ¥1,546 million at March 31, 2001 and ¥3,883 million ($29,195 thousand) at March 31, 2002 were deposited with certain foreign government authorities and certain other parties as required by law and/or for other purposes.

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

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

Other long-term investments included the following as of March 31:

	Yen in millions 2001	2002	Dollars in thousands 2002
Mortgage loans on vessels and facilities	¥ 11,269	¥ 6,531	$ 49,105
Collateral and guaranteed loans	323,443	286,334	2,152,887
Unsecured loans	431,186	392,399	2,950,368
Other investments	3,438	1,352	10,166
	¥769,336	¥686,616	$5,162,526

Mortgage loans on vessels and facilities are generally joint loans in which other financial institutions participate. The Company participates in the hull insurance on these vessels.

Collateral loans are made generally to commercial enterprises and are secured principally by listed stocks and/or bonds of Japanese corporations. A portion of the loans is made jointly with other insurance companies.

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

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

Short-term investments included the following as of March 31:

	Yen in millions		Dollars in thousands
	2001	**2002**	**2002**
Money trust	¥ 50,101	**¥38,393**	**$288,669**
Invested cash	55,198	**48,350**	**363,534**
Other	—	**1,743**	**13,105**
	¥105,299	**¥88,486**	**$665,308**

Call loans are short-term (overnight to three weeks) loans made to money market dealers and banks or securities houses through money market dealers. Call loans to money market dealers are secured by Japanese government bonds. Call loans to banks or securities houses are unsecured. The balance of call loans included in cash and cash equivalents as of March 31, 2001 and 2002 were ¥20,225 million and ¥328 million ($2,466 thousand), respectively.

The total recorded investment in impaired loans and the amount of the total valuation allowance at March 31, 2001 and 2002 were as follows:

	Yen in millions		Dollars in thousands
	2001	**2002**	**2002**
Recorded investment in impaired loans:			
Mortgage loans on real estate	¥ 5,648	**¥ 1,627**	**$ 12,233**
Mortgage loans on vessels and facilities	54	**44**	**331**
Collateral and guarantee loans	7,111	**859**	**6,458**
Unsecured loans	36,728	**31,931**	**240,083**
	¥49,541	**¥34,461**	**$259,105**
Valuation allowance:			
Mortgage loans on real estate	¥ 2,857	**¥ 196**	**$ 1,473**
Mortgage loans on vessels and facilities	0	**—**	**—**
Collateral and guarantee loans	1,870	**77**	**579**
Unsecured loans	20,951	**14,477**	**108,850**
	¥25,678	**¥14,750**	**$110,902**

An analysis of activity in the total allowance for credit losses related to loans during the years ended March 31, 2000, 2001 and 2002 is as follows:

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Balance at beginning of year	¥80,302	¥52,183	**¥37,356**	**$280,872**
Credits to income	(4,391)	(2,310)	**(17,220)**	**(129,474)**
Principal charge-offs	(23,728)	(12,517)	**(1,433)**	**(10,774)**
Balance at end of year	¥52,183	¥37,356	**¥18,703**	**$140,624**

Total allowance for credit losses related to loans in the years ended March 31, 2000, 2001 and 2002 includes an allowance for doubtful accounts in the amount of ¥13,825 million, ¥11,677 million and ¥3,953 million ($29,722 thousand), respectively, relating to loans which were not categorized in the above impaired loans. This allowance for doubtful accounts has been calculated by multiplying actual bad debt ratios computed based on the actual bad debt amount during the past period against outstanding balances.

The average recorded investment in impaired loans was approximately ¥89,664 million, ¥72,755 million and ¥42,001 million ($315,797 thousand) in the years ended March 31, 2000, 2001 and 2002, respectively. The Company recognized interest income from impaired loans of ¥1,041 million, ¥665 million and ¥716 million ($5,383 thousand) in the years ended March 31, 2000, 2001 and 2002, respectively, on a cash basis.

Other long-term investments include loans of ¥1,880 million in the year ended March 31, 2001 and ¥5,412 million ($40,692 thousand) in the year ended March 31, 2002 which had been non-income producing for the twelve months preceding each balance sheet date.

The components of net investment income were as follows for the years ended March 31:

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Interest on fixed maturities	¥ 65,973	¥ 74,134	**¥ 75,796**	**$ 569,895**
Dividends from equity securities	23,629	25,487	**28,523**	**214,459**
Interest on mortgage loans on real estate	2,075	1,847	**1,157**	**8,699**
Rent from investment real estate	9,862	8,319	**7,946**	**59,744**
Interest on policy loans	1,413	1,280	**1,232**	**9,263**
Interest on other long-term investments	26,702	22,744	**17,978**	**135,173**
Interest on short-term investments	9,745	3,056	**1,936**	**14,556**
Interest on call loans	14	134	**16**	**121**
Others	2,283	8,093	**3,238**	**24,346**
Gross investment income	141,696	145,094	**137,822**	**1,036,256**
Less investment expenses	12,748	7,784	**13,793**	**103,707**
Net investment income	¥128,948	¥137,310	**¥124,029**	**$ 932,549**

In accordance with the Company's internal policy, the Company utilized numerous counterparties to ensure that there is no significant concentration of credit risk with any individual counterparties or group of counterparties.

(4) Property and Equipment

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

	Yen in millions		Dollars in thousands
	2001	**2002**	**2002**
Land	¥ 92,063	**¥ 84,524**	**$ 635,519**
Buildings	289,909	**288,124**	**2,166,346**
Furniture and equipment	112,208	**111,868**	**841,113**
Construction in progress	884	**792**	**5,955**
	495,064	**485,308**	**3,648,933**
Less accumulated depreciation	224,481	**231,841**	**1,743,166**
	¥270,583	**¥253,467**	**$1,905,767**

(5) Income Taxes

Total income taxes for the years ended March 31, 2000, 2001 and 2002 were allocated as follows:

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Taxes on income	¥ 29,608	¥ 15,977	**¥ 25,952**	**$ 195,128**
Taxes on other comprehensive income (loss):				
Foreign currency translation adjustment	(799)	1,534	**—**	**—**
Net unrealized gains (losses) on investments	137,461	(105,205)	**(109,645)**	**(824,399)**
Net gain on derivative investments	—	—	**479**	**3,602**
Minimum pension liability adjustment	1,026	(3,385)	**4,881**	**36,699**
	¥167,296	¥ (91,079)	**¥ (78,333)**	**$(588,970)**

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a normal tax rate of approximately 36%.

The effective tax rates of the Company for the years ended March 31, 2000, 2001 and 2002 differed from the Japanese normal income tax rates for the following reasons:

	2000	2001	**2002**
Japanese normal income tax rate	36.0%	36.0%	**36.0%**
Tax credit for dividends received	(4.4)	(8.5)	**(7.0)**
Expenses not deductible for tax purposes	1.7	2.8	**3.0**
Change in valuation allowance	(0.3)	(0.6)	**13.9**
Other	(0.3)	(0.2)	**3.4**
Effective tax rate	32.7%	29.5%	**49.3%**

The tax effects of temporary differences that gave rise to significant portions of deferred tax assets and deferred tax liabilities at March 31, 2001 and 2002 were as follows:

	Yen in millions		Dollars in thousands
	2001	**2002**	**2002**
Deferred tax liability applicable to unrealized gains on investments	¥536,044	**¥425,529**	**$3,199,466**

	Yen in millions		Dollars in thousands
	2001	**2002**	**2002**
Deferred taxes applicable to other items:			
Deferred tax assets:			
Reported and estimated losses and claims	¥ 13,550	**¥ 4,020**	**$ 30,226**
Adjustment expenses	7,041	**6,533**	**49,120**
Retirement and severance benefits	51,357	**46,388**	**348,782**
Computer software development costs	16,686	**14,708**	**110,586**
Impairment losses	50,889	**40,429**	**303,977**
Gains on sales of investments not recognized for financial statement purposes	95,395	**72,631**	**546,098**
Tax credit carryforwards	1,132	**178**	**1,338**
Other	11,891	**10,704**	**80,482**
Total gross deferred tax assets	247,941	**195,591**	**1,470,609**
Less valuation allowance	962	**8,884**	**66,797**
Net deferred tax assets	246,979	**186,707**	**1,403,812**
Deferred tax liabilities:			
Unearned premiums	37,048	**33,685**	**253,271**
Deferred policy acquisition costs	109,320	**120,426**	**905,459**
Property and equipment	9,782	**3,913**	**29,421**
Impairment of investments not recognized for financial statement purposes	81,141	**32,555**	**244,774**
Other	675	**109**	**819**
Total gross deferred tax liabilities	237,966	**190,688**	**1,433,744**
Net deferred tax (assets) liabilities	¥ (9,013)	**¥ 3,981**	**$ 29,932**

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

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, and based on the uncertainty of future reversal of temporary differences, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the recorded valuation allowances, at March 31, 2001 and 2002.

A valuation allowance was provided for the net operating losses of life insurance subsidiary, Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. and impaired losses on real estate as cumulative losses create uncertainly about the realization of the tax benefits in the future. A valuation allowance for the net operating losses of the subsidiary was ¥962 million and ¥78 million ($586 thousand) as of March 31, 2001 and 2002, respectively, and a valuation allowance for impaired losses on real estate was ¥8,806 million ($66,211 thousand) as of March 31, 2002. The net change in total valuation allowance for the years ended March 31, 2000, 2001 and 2002 was a decrease of ¥647 million, ¥280 million and ¥7,922 million ($59,564 thousand) for 2000, 2001 and 2002, respectively.

At March 31, 2002, the life insurance subsidiary had net operating loss carryforwards for income tax purposes of ¥495 million ($3,722 thousand), which are available to offset future taxable income, if any. Such loss carryforwards will begin to expire in the year ended March 31, 2003.

(6) Short-term Debt and Long-term Debt

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

	Yen in millions		Dollars in thousands
	2001	**2002**	**2002**
2.1% Japanese yen convertible debentures, due 2002	¥ 2,596	**¥ —**	**$ —**
1.1% Japanese yen convertible debentures, due 2002	17,263	**—**	**—**
1.6% Japanese yen convertible debentures, due 2003	12,850	**12,850**	**96,617**
0.7% Japanese yen convertible debentures, due 2003	49,998	**49,998**	**375,925**
1.2% Japanese yen convertible debentures, due 2004	22,250	**22,250**	**167,293**
Bank loans with weighted average interest of 1.75%, due 2002, 2003 and 2004	2,000	**1,550**	**11,654**
	106,957	**86,648**	**651,489**
Less current portion classified as short-term debt	20,559	**64,148**	**482,316**
Total long-term debt	¥ 86,398	**¥22,500**	**$169,173**

The 1.6% Japanese yen convertible debentures are currently convertible into approximately 13,472,000 shares of common stock at the conversion price of ¥953.80 ($7.17) per share. These debentures are redeemable at the option of the Company to March 28, 2003 at premiums ranging from 6% to 1% and at par thereafter.

The 0.7% Japanese yen convertible debentures are currently convertible into approximately 60,464,000 shares of common stock at the conversion price of ¥826.90 ($6.22) per share. These debentures are redeemable at the option of the Company to March 30, 2003 at premiums ranging from 3% to 1% and at par thereafter.

The 1.2% Japanese yen convertible debentures are currently convertible into approximately 33,313,000 shares of common stock at the conversion price of ¥667.9 ($5.02) per share. These debentures are redeemable at the option of the Company to March 30, 2004 at premiums ranging from 3% to 1% and at par thereafter.

(7) Retirement and Severance Benefits

The Company has an unfunded lump-sum payment benefit plan and funded non-contributory pension plan covering substantially all employees. Under the plan, employees are entitled to lump-sum or annuity payments based on the current rate of pay and length of service at retirement or termination of employment for reasons other than dismissal for cause. Directors and statutory auditors are not covered by the above plan and their benefits are accrued as earned.

In addition to the plans described above, substantially all employees of the Company are covered by a funded pension plan whose benefits are based on length of service and certain other factors and include a portion representing the governmental social security welfare pension.

The components of net periodic benefit cost for the years ended March 31, 2000, 2001 and 2002 were as follows:

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Components of net periodic benefit cost:				
Service cost	¥11,141	¥12,604	**¥13,076**	**$ 98,316**
Interest cost	9,428	9,347	**9,440**	**70,977**
Expected return on plan assets	(4,999)	(5,170)	**(5,831)**	**(43,842)**
Amortization of net obligation at transition	3,985	3,985	**2,392**	**17,985**
Amortization of prior service cost	716	717	**(500)**	**(3,759)**
Recognized actuarial loss	1,476	1,149	**1,183**	**8,895**
Net periodic benefit cost	¥21,747	¥22,632	**¥19,760**	**$148,572**

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets are as follows for the years ended March 31:

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Change in benefit obligations:				
Benefit obligations at beginning of year	¥ 295,035	¥ 315,024	**¥ 326,907**	**$ 2,457,948**
Service cost	11,141	12,604	**13,076**	**98,316**
Interest cost	9,428	9,347	**9,440**	**70,977**
Plan participants' contributions	1,415	1,405	**1,316**	**9,895**
Plan amendments	—	—	**(30,104)**	**(226,346)**
Actuarial loss (gains)	7,069	(1,915)	**13,635**	**102,518**
Benefits paid	(9,064)	(9,558)	**(12,435)**	**(93,496)**
Benefit obligations at end of year	¥ 315,024	¥ 326,907	**¥ 321,835**	**$ 2,419,812**
Change in plan assets:				
Fair value of plan assets at beginning of year	¥ 120,696	¥ 147,716	**¥ 143,267**	**$ 1,077,196**
Actual return on plan assets	17,320	(10,867)	**(12,599)**	**(94,729)**
Employer contributions	12,436	9,703	**12,146**	**91,323**
Plan participants' contributions	1,415	1,405	**1,316**	**9,895**
Benefits paid	(4,151)	(4,690)	**(4,897)**	**(36,820)**
Fair value of plan assets at end of year	¥ 147,716	¥ 143,267	**¥ 139,233**	**$ 1,046,865**
Funded status	¥(167,308)	¥(183,640)	**¥(182,602)**	**$(1,372,947)**
Unrecognized actuarial loss	33,462	46,434	**77,838**	**585,248**
Unrecognized prior service cost being recognized over 15 years	9,272	8,556	**(21,047)**	**(158,248)**
Unrecognized net obligation at transition over 15 years	6,377	2,392	**—**	**—**
Net amount recognized	¥(118,197)	¥(126,258)	**¥(125,811)**	**$ (945,947)**
Amounts recognized in the balance sheets consist of:				
Retirement and severance benefits	¥(151,011)	¥(167,758)	**¥(145,195)**	**$(1,091,692)**
Intangible assets	9,272	8,556	**—**	**—**
Accumulated other comprehensive income, gross of tax	23,542	32,944	**19,384**	**145,745**
Net amount recognized	¥(118,197)	¥(126,258)	**¥(125,811)**	**$ (945,947)**

	2000	2001	**2002**
Actuarial assumptions:			
Discount rate	3.50%	3.00%	**2.50%**
Expected long-term return rate on plan assets	3.47	3.70	**4.07**
Rate of increase in future compensation	3.63	3.63	**3.00**

(8) Investment Deposits by Policyholders

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

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

It is regarded as a total loss when an aggregate amount of claims paid in connection with accidents covered by the policy occur within any one insurance year during the policy terms of insurance, regardless of whether claims are caused by one or more accidents, and reaches the insured amount covered by the policy. If a total loss occurs, the policy is immediately terminated. The annual frequency of total loss of major savings-type insurance contracts ranges from 0.04% to 0.26%.

The contractual rate of interest credited to the policy varies by product and is established at the beginning of the policy. The committed interest rate cannot be changed by the Company at any time during the policy term. Committed interest rates ranged from 0.2% to 1.5% for the years ended March 31, 2000, 2001 and 2002.

Premiums paid for the indemnity portion are allocated to income ratably over the terms of the related insurance contract. Premiums paid for the saving portion is credited to investment deposits by policyholders. Investment income on policyholder deposits is credited to investment income. Interest credited to investment deposits by policyholders is charged to income and presented as investment income credited to investment deposits by policyholders in the accompanying consolidated statements of income. When a total loss occurs, the remaining balance in investment deposits by policyholders corresponding to the total loss contract is reversed and recorded as premium revenue. The investment returns that exceed or fall short of the committed interest rate are credited or charged to investment income.

(9) Reinsurance

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. The Company cedes to reinsurers a portion of the risks it underwrites and pays reinsurance premiums to the reinsurers based upon the risks subject to reinsurance. Although a reinsurer is liable to the Company to the extent of the risks assumed, the Company remains liable as the direct insurer to policyholders on all such risks. The Company utilizes a variety of reinsurance arrangements, which are classified into two basic types: proportional reinsurance and excess-of-loss reinsurance. Proportional reinsurance is the type of reinsurance where the share of claims carried is proportionate to the share of premiums received. This type of reinsurance is used as a means to limit a loss amount on an individual-risk basis. Excess-of-loss type of reinsurance indemnifies the ceding company against a specified level of losses on underlying insurance policies in excess of a specified agreed amount. Excess-of-loss reinsurance is usually arranged in layers to secure greater capacity by offering various levels of risk exposure with different terms for reinsurers with different preferences. Reinsurance contracts do not relieve the Company from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company.

Because of the large amount of funds held by the Company under reinsurance treaties, the Company's favorable experience with its reinsurers and the fact that the Japanese government stands as reinsurer on 60% of compulsory automobile liability insurance, no material amount is believed to be uncollectible and no provision has been made for this contingency.

At March 31, 2002, there were no significant concentrations with a single reinsurer for reinsurance receivables and prepaid reinsurance premiums.

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

(Property and casualty insurance)

	Yen in millions			Dollars in thousands
Premiums	2000	2001	**2002**	**2002**
Written:				
Direct	¥1,263,209	¥1,315,492	**¥1,335,943**	**$10,044,684**
Assumed	98,668	94,670	**139,908**	**1,051,940**
Ceded	(204,081)	(214,712)	**(243,851)**	**(1,833,466)**
Net premiums written	¥1,157,796	¥1,195,450	**¥1,232,000**	**$ 9,263,158**
Earned:				
Direct	¥1,241,610	¥1,263,894	**¥1,291,185**	**$ 9,708,158**
Assumed	110,936	99,717	**128,625**	**967,105**
Ceded	(211,348)	(209,186)	**(237,135)**	**(1,782,970)**
Net premiums earned	¥1,141,198	¥1,154,425	**¥1,182,675**	**$ 8,892,293**

	Yen in millions			Dollars in thousands
Losses and claims incurred	2000	2001	**2002**	**2002**
Direct	¥699,813	¥754,365	**¥752,202**	**$5,655,654**
Assumed	100,613	95,346	**101,821**	**765,572**
Ceded	(179,690)	(185,856)	**(204,739)**	**(1,539,391)**
Net losses and claims incurred	¥620,736	¥663,855	**¥649,284**	**$4,881,835**

(Life insurance)

	Yen in millions			Dollars in thousands
Premiums earned	2000	2001	**2002**	**2002**
Direct premiums	¥95,960	¥116,752	**¥137,565**	**$1,034,323**
Reinsurance ceded	(350)	(383)	**(241)**	**(1,812)**
Net premiums earned	¥95,610	¥116,369	**¥137,324**	**$1,032,511**

	Yen in millions			Dollars in thousands
Policyholder benefits	2000	2001	**2002**	**2002**
Direct	¥80,492	¥97,905	**¥120,849**	**$908,639**
Reinsurance ceded	(506)	(601)	**(122)**	**(917)**
Net policyholder benefits	¥79,986	¥97,304	**¥120,727**	**$907,722**

(10) Derivative Financial Instruments

The Company has various derivative financial instruments. These instruments involve, to varying degrees, elements of credit, interest rate and market price risk in excess of the amount recognized in the accompanying consolidated balance sheets.

The Company has entered into futures, forwards, options, swaps, credit derivatives and other contracts to generate trading revenues and fee income.

The Company has also entered into foreign exchange agreements, interest rate agreements, currency swap agreements and other agreements to hedge currency, interest rate and market price exposures. These instruments include foreign currency forward contracts, currency swap agreements, stock price option contracts and futures agreements.

All derivative transactions are controlled in accordance with the Company's risk management rules. Under these rules, the purpose of derivative financial instruments is predetermined in writing, the balance of trading derivatives is limited to the extent that permitted by the internal guideline and derivative instruments for hedging purpose require the advance approval of management. The Company utilizes numerous counterparties to ensure that there is no significant concentration of credit risk with any individual counterparty or group of counterparties. The Company's policies prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis.

Back-office functions such as settlements or monitoring are designed independently from the function responsible for dealings.

(11) Fair Value of Financial Instruments

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

The estimated fair values of the financial instruments at March 31, 2001 and 2002 were as follows:

	2001 Carrying Amount	2001 Estimated Fair Value	2002 Carrying Amount	2002 Estimated Fair Value
	Yen in millions			
Financial assets:				
Fixed maturity securities	¥2,603,102	¥2,606,193	**¥2,768,259**	**¥2,768,768**
Equity securities	2,453,395	2,453,395	**2,100,995**	**2,100,995**
Mortgage loans on real estate	53,908	52,462	**30,921**	**30,046**
Policy loans	32,940	32,940	**32,847**	**32,847**
Other long-term investments	769,336	767,267	**686,616**	**673,462**
Short-term investments	105,300	105,300	**88,486**	**88,486**
Indebtedness from affiliates	759	759	**3,451**	**3,670**
Weather derivative	—	—	**629**	**629**
Derivative assets:				
Foreign exchange contracts	—	—	**390**	**390**
Interest rate contracts	1,433	1,312	**2,987**	**2,987**
Bond and equity index contracts	6	6	**91**	**91**
Other	77	77	**—**	**—**
Financial liabilities:				
Long-term debt	(86,398)	(93,384)	**(22,500)**	**(24,503)**
Weather derivative	(87)	(87)	**(26)**	**(26)**
Derivative liabilities:				
Foreign exchange contracts	(867)	(535)	**(1,233)**	**(1,233)**
Interest rate contracts	—	—	**(1,594)**	**(1,594)**
Bond and equity index contracts	(1)	(1)	**(9)**	**(9)**
Credit derivatives	—	—	**(3,860)**	**(3,860)**

	2002 Carrying Amount	2002 Estimated Fair Value
	Dollars in thousands	
Financial assets:		
Fixed maturity securities	**$20,813,977**	**$20,817,804**
Equity securities	**15,796,955**	**15,796,955**
Mortgage loans on real estate	**232,489**	**225,910**
Policy loans	**246,970**	**246,970**
Other long-term investments	**5,162,526**	**5,063,624**
Short-term investments	**665,308**	**665,308**
Indebtedness from affiliates	**25,947**	**27,594**
Weather derivative	**4,729**	**4,729**
Derivative assets:		
Foreign exchange contracts	**2,932**	**2,932**
Interest rate contracts	**22,459**	**22,459**
Bond and equity index contracts	**684**	**684**
Other	**—**	**—**
Financial liabilities:		
Long-term debt	**(169,173)**	**(184,233)**
Weather derivative	**(195)**	**(195)**
Derivative liabilities:		
Foreign exchange contracts	**(9,271)**	**(9,271)**
Interest rate contracts	**(11,985)**	**(11,985)**
Bond and equity index contracts	**(68)**	**(68)**
Credit derivatives	**(29,023)**	**(29,023)**

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

(a) Investments in Fixed Maturity and Equity Securities

The fair value of fixed maturity securities is estimated based on quoted market prices for these or similar securities.

The fair value of equity securities is estimated based on quoted market prices.

(b) Investments in Mortgage Loans and Other Long-term Investments

The fair values of loans and other long-term investments with fixed interest rates are estimated by discounting future cash flows using estimates of market rates for securities with similar characteristics.

The carrying amounts of investments with floating interest rates approximate their fair values. The fair value of consumer loans, which are included in other long-term investments, in the amount of approximately ¥292,134 million and ¥260,213 million ($1,956,489 thousand) at March 31, 2001 and 2002, respectively, approximates the carrying amount. The floating and fixed rates on consumer loans in the years ended March 31, 2000, 2001 and 2002 range from approximately 1.1% to 8.8%, and the remaining loan periods are from approximately three months to thirty-five years.

(c) Investments in Policy Loans

The carrying amounts of policy loans approximate their fair values due to their short-term maturities of within one year.

(d) Investments in Short-term Investments

The fair values of those investments other than money trusts with quoted market prices are estimated using quoted market prices, and the carrying amounts for other instruments approximate their fair values because of the short maturities of such instruments.

(e) Indebtedness from Affiliates

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

(f) Long-term Debt

The fair values of long-term obligations are estimated using quoted market prices for instruments with similar characteristics.

(g) Derivative Financial Instruments

Fair values of forward and futures contracts are estimated based on the closing market prices at the major markets.

Fair value of swap contracts are estimated based on the discounted values of future cash flows.

Fair values of option contracts and credit derivative contracts are estimated based on internally established models with consideration of those by external models or based on quotes from brokers.

(12) Commitments and Contingent Liabilities

At March 31, 2002, the Company had an investment in a limited partnership with overseas partners in the amount of ¥4,757 million ($35,767 thousand) with a condition of the support agreement that additional investment shall be made by the limited partners, based on the pro rata share in the partnership, should there be a shortage of funds in the partnership. Considering the latest financial information of the partnership available to the Company as of February 25, 2002, the most recent balance sheet date, management believes that the likelihood of an additional capital requirement is remote. In addition to the above commitment, the Company has provided a financial guarantee to the limited partnership. The obligation of the Company under the guarantee was totally covered by collateralized securities and no net exposure existed as of March 31, 2002.

The Company occupies certain offices and other facilities under lease arrangements. The following is a schedule by years of future minimum rental payments required under noncancelable operating leases that have initial or remaining lease terms in excess of one year as of March 31, 2002:

Years ending March 31	Yen in millions	Dollars in thousands
2003	¥1,012	$ 7,609
2004	639	4,805
2005	366	2,752
2006	205	1,541
2007	155	1,165
Later years	152	1,143
Total future minimum rental payments	¥2,529	$19,015

Rental expenses for the years ended March 31, 2000, 2001 and 2002 were, on an aggregated basis, ¥16,838 million, ¥15,764 million and ¥10,552 million ($79,338 thousand), respectively.

The Company is contingently liable for various financial guarantees totaling ¥416,036 million as of March 31, 2001 and ¥51,249 million ($385,331 thousand) as of March 31, 2002. Fees related to these guarantees totaling ¥536 million, ¥845 million and ¥285 million ($2,143 thousand) were recorded as revenue on an accrual basis by the Company for the years ended March 31, 2000, 2001 and 2002, respectively. These guarantees are provided in the ordinary course of business and include guarantees for the repayment of several types of asset-backed securities, bonds, loans and other financial obligations. The contractual amounts of the financial guarantees reflect the Company's maximum exposure to credit loss in the event of nonperformance. The range of the maturities of the guarantees is mainly between three years and six years. To limit the Company's exposure in the event of default of any guaranteed obligation, various programs are in place to ascertain the creditworthiness of guaranteed parties and to monitor this status on a periodic basis. The Company's policy related to providing financial guarantees for asset-backed securities limits these transactions to those with credit ratings of at least BBB/Baa and limits the amount of the guarantee on any individual transaction. Accordingly, collateral generally is not required for these guarantees. For guarantees of loans and bonds, collateral equal to the amount of the guarantee is required in general. Collateral required by the Company related to financial guarantees includes quoted equity securities and is generally held by the Company. In the Company's past experience, virtually no claims have been made against these financial guarantees.

On adopting SFAS No. 133, certain credit derivative contracts, which were previously treated as off-balance contingent liabilities, meet the definition of a derivative financial instrument and have appropriately been recorded at fair value at March 31, 2002.

Management does not expect any material losses to result from these instruments.

(13) Common Stock

During the years ended March 31, 2000 and 2001, the Company purchased 8,000,000 of its own shares at ¥4,775 million and 22,000,000 shares at ¥20,106 million, respectively. As a result of those transactions, common stock and additional paid-in capital were reduced by ¥400 million and ¥4,375 million in 2000, respectively, and were reduced by ¥1,699 million and ¥18,407 million in 2001, respectively.

During the year ended March 31, 2002, the Company issued 7,486 shares of common stock in connection with conversions of convertible debentures. Conversions into common stock of convertible debentures were accounted for by crediting one-half of the conversion price to the common stock account and the remainder of the price to the additional paid-in capital.

The amounts of statutory capital and surplus of the Company are presented as follows:

	Yen in millions	Dollars in thousands
	2002	2002
Common stock	¥ 128,476	$ 965,985
Additional paid-in capital	81,992	616,482
Legal reserve	36,041	270,985
Retained earnings	347,936	2,616,060
Unrealized gain on securities	679,665	5,110,263
Treasury stock	(11,603)	(87,241)
Total statutory equity	¥1,262,507	$9,492,534

The Company's statutory basis net income was ¥16,445 million ($123,647 thousand) in 2002.

The minimum capital requirement of the Insurance Business Law of Japan for a Japanese insurance company is ¥1,000 million ($7,519 thousand) on a statutory basis.

The Company and its domestic life insurance subsidiary are required to maintain solvency margin ratios of 200% or more. The solvency margin regulations are based on factors mainly for underwriting risks, investment risks and large catastrophe risks. The solvency margin must be supported by equity and other resources, including unrealized gains and losses on certain investments and catastrophe reserves. The solvency margins of the Company at March 31, 2002 were 1,069.2%.

(14) Appropriated Retained Earnings

(a) Legal Reserve

Article 14 of the Insurance Business Law of Japan requires insurance companies to provide an amount equal to at least 20% of all appropriations paid in cash, such as cash dividends and bonuses to directors, until the aggregate amount of such reserve and additional paid-in capital reaches stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital. The Company's appropriations charged to unappropriated retained earnings for the year ended March 31, 2002 were subject to the legal reserve requirement.

(b) Reserve for Price Fluctuation

The reserve for price fluctuation is required under Article 115 of the Insurance Business Law of Japan. This reserve provides for possible losses arising from price fluctuations of securities and adverse changes in foreign exchange rates.

The Company may reduce this reserve by either the amount of net loss resulting from sales of securities or the amount for which permission is granted by the Financial Services Agency of Japan for any other purpose.

(15) Unappropriated Retained Earnings, Dividends and Net Income per Share

The amount of retained earnings available for dividends under the Japanese Commercial Code is based on the amount recorded in the Company's non-consolidated books of account as unappropriated retained earnings in accordance with the financial accounting standards of Japan and was ¥40,597 million ($305,241 thousand) as of March 31, 2002. The adjustments included in the accompanying consolidated financial statements to have them conform with U.S. GAAP, but not recorded in the books of account, have no effect on the determination of retained earnings available for dividends under the Commercial Code of Japan.

Cash dividends and appropriations to the legal reserve charged to unappropriated retained earnings for the years ended March 31, 2000, 2001 and 2002 represent dividends paid out during those years and the related appropriations to the legal reserve. Provision has neither been made in the accompanying consolidated financial statements for the annual dividends of ¥7.50 ($0.06) per share totaling ¥10,949 million ($82,323 thousand), subsequently proposed by the Board of Directors and, on June 27, 2002, approved by the shareholders, at March 31, 2002 nor for the related appropriation to the legal reserve.

Cash dividends per share are computed based on dividends paid during the year.

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

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Net income available to common-stock holders	¥60,993	¥37,983	**¥25,981**	**$195,346**
Effect of dilutive securities:				
2.1% convertible debentures	37	37	**37**	**278**
1.1% convertible debentures	121	121	**123**	**925**
1.6% convertible debentures	131	131	**136**	**1,023**
0.7% convertible debentures	234	234	**234**	**1,759**
1.2% convertible debentures	171	171	**174**	**1,308**
Diluted net income	¥61,687	¥38,677	**¥26,685**	**$200,639**

	Numbers of shares in thousands		
	2000	2001	**2002**
Average common stock outstanding	1,518,388	1,494,940	**1,477,939**
Dilutive effect of:			
2.1% convertible debentures	3,168	3,168	**3,151**
1.1% convertible debentures	25,855	25,847	**25,705**
1.6% convertible debentures	13,473	13,473	**13,473**
0.7% convertible debentures	60,464	60,464	**60,464**
1.2% convertible debentures	33,314	33,314	**33,313**
Diluted common shares outstanding	1,654,662	1,631,206	**1,614,045**

	Yen			Dollars
	2000	2001	**2002**	**2002**
Earnings per share:				
Income before cumulative effect of change in accounting principle:				
Basic	¥ —	¥ —	**¥17.94**	**$0.13**
Diluted	—	—	**16.87**	**0.13**
Net income:				
Basic	40.17	25.41	**17.58**	**0.13**
Diluted	37.28	23.71	**16.53**	**0.12**

(16) Other Comprehensive Income

Change in accumulated other comprehensive income for the years ended March 31, 2000, 2001 and 2002 was as follows:

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Foreign currency translation adjustments, net of taxes:				
Balance at beginning of period	¥ (8,698)	¥ (12,440)	**¥ (9,741)**	**$ (73,241)**
Current-period change	(3,742)	2,699	**5,042**	**37,910**
Balance at end of period	¥ (12,440)	¥ (9,741)	**¥ (4,699)**	**$ (35,331)**
Unrealized gains on securities, net of taxes:				
Balance at beginning of period	¥688,170	¥931,947	**¥745,088**	**$5,602,165**
Current-period change	243,777	(186,859)	**(188,030)**	**(1,413,759)**
Balance at end of period	¥931,947	¥745,088	**¥557,058**	**$4,188,406**
Net gain on derivative instruments, net of taxes:				
Balance at beginning of period	¥ —	¥ —	**¥ —**	**$ —**
Current-period change	—	—	**852**	**6,406**
Balance at end of period	¥ —	¥ —	**¥ 852**	**$ 6,406**
Minimum pension liability adjustments, net of taxes:				
Balance at beginning of period	¥ (16,891)	¥ (15,067)	**¥ (21,084)**	**$ (158,526)**
Current-period change	1,824	(6,017)	**8,678**	**65,248**
Balance at end of period	¥ (15,067)	¥ (21,084)	**¥ (12,406)**	**$ (93,278)**
Total accumulated other comprehensive income:				
Balance at beginning of period	¥662,581	¥904,440	**¥714,263**	**$5,370,398**
Current-period change	241,859	(190,177)	**(173,458)**	**(1,304,195)**
Balance at end of period	¥904,440	¥714,263	**¥540,805**	**$4,066,203**

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

	Yen in millions		
2000:	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Foreign currency translation adjustments	¥ (4,541)	¥ 799	¥ (3,742)
Unrealized gains on securities:			
Unrealized holding gains arising during period	486,885	(175,558)	311,327
Less reclassification adjustment for gains realized in net income	(105,647)	38,097	(67,550)
Net unrealized gains	381,238	(137,461)	243,777
Minimum pension liability adjustment	2,850	(1,026)	1,824
Other comprehensive income (loss)	¥379,547	¥(137,688)	¥241,859

	Yen in millions		
2001:	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Foreign currency translation adjustments	¥ 4,233	¥ (1,534)	¥ 2,699
Unrealized losses on securities:			
Unrealized holding losses arising during period	(206,886)	74,078	(132,808)
Less reclassification adjustment for losses realized in net income	(85,178)	31,127	(54,051)
Net unrealized losses	(292,064)	105,205	(186,859)
Minimum pension liability adjustment	(9,402)	3,385	(6,017)
Other comprehensive income (loss)	¥(297,233)	¥107,056	¥(190,177)

	Yen in millions		
2002:	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Foreign currency translation adjustments	**¥ 5,042**	**¥ —**	**¥ 5,042**
Unrealized losses on securities:			
Unrealized holding losses arising during period	**(260,953)**	**96,404**	**(164,549)**
Less reclassification adjustment for losses realized in net income	**(36,722)**	**13,241**	**(23,481)**
Net unrealized losses	**(297,675)**	**109,645**	**(188,030)**
Net gains on derivative instruments	**1,331**	**(479)**	**852**
Minimum pension liability adjustment	**13,559**	**(4,881)**	**8,678**
Other comprehensive income (loss)	**¥ (277,743)**	**¥104,285**	**¥(173,458)**

	Dollars in thousands		
2002:	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Foreign currency translation adjustments	**$ 37,910**	**$ —**	**$ 37,910**
Unrealized losses on securities:			
Unrealized holding losses arising during period	**(1,962,053)**	**724,843**	**(1,237,210)**
Less reclassification adjustment for losses realized in net income	**(276,105)**	**99,556**	**(176,549)**
Net unrealized losses	**(2,238,158)**	**824,399**	**(1,413,759)**
Net gains on derivative instruments	**10,008**	**(3,602)**	**6,406**
Minimum pension liability adjustment	**101,947**	**(36,699)**	**65,248**
Other comprehensive income (loss)	**$(2,088,293)**	**$784,098**	**$(1,304,195)**

(17) Reconciliation of Net Income to Net Cash Provided by Operating Activities

Years ended March 31	Yen in millions 2000	2001	2002	Dollars in thousands 2002
Net income	¥ 60,993	¥ 37,983	**¥ 25,981**	**$ 195,346**
Adjustments to reconcile net income to net cash provided by operating activities:				
Valuation allowance for credit losses	(3,642)	(2,063)	**(15,598)**	**(117,278)**
Impairment losses of long-lived assets	2,438	7,373	**4,183**	**31,451**
Realized (gains) losses from sales of investments	(69,330)	(51,552)	**5,710**	**42,932**
Amortization of fixed maturity securities	13,444	5,769	**6,019**	**45,256**
Depreciation	26,862	25,189	**24,857**	**186,895**
Provision for retirement and severance benefits	4,397	8,034	**(486)**	**(3,654)**
Deferred income taxes	(14,224)	1,349	**8,090**	**60,827**
Decrease (increase) in assets:				
Premiums receivable and agents' balances, net of ceded reinsurance	(4,967)	8,043	**(3,761)**	**(28,278)**
Deferred policy acquisition costs	(6,847)	(13,842)	**(31,528)**	**(237,053)**
Accrued investment income	1,172	(1,634)	**1,710**	**12,857**
Other assets	8,633	(17,201)	**17,921**	**134,744**
Increase (decrease) in liabilities:				
Losses and claims	9,373	58,619	**11,893**	**89,421**
Unearned premiums	17,777	47,653	**46,547**	**349,978**
Future policy benefits	68,796	81,521	**90,178**	**678,030**
Income taxes	7,475	(21,023)	**(2,958)**	**(22,241)**
Other liabilities	10,333	21,545	**(15,916)**	**(119,669)**
Other, net	305	9,415	**14,600**	**109,774**
Net cash provided by operating activities	¥132,988	¥205,178	**¥187,442**	**$1,409,338**

(18) Supplementary Cash Flow Information

	Yen in millions 2000	2001	2002	Dollars in thousands 2002
Cash paid during the year for:				
Interest	¥ 1,223	¥ 1,218	**¥1,261**	**$ 9,481**
Income taxes	32,726	46,232	**7,334**	**55,143**

(19) Segment Information

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

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

Summarized financial information with respect to business segments is as follows as of and for the year ended March 31, 2002:

	Yen in millions			
	Property and Casualty Insurance	Life Insurance	Eliminations	Consolidated
2002:				
Revenues from external customers:				
Net premiums earned	**¥1,182,675**	**¥ —**	**¥ —**	**¥1,182,675**
Premium income for life insurance contracts	**—**	**137,324**	**—**	**137,324**
Intersegment revenues	**321**	**—**	**(321)**	**—**
Net investment revenues	**118,043**	**6,307**	**(321)**	**124,029**
Depreciation expense	**24,711**	**146**	**—**	**24,857**
Income before income taxes	**48,218**	**4,352**	**56**	**52,626**
Capital expenditures	**18,039**	**317**	**—**	**18,356**
Segment assets	**7,043,980**	**404,280**	**(31,805)**	**7,416,455**

	Dollars in thousands			
	Property and Casualty Insurance	Life Insurance	Eliminations	Consolidated
2002:				
Revenues from external customers:				
Net premiums earned	**$ 8,892,293**	**$ —**	**$ —**	**$ 8,892,293**
Premium income for life insurance contracts	**—**	**1,032,511**	**—**	**1,032,511**
Intersegment revenues	**2,414**	**—**	**(2,414)**	**—**
Net investment revenues	**887,541**	**47,422**	**(2,414)**	**932,549**
Depreciation expense	**185,797**	**1,098**	**—**	**186,895**
Income before income taxes	**362,541**	**32,722**	**421**	**395,684**
Capital expenditures	**135,632**	**2,383**	**—**	**138,015**
Segment assets	**52,962,256**	**3,039,699**	**(239,135)**	**55,762,820**

Summarized financial information with respect to the business segment as of and for the years ended March 31, 2000 and 2001 is not presented. It is impracticable to develop such information because Sumitomo had not prepared the business segment information in 2000 and 2001 under U.S. GAAP.

Selected geographic information is as follows as of and for the years ended March 31:

	Yen in millions		
	Japan	Foreign	Consolidated
2000:			
Premiums earned	¥1,212,242	¥24,566	¥1,236,808
Long-lived assets	367,537	1,782	369,319
2001:			
Premiums earned	¥1,241,092	¥29,702	¥1,270,794
Long-lived assets	350,185	2,356	352,541
2002:			
Premiums earned	**¥1,265,080**	**¥54,919**	**¥1,319,999**
Long-lived assets	**327,489**	**3,136**	**330,625**

	Dollars in thousands		
	Japan	Foreign	Consolidated
2002:			
Premiums earned	**$9,511,879**	**$412,925**	**$9,924,804**
Long-lived assets	**2,462,323**	**23,579**	**2,485,902**

(20) Impairment Losses of Long-Lived Assets

Impairment losses in accordance with SFAS No. 121 were recognized on the Company's property and equipment in the property and casualty insurance business segment (including investment real estate which is made up mostly of landholdings). The Company recognized impairment losses principally due to a substantial decline in the market values of these assets.

Other expenses included impairment losses to assets in property and equipment in the amount of ¥2,438 million, ¥7,373 million and ¥4,183 million ($31,451 thousand) in the years ended March 31, 2000, 2001 and 2002, respectively.

Fair values were determined from information officially published for property assessments, which approximate fair value.

(21) Liabilities for Losses and Claims

Activities in the liabilities for losses and claims and claim adjustment expenses are summarized as follows for the years ended March 31:

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Balance at beginning of year	¥495,453	¥485,994	**¥551,688**	**$4,148,030**
Less reinsurance recoverable	99,323	80,492	**87,566**	**658,391**
Net balance at beginning of year	396,130	405,502	**464,122**	**3,489,639**
Incurred related to:				
Current year insured events	683,419	724,980	**711,127**	**5,346,820**
Prior year insured events	(3,358)	318	**(4,064)**	**(30,556)**
Total incurred	680,061	725,298	**707,063**	**5,316,264**
Paid related to:				
Current year insured events	444,670	445,099	**438,839**	**3,299,542**
Prior year insured events	226,019	221,579	**256,412**	**1,927,910**
Total paid	670,689	666,678	**695,251**	**5,227,452**
Net balance at end of year	405,502	464,122	**475,934**	**3,578,451**
Plus reinsurance recoverable	80,492	87,566	**126,149**	**948,489**
Balance at end of year	¥485,994	¥551,688	**¥602,083**	**$4,526,940**

Losses and expenses related to the terrorist attacks of September 11, 2001 were included in "Losses and claims incurred and provided for" and "Related adjustment expenses" in the consolidated statement of income for the year ended March 31, 2002 and classified as a part of income from continuing operations in accordance with the consensus by Emerging Issues Task Force 01-10, "Accounting for the Impact of the Terrorist Attacks of September 11, 2001." In connection to the terrorist attacks, the Company recorded net incurred losses related to property and casualty insurance business of ¥4,731 million ($35,571 thousand) for the year ended March 31, 2002, net of reinsurance recoveries of ¥8,419 million ($63,301 thousand). Because the losses and expenses were estimated based on various assumptions and forecasts, which are currently available, including unreported claims, additional settlement expenses, and reinsurance recoveries programs, the losses and expenses finally incurred may vary from the current estimate.

(22) Restated U.S. GAAP Financial Information of Sumitomo

Certain U.S. GAAP amounts previously disclosed by Sumitomo in its separate consolidated financial statements as of and for the year ended March 31, 2000 have been restated. Management recently determined that due to an oversight the methodology utilized to prepare its estimate of deferred acquisition costs and unearned premiums was not appropriate and that amounts reflected for accrued income taxes and additional paid-in capital related to bonds with warrants issued prior to 1998 were incorrect. Had this determination been made by management at the time of the preparation of the previously disclosed financial information, the previously disclosed amounts would have been different. Accordingly, management has revised the following previously disclosed amounts as of and for the year ended March 31, 2000:

	Yen in millions	
	2000	
	As previously disclosed	As restated
Deferred policy acquisition costs	¥119,444	¥124,913
Unearned premiums	470,705	487,920
Accrued income taxes	323,666	320,402
Additional paid-in capital	38,197	37,219
Retained earnings—unappropriated	383,813	376,308
Policy acquisition costs	151,852	158,063
Other expenses	88,181	82,849
Income before income taxes	20,881	19,956
Income taxes—deferred	14,730	15,064
Net income	13,666	13,075

The restated U.S. GAAP financial information of Sumitomo as noted above has been reflected in the accompanying consolidated financial statements of the Company (see note 1(a)).

Independent Auditors' Report

KPMG

Hibiya Kokusai Building 22F
2-3, Uchisaiwai-cho 2-chome
Chiyoda-ku, Tokyo 100-0011
Japan

Tel +81(3)3509-7800
Fax +81(3)3509-7811

The Board of Directors
Mitsui Sumitomo Insurance Company, Limited:

We have audited the accompanying consolidated balance sheets of Mitsui Sumitomo Insurance Company, Limited and subsidiaries as of March 31, 2001 and 2002, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

The consolidated financial statements of the Company as of March 31, 2001 and for the years ended March 31, 2000 and 2001 have been restated to reflect the pooling-of-interests transaction with The Sumitomo Marine & Fire Insurance Company, Limited as described in Note 1(a) to the consolidated financial statements. We did not audit the consolidated financial statements of The Sumitomo Marine & Fire Insurance Company, Limited, which statements reflect total assets constituting 50 percent at March 31, 2001 and total revenues constituting 45 percent and 47 percent for the years ended March 31, 2000 and 2001, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Sumitomo Marine & Fire Insurance Company, Limited as of March 31, 2001 and for the years ended March 31, 2000 and 2001, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Mitsui Sumitomo Insurance Company, Limited and subsidiaries as of March 31, 2001 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements as of and for the year ended March 31, 2002 have been translated into United States dollars solely for the convenience of the reader. We have recomputed 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(a) of the notes to consolidated financial statements.

KPMG

July 31, 2002

Shin Nihon & Co.
Shin Nihon & Co., an audit corporatoin incorporated under the Japanese Certified Public Accountants Law, is a member firm of KPMG International, a Swiss association.

Financial Summaries—GAAP in Japan and GAAP in the United States

The consolidated figures in the section that follows are calculated based on generally accepted accounting principles in Japan. There are several differences between GAAP in Japan and GAAP in the United States, the major ones being:
1) GAAP in the United States do not require the inclusion of a catastrophic loss reserve, a reserve for price fluctuation or other such reserves that are required under GAAP in Japan, and
2) under GAAP in the United States, policy acquisition costs are deferred and amortized over the periods in which the related premiums are earned, whereas, under GAAP in Japan, such costs are charged to income as incurred.

Financial Summary—GAAP in Japan

	Yen in billions, except per share amounts and ratios				
	1998	1999	2000	2001	**2002**
Net income	¥ 22.2	¥ 21.3	¥ 23.4	¥ 29.9	**¥ 19.0**
Net income per share —basic (¥)	15.14	14.01	15.38	19.99	**12.84**
Total assets	5,902	5,875	6,145	7,572	**7,324**
Shareholders' equity	544	557	637	1,510	**1,270**
ROA (%)	0.39	0.36	0.39	0.44	**0.25**
ROE (%)	4.3	3.9	3.9	2.8	**1.4**
Equity ratio (%)	9.2	9.5	10.4	19.9	**17.3**

Financial Summary—GAAP in the United States

	Yen in billions, except per share amounts and ratios				
	1998	1999	2000	2001	**2002**
Net income	¥108.0	¥136.3	¥ 61.0	¥ 38.0	**¥ 26.0**
Net income per share —basic (¥)	73.66	89.49	40.17	25.41	**17.58**
Total assets	7,708	7,597	7,979	7,718	**7,416**
Shareholders' equity	1,845	1,892	2,179	1,997	**1,827**
ROA (%)	—	1.78	0.78	0.48	**0.34**
ROE (%)	—	7.3	3.0	1.8	**1.4**
Equity ratio (%)	23.9	24.9	27.3	25.9	**24.6**

Reconciliation of Net Consolidated Income between GAAP in Japan and GAAP in the United States

	Yen in billions		
	2000	2001	**2002**
Net consolidated income in accordance with Japan GAAP	¥23.4	¥29.9	**¥19.0**
Adjustments:			
Catastrophic loss reserve	19.6	5.1	**12.7**
Other underwriting reserves	(18.7)	(4.3)	**11.7**
Reserve for price fluctuation	2.9	4.1	**0.9**
Policy acquisition cost	6.9	13.1	**30.9**
Revaluation of investments in securities and related investment income	(29.0)	(7.1)	**(23.1)**
Impairment of long-lived assets	(2.7)	1.7	**(4.1)**
Deferred income taxes	(18.6)	(3.6)	**(19.4)**
Retirement and severance benefits	58.1	(1.2)	**(0.0)**
One-time write-off of previously deferred software costs	18.6	—	**—**
Other	0.5	0.3	**(2.6)**
Net consolidated income in accordance with U.S. GAAP	¥61.0	¥38.0	**¥26.0**

GAAP in Japan (Unaudited)

CONTENTS

Consolidated Balance Sheets

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
March 31, 2001 and 2002

	Yen in millions		Dollars in thousands
Assets	2001	**2002**	**2002**
Cash and deposits	¥ 352,176	**¥ 415,024**	**$ 3,120,481**
Call loans	20,224	**328**	**2,466**
Monetary claims bought	84,637	**17,774**	**133,639**
Money trust	50,215	**38,639**	**290,518**
Investments in securities:			
Domestic bonds	1,967,672	**2,072,269**	**15,580,969**
Domestic stocks	2,240,432	**1,888,726**	**14,200,947**
Foreign securities	831,911	**889,926**	**6,691,172**
Other securities	41,653	**36,263**	**272,654**
Total investments in securities	5,081,670	**4,887,186**	**36,745,759**
Loans (Note 3):			
Policy loans	32,939	**32,847**	**246,969**
Others	846,225	**731,579**	**5,500,593**
Total loans	879,165	**764,426**	**5,747,563**
Property and equipment:			
Land	119,024	**101,195**	**760,864**
Building	364,356	**367,235**	**2,761,165**
Furniture, equipment and other	110,587	**112,128**	**843,067**
	593,968	**580,559**	**4,365,105**
Less accumulated depreciation	256,480	**270,573**	**2,034,383**
Net property and equipment	337,487	**309,985**	**2,330,714**
Premiums receivable and agents' balances	120,478	**118,845**	**893,571**
Reinsurance receivable and recoverable on paid losses	77,852	**81,317**	**611,406**
Other assets	186,676	**167,682**	**1,260,766**
Deferred tax assets	111	**1,334**	**10,030**
Customers' liability under guarantees and acceptances	416,036	**547,388**	**4,115,699**
Reserve for bad debts	(34,579)	**(26,018)**	**(195,624)**
Reserve for losses on investments	(151)	**(8)**	**(60)**
Total assets	¥7,572,002	**¥7,323,905**	**$55,066,954**

See accompanying notes to consolidated financial statements.

Liabilities, Minority Interests and Shareholders' Equity	Yen in millions 2001	Yen in millions 2002	Dollars in thousands 2002
Liabilities:			
Underwriting fund:			
Outstanding claims	¥ 427,929	**¥ 465,029**	**$ 3,496,458**
Underwriting reserves	4,485,281	**4,466,638**	**33,583,744**
	4,913,210	**4,931,667**	**37,080,203**
Short-term debt (Note 4)	20,559	**64,148**	**482,315**
Long-term debt (Note 4)	86,398	**22,625**	**170,112**
Reinsurance payable and due to other insurance companies	74,874	**70,076**	**526,887**
Reserve for employees' retirement and severance benefits	151,212	**163,544**	**1,229,654**
Accrued bonuses for employees	8,699	**11,278**	**84,796**
Reserve for losses on sales of loans	2,650	**1,619**	**12,172**
Reserve for loss on valuation of real estate	2,309	**1,220**	**9,172**
Reserve for price fluctuation	19,713	**20,662**	**155,353**
Other liabilities	105,616	**93,425**	**702,443**
Deferred tax liabilities	256,200	**121,608**	**914,345**
Liability under guarantees and acceptances	416,036	**547,388**	**4,115,699**
Total liabilities	6,057,481	**6,049,264**	**45,483,187**
Minority interests	4,083	**4,713**	**35,436**
Shareholders' equity (Note 7):			
Common stock, no par value:			
Authorized—3,000,000,000 shares; issued and outstanding—1,479,886,520 shares as of March 31, 2001 and 1,479,894,005 shares as of March 31, 2002	128,473	**128,476**	**965,984**
Additional paid-in capital	81,989	**81,991**	**616,473**
Legal reserve	33,840	**36,040**	**270,977**
Unrealized gains on investments, net of tax	882,800	**688,873**	**5,179,496**
Foreign currency translation adjustments	(9,398)	**(1,220)**	**(9,172)**
Treasury stock	(7)	**(11,603)**	**(87,240)**
Retained earnings:			
Voluntary reserves	346,701	**307,339**	**2,310,819**
Unappropriated retained earnings	46,037	**40,029**	**300,969**
Total retained earnings	392,738	**347,369**	**2,611,796**
Total shareholders' equity	1,510,437	**1,269,927**	**9,548,323**
Commitments and contingent liabilities (Note 6)			
Total liabilities, minority interests and shareholders' equity	¥7,572,002	**¥7,323,905**	**$55,066,954**

Consolidated Statements of Income

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2000, 2001 and 2002

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Ordinary income and expenses:				
Underwriting income:				
Net premiums written	¥1,158,645	¥1,197,591	**¥1,234,874**	**$ 9,284,766**
Deposit premiums from policyholders	390,009	373,217	**296,730**	**2,231,052**
Investment income on deposits by policyholders, etc.	88,375	78,340	**71,226**	**535,533**
Life insurance premiums	91,182	108,179	**120,055**	**902,669**
Reversal of underwriting reserve	2,844	31,581	**16,373**	**123,105**
Other underwriting income	41	839	**750**	**5,639**
Total underwriting income	1,731,100	1,789,749	**1,740,011**	**13,082,789**
Underwriting expenses:				
Net claims paid	619,289	633,500	**641,878**	**4,826,150**
Loss adjustment expenses	57,225	58,303	**59,340**	**446,165**
Commission and collection expenses	213,868	218,291	**223,534**	**1,680,706**
Maturity refunds to policyholders	560,520	585,956	**523,145**	**3,933,421**
Dividends to policyholders	4,019	1,036	**409**	**3,075**
Life insurance claims	5,559	7,391	**12,749**	**95,857**
Provision for outstanding claims	12,220	40,515	**31,668**	**238,105**
Other underwriting expenses	4,001	346	**828**	**6,225**
Total underwriting expenses	1,476,703	1,545,341	**1,493,554**	**11,229,729**
Gross underwriting profit	254,396	244,407	**246,457**	**1,853,060**
Investment income (expenses):				
Interest and dividend income	158,526	140,417	**138,378**	**1,040,436**
Investment loss on money trust, net	—	(2,307)	**(2,174)**	**(16,345)**
Gain on sales or redemption of investments in securities, net	78,433	34,212	**38,681**	**290,834**
Loss on devaluation of investment securities	(36,457)	(14,580)	**(28,220)**	**(212,180)**
Gain (loss) on derivative transactions, net	—	13	**(1,269)**	**(9,541)**
Provision for losses on investments	(5,579)	—	**—**	**—**
Other investment income (expenses), net	(7,347)	295	**1,705**	**12,819**
Transfer to investment income on deposits by policyholders, etc.	(88,375)	(78,340)	**(71,226)**	**(535,533)**
Net investment profit	99,200	79,710	**75,873**	**570,473**
Operating expenses and general and administrative expenses	269,027	258,095	**259,183**	**1,948,744**
Other ordinary expenses (income):				
Interest expenses	1,222	1,225	**1,263**	**9,496**
Provision for bad debt and bad debt written off	4,465	2,416	**12**	**90**
Provision for losses for sales of loans	13	163	**—**	**—**
Other ordinary expenses (income), net	536	877	**(722)**	**(5,428)**
Total other ordinary expenses	6,238	4,683	**553**	**4,157**
Ordinary profit	78,330	61,339	**62,594**	**470,631**
Extraordinary losses (income):				
Loss (gain) on sales of properties and equipment, net	2,551	(1,114)	**1,912**	**14,375**
Provision for price fluctuation reserve	2,895	4,111	**949**	**7,135**
Other extraordinary losses, net	38,421	15,607	**33,861**	**254,593**
Net extraordinary losses	43,868	18,605	**36,723**	**276,112**
Income before income taxes	34,462	42,734	**25,870**	**194,511**
Income taxes—current (Note 9)	43,813	14,948	**17,984**	**135,218**
Income taxes—deferred	(33,384)	(2,800)	**(11,470)**	**(86,240)**
Minority interests	676	697	**369**	**2,774**
Net income	¥ 23,355	¥ 29,888	**¥ 18,986**	**$ 142,751**

			Yen	Dollars
Net income per share (Note 1 (s)):				
Basic	¥15.38	¥19.99	**¥12.84**	**$0.09**
Diluted	14.53	18.74	**12.19**	**0.09**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Mitsui Sumitomo Insurance Co., Ltd. and subsidiaries
For the years ended March 31, 2000, 2001 and 2002

	In thousands	Yen in millions				
	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Legal Reserve	Voluntary Reserves	Unappropriated Retained Earnings
Balance as of March 31, 1999	1,522,957	¥128,471	¥81,986	¥29,340	¥282,450	¥ 35,082
Prior year adjustment of underwriting reserve related to initial application of deferred tax accounting	—	—	—	—	—	(134,301)
Prior year adjustment of retained earnings related to initial application of deferred tax accounting	—	—	—	—	—	206,440
Net income	—	—	—	—	—	23,355
Adjustment due to changes of investments in affiliates	—	—	—	—	—	360
Appropriation of retained earnings:						
Cash dividends	—	—	—	—	—	(10,572)
Transfer to legal reserve	—	—	—	2,250	—	(2,250)
Bonuses to directors	—	—	—	—	—	(117)
Voluntary reserve	—	—	—	—	8,097	(8,097)
Share buyback charged to retained earnings	(8,000)	—	—	—	—	(4,774)
Other	—	—	—	—	—	(262)
Balance as of March 31, 2000	1,514,957	128,471	81,986	31,590	290,547	104,864
Net income	—	—	—	—	—	29,888
Adjustment due to changes of investments in affiliates	—	—	—	—	—	598
Appropriation of retained earnings:						
Cash dividends	—	—	—	—	—	(10,516)
Transfer to legal reserve	—	—	—	2,250	—	(2,250)
Bonuses to directors	—	—	—	—	—	(115)
Voluntary reserve	—	—	—	—	56,154	(56,154)
Share buyback charged to retained earnings	(35,078)	—	—	—	—	(20,106)
Shares issued upon conversion of convertible bonds	7	2	2	—	—	—
Other	—	—	—	—	—	(171)
Balance as of March 31, 2001	1,479,886	128,473	81,989	33,840	346,701	46,037
Net income	**—**	**—**	**—**	**—**	**—**	**18,986**
Adjustment due to changes of investments in affiliates	**—**	**—**	**—**	**—**	**—**	**69**
Appropriation of retained earnings:						
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(10,272)**
Transfer to legal reserve	**—**	**—**	**—**	**2,200**	**—**	**(2,200)**
Bonuses to directors	**—**	**—**	**—**	**—**	**—**	**(97)**
Voluntary reserve	**—**	**—**	**—**	**—**	**8,477**	**(8,477)**
Shares issued upon conversion of convertible bonds	**7**	**2**	**2**	**—**	**—**	**—**
Adjustment due to merger	**—**	**—**	**—**	**—**	**(47,840)**	**(4,015)**
Balance as of March 31, 2002	**1,479,894**	**¥128,476**	**¥81,991**	**¥36,040**	**¥307,339**	**¥ 40,029**

	Dollars in thousands				
	Common Stock	Additional Paid-in Capital	Legal Reserve	Voluntary Reserves	Unappropriated Retained Earnings
Balance as of March 31, 2001	$965,962	$616,458	$254,436	$2,606,774	$346,142
Net income	—	—	—	—	**142,751**
Adjustment due to changes of investments in affiliates	—	—	—	—	**518**
Appropriation of retained earnings:					
Cash dividends	—	—	—	—	**(77,233)**
Transfer to legal reserve	—	—	**16,541**	—	**(16,541)**
Bonuses to directors	—	—	—	—	**(729)**
Voluntary reserve	—	—	—	**63,736**	**(63,736)**
Shares issued upon conversion of convertible bonds	**15**	**15**	—	—	—
Adjustment due to merger	—	—	—	**(359,699)**	**(30,187)**
Balance as of March 31, 2002	**$965,984**	**$616,473**	**$270,977**	**$2,310,819**	**$300,969**

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, 2000, 2001 and 2002

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Cash flows from operating activities:				
Income before income taxes	¥ 34,462	¥ 42,734	**¥ 25,870**	**$ 194,511**
Depreciation	25,723	24,137	**24,378**	**183,293**
Amortization of excess of cost of investment over underlying net assets	133	—	**—**	**—**
Increase in outstanding claims	12,044	40,253	**33,182**	**249,488**
Decrease in underwriting reserves	(3,448)	(14,581)	**(18,573)**	**(139,646)**
Decrease in reserve for bad debts	(27,745)	(15,910)	**(8,595)**	**(64,624)**
Increase (decrease) in reserve for losses on investments	5,579	(5,428)	**(142)**	**(1,067)**
Increase in reserve for employees' retirement and severance benefits	41,196	39,902	**407**	**3,060**
Increase (decrease) in accrued bonuses for employees	(500)	(272)	**2,608**	**19,609**
Increase (decrease) in reserve for losses on sales of loans	13	163	**(1,031)**	**(7,751)**
Increase (decrease) in reserve for loss on valuation of real estate	—	2,309	**(1,089)**	**(8,187)**
Increase in reserve for price fluctuation	2,895	4,111	**949**	**7,135**
Interest and dividend income	(158,526)	(140,417)	**(138,378)**	**(1,040,436)**
Gains on investment in securities	(80,541)	(35,434)	**(10,363)**	**(77,917)**
Interest expenses	1,222	1,225	**1,263**	**9,496**
Foreign exchange loss (gain)	808	(1,958)	**(909)**	**(6,834)**
Loss on disposal of property and equipment	2,573	5,456	**3,144**	**23,639**
Decrease (increase) in other assets	18,343	9,465	**(6,906)**	**(51,924)**
Increase (decrease) in other liabilities	20,329	(3,664)	**(22,953)**	**(172,578)**
Others	26,803	17,762	**12,991**	**97,676**
Subtotal	(78,631)	(30,145)	**(104,147)**	**(783,060)**
Interest and dividends received	159,215	142,640	**143,970**	**1,082,481**
Interest paid	(1,222)	(1,217)	**(1,261)**	**(9,481)**
Income tax paid	(30,079)	(46,507)	**(7,553)**	**(56,789)**
Net cash provided by operating activities	49,282	64,768	**31,007**	**233,135**
Cash flows from investing activities:				
Net increase (decrease) in deposit at banks	(965)	17,543	**7,918**	**59,533**
Purchase of monetary claims bought	(32,176)	(19,585)	**(5,867)**	**(44,112)**
Proceeds from sales and redemption of monetary claims bought	37,451	34,094	**6,287**	**47,270**
Purchase of money trusts	(3,366)	(16,128)	**(4,080)**	**(30,676)**
Proceeds from sales of money trusts	34,842	28,664	**12,235**	**91,992**
Purchase of securities	(1,042,740)	(789,321)	**(737,705)**	**(5,546,654)**
Proceeds from sales and redemption of securities	861,152	652,317	**608,882**	**4,578,060**
Investment in loans	(213,183)	(211,004)	**(219,903)**	**(1,653,406)**
Collection of loans	313,101	339,488	**325,731**	**2,449,105**
Acquisition of property and equipment	(31,239)	(15,462)	**(19,693)**	**(148,067)**
Proceeds from sales of property and equipment	9,404	10,391	**2,516**	**18,917**
Others	(332)	(3,715)	**2,699**	**20,293**
Net cash provided by (used in) investing activities	(68,052)	27,282	**(20,979)**	**(157,736)**
Cash flows from financing activities:				
Issue of commercial paper	135,000	26,500	**—**	**—**
Redemption of commercial paper	(154,000)	(56,500)	**—**	**—**
Redemption of short-term debt	—	—	**(19,854)**	**(149,278)**
Acquisition of treasury stock	(4,774)	(20,110)	**(11,598)**	**(87,203)**
Cash dividends paid	(10,572)	(10,516)	**(10,272)**	**(77,233)**
Cash dividends paid to minority shareholders	(129)	(131)	**(122)**	**(917)**
Others	(647)	(40)	**(452)**	**(3,398)**
Net cash used in financing activities	(35,125)	(60,799)	**(42,299)**	**(318,037)**
Effect of exchange rate changes on cash and cash equivalents	(1,934)	3,898	**1,454**	**10,932**
Net change in cash and cash equivalents	(55,830)	35,150	**(30,816)**	**(231,699)**
Cash and cash equivalents at beginning of year	404,314	349,252	**401,475**	**3,018,609**
Increase in cash and cash equivalents related to a newly consolidated subsidiary	768	602	**1,725**	**12,969**
Increase in cash and cash equivalents related to acquisition of business	—	16,469	**—**	**—**
Cash and cash equivalents at end of year (Note 8)	¥ 349,252	¥401,475	**¥372,383**	**$2,799,872**

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Basis of Presenting Financial Statements

Mitsui Sumitomo Insurance Company, Limited ("the Company") maintains its accounting records and prepares its financial statements in Japanese yen in accordance with the provisions of the accounting standards for non-life insurance companies issued by the Financial Services Agency of Japan and in conformity with generally accepted accounting principles and practices in Japan ("Japan GAAP"), which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Company was formed with the October 1, 2001, merger of Mitsui Marine and Fire Insurance Company, Limited and The Sumitomo Marine & Fire Insurance Company, Limited. The Japan GAAP consolidated financial statements for the fiscal year ended March 31, 2002 submitted to the Ministry of Finance consist of the premerger figures from Mitsui Marine and Fire Insurance Company, Limited for April 1, 2001 through September 30, 2001 and the Company's pro forma results for October 1, 2001 through March 31, 2002. However, for the purposes of this report, the consolidated financial statements were created as if the two companies had merged in the past. Therefore, amounts for the past financial years in the accompanying consolidated financial statements have been restated from amounts previously reported.

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

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

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

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

(b) Principles of Consolidation

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

The Company consolidated 26 subsidiaries as of the fiscal year ended March 31, 2002. Major subsidiaries are as follows.

Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
MITSUI SUMITOMO INSURANCE Asset Management Co., Ltd.
Mitsui Sumitomo Insurance Group Holdings (USA), Inc.
Mitsui Sumitomo Insurance Company (Europe), Limited
Mitsui Sumitomo Insurance (Singapore) Pte. Ltd.

With the establishment of a holding company in the United States, eight companies, including Mitsui Sumitomo Insurance Group Holdings (USA), Inc., were consolidated as of the fiscal year ended March 31, 2002. Mitsui Sumitomo Reinsurance Limited was also consolidated as of the fiscal year ended March 31, 2002 in line with its increasing importance.

No affiliate is accounted for by the equity method in the years ended March 31, 2000, 2001 and 2002.

The investments in and the operating results of other subsidiaries are not significant to the Company.

The scope of consolidation required under generally accepted accounting principles in the United States of America ("U.S. GAAP") differs from that required under Japan GAAP.

(c) Foreign Currency Translations

(i) Foreign currency accounts

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rate of exchange in effect at the balance sheet date.

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

(ii) Foreign currency financial statements of consolidated subsidiaries

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

Foreign currency translation adjustments is included in "Shareholders' equity" and "Minority interests" in accordance with the Regulation of Consolidated Financial Statements.

(d) Investments

The Company classified investments in securities as "Securities held to maturity," "Stocks of subsidiaries and affiliates" and "Other securities." The valuation policies and methods of each category are as follows:

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

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

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

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

(e) Property and Equipment

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

(f) Leases

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

(g) Policy Acquisition Costs

Policy acquisition costs are charged to income as incurred.

(h) Reserve for Outstanding Claims

In accordance with the regulations of the Insurance Business Law, a reserve for outstanding claims has been established in amounts estimated to be sufficient, in the opinion of management, to discharge claims incurred and reported.

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

(i) Underwriting Reserves

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

(a) Premium reserve:

• Property and casualty insurance

—Insurance other than compulsory automobile insurance and earthquake insurance

Whichever is the greater of the unearned premiums or the underwriting balance at the end of the year for policies written during the year, by lines of insurance and types of policy

—Compulsory automobile liability insurance

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

—Earthquake insurance

Accumulated total amounts of underwriting balance and related net investment income less income taxes

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

• Life insurance

Future policy benefits for life insurance contracts are calculated pursuant to the five-year zillmerized reserve method.

(b) Deposits by policyholders:

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

(j) Reserve for Bad Debts

The reserve for bad debts is established under the standard for self-assessment of assets and the policy for depreciation and provision. Loans to debtors who are legally deemed to be experiencing financial difficulties such as bankruptcy, special clearance or whose notes are under suspension at clearing-houses and loans to debtors who are substantially deemed to be experiencing financial difficulties are provided for based on the amount remaining after deducting the collateral's resale value and collectible collateral amounts through guarantees. Loans to debtors for which there is a probability of financial difficulties in the future are provided for based on the amount remaining after deducting the collateral's resale value and amounts collectible from guarantees considering debtors' abilities to repay the entire outstanding debt.

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

(k) Reserve for Losses on Investments

The reserve for losses on investments is established to provide for possible future losses arising from holding shares of investments.

(l) Accrued Employees' Retirement and Severance Benefits and Pension Plans

The Company has an unfunded lump-sum payment benefit plan and funded non-contributory pension plan covering substantially all employees. Under the plans, employees are entitled to lump-sum or annuity payments based on the current rate of pay and length of service at retirement or termination of employment for reasons other than dismissal for cause. Directors and statutory auditors are not covered by the above plan.

In addition to the plans described above, substantially all employees of the Company are covered by a funded pension plan whose benefits are based on length of service and certain other factors and include a portion representing the governmental social security welfare pension.

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

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

(m) Accrued Bonuses for Employees

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

(n) Reserve for Losses on Sales of Loans

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

(o) Reserve for Loss on Valuation of Real Estate

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

(p) Reserve for Price Fluctuation

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

(q) Deferred Assets under Article 113 of the Insurance Business Law

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

(r) Cash and Cash Equivalents

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

(s) Net Income per Share

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

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

(2) U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at ¥133=U.S.$1, the approximate rate prevailing at March 31, 2002. The translations should not be construed as representations that such yen amounts have been, could have been or could in the future be converted into U.S. dollars at that or any other rate.

(3) Loans

Loans as of March 31, 2001 and 2002 included "Loans to financially impaired parties" and "Overdue loans" on which accrued interest income had not been recognized in accordance with the Accounting Standards for Non-Life Insurance Companies, "Overdue loans more than 3 months" and "Restructured loans" as follows:

	Yen in millions		Dollars in thousands
	2001	**2002**	**2002**
Loans to financially impaired parties	¥ 8,042	**¥ 5,501**	**$ 41,360**
Overdue loans	17,038	**14,743**	**110,849**
Overdue loans more than 3 months	563	**742**	**5,578**
Restructured loans	21,935	**12,915**	**97,105**
Total	¥47,580	**¥33,903**	**$254,909**

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

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

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

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

(4) Short-term Debt and Long-term Debt

Short-term debt and long-term debt consist of the following as of March 31, 2001 and 2002:

	Yen in millions		Dollars in thousands
	2001	**2002**	**2002**
1.1% Japanese yen convertible debentures, due 2002	¥ 17,263	**¥ —**	**$ —**
2.1% Japanese yen convertible debentures, due 2002	2,596	**—**	**—**
0.7% Japanese yen convertible debentures, due 2003	49,998	**49,998**	**375,924**
1.6% Japanese yen convertible debentures, due 2003	12,850	**12,850**	**96,616**
1.2% Japanese yen convertible debentures, due 2004	22,250	**22,250**	**167,293**
Bank loans	2,000	**1,675**	**12,593**
	106,957	**86,773**	**652,428**
Less current portion classified as short-term debt	20,559	**64,148**	**482,315**
Total long-term debt	¥ 86,398	**¥22,625**	**$170,112**

If all convertible bonds outstanding were converted as of March 31, 2002, common shares outstanding would be increased by 107,250 thousand shares.

Under the trust deeds, conversion prices are subject to adjustment in certain cases including stock splits or the issuance of new shares at paid-in prices which are less than market prices.

(5) Extraordinary Losses (Income)

Other extraordinary losses (income), net, in the year ended March 31, 2000 included gain on sales of securities of ¥38,564 million in connection with the change in the calculation method for pension liabilities and reversal of the reserve for bad debts of ¥8,249 million. Also, other extraordinary losses (income), net, in the year ended March 31, 2000 includes an additional provision of ¥38,564 million in connection with the change in the calculation method for pension liabilities, the amortization of the beginning balance of software development costs paid to third parties for the Company's own use of ¥21,436 million, a lump-sum expense of ¥21,208 million in non-depreciated prior service costs at the end of the term with regard to the parent company's contributory funded pension plan, a lump-sum expense of ¥4,003 million in prior service costs arising from revisions to the pension system and a review of assumed interest rates used in the calculation of prior service costs with regard to the parent company's non-contributory funded pension plan and valuation losses in connection with buildings of ¥22 million due to significant declines in market values.

Other extraordinary losses (income), net, in the year ended March 31, 2001 includes gain on sales of securities of ¥17,912 million, which were sold in connection with the provision of underwriting reserve, reversal of reserve for bad debts of ¥5,391 million and reversal of reserve for losses on investments of ¥2,983 million. Also, other extraordinary losses (income), net, in the year ended March 31, 2001 includes the amortization of differences arising from changes in accounting method in the amount of ¥1,521 million in accordance with the application of severance benefit accounting methods, the provision for reserve for loss on valuation of real estate of ¥2,309 million, valuation losses on land and construction in process due to significant declines in fair values of ¥6,570 million, miscellaneous expenses for the merger of ¥6,689 million, the amortization of actuarial differences in the amount of ¥6,891 million in accordance with the application of severance benefit accounting methods and the previous year adjustment for underwriting reserve for co-insurance contracts on fire insurance managed by another company of ¥17,912 million.

Other extraordinary losses (income), net, in the year ended March 31, 2002 includes reversal of reserve for bad debts of ¥1,783 million ($13,406 thousand), reversal of reserve for losses on investments of ¥14 million ($105 thousand), reversal of reserve for losses on sales of loans of ¥36 million ($270 thousand), and temporary revenue amounting to ¥1,384 million ($10,406 thousand) from prior years' service costs related to the accounting standard for retirement benefits. Also, other extraordinary losses (income), net, in the year ended March 31, 2002 includes miscellaneous expenses for the merger of ¥31,396 million ($236,060 thousand), the amortization of actuarial differences in the amount of ¥5,551 million ($41,736 thousand) in accordance with the application of severance benefit accounting methods and valuation losses on land and construction in process of ¥132 million ($992 thousand) due to significant declines in fair values.

(6) Commitments and Contingent Liabilities

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

Total payments for finance leases other than those which have been deemed to transfer ownership of the leased property to the lessee were ¥1,204 million and ¥1,447 million ($10,879 thousand) in the years ended March 31, 2001 and 2002, respectively. Lease property less accumulated depreciation and unexpended lease expenses for such financial leases amounted to ¥718 million ($5,398 thousand) in the year ended March 31, 2002.

(7) Shareholders' Equity

Legal Reserve and Appropriations of Retained Earnings

The Insurance Business Law, which is applicable to the appropriations of retained earnings, requires that an amount equaling 20% or more of retained earnings appropriated for dividends be set aside as a reserve until the aggregate amount of such reserve and additional paid-in capital reaches the stated value of common stock. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. Voluntary reserves are available for future dividends subject to the approval of the shareholders and legal reserve requirements. At their general meeting on June 27, 2002, shareholders authorized the appropriation of retained earnings for the year ended March 31, 2002 as follows:

	Yen in millions	Dollars in thousands
Legal reserve	¥ 2,300	$ 17,293
Cash dividends, ¥7.5 ($0.05) per share	10,949	82,323
Bonuses to directors	84	631
Voluntary reserves	5,600	42,105
Total	¥18,933	$142,353

(8) Information for Statements of Cash Flows

Cash and cash equivalents reported on the consolidated balance sheets on March 31, 2000, 2001 and 2002 were as follows:

	Yen in millions			Dollars in thousands
	2000	2001	**2002**	**2002**
Cash and deposits	¥404,076	¥352,176	**¥415,024**	**$3,120,481**
Call loans	5,209	20,224	**328**	**2,466**
Monetary claims bought	35,466	84,637	**17,774**	**133,639**
Investments in securities	2,078	8,858	**427**	**3,210**
Time deposits at banks with maturities over 3 months	(79,028)	(60,576)	**(57,719)**	**(433,977)**
Monetary claims bought with maturities over 3 months	(18,549)	(3,845)	**(3,452)**	**(25,954)**
Cash and cash equivalents	¥349,252	¥401,475	**¥372,383**	**$2,799,872**

(9) Income Taxes

The Company and its domestic subsidiaries are subject to corporate (national) and inhabitants (local) taxes based on income which, in the aggregate, resulted in a normal statutory tax rate of approximately 36% for the years ended March 31, 2000, 2001 and 2002.

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

(10) Segment Information

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

	Yen in millions			
March 31, 2000	Property and Casualty Insurance	Life Insurance	Adjustments and Eliminations	Consolidated
Ordinary income	¥1,885,769	¥ 95,826	¥(64,461)	¥1,917,134
Adjustments and eliminations	1,425	157	(1,583)	—
Total	1,887,195	95,983	(66,044)	1,917,134
Ordinary expense	1,810,452	94,591	(66,239)	1,838,804
Ordinary profit	¥ 76,743	¥ 1,391	¥ 195	¥ 78,330
Assets	¥5,975,421	¥200,493	¥(30,658)	¥6,145,256
Depreciation	25,570	153	—	25,723
Capital investment	25,044	98	—	25,143

	Yen in millions			
March 31, 2001	Property and Casualty Insurance	Life Insurance	Adjustments and Eliminations	Consolidated
Ordinary income	¥1,870,352	¥114,167	¥(82,052)	¥1,902,467
Adjustments and eliminations	1,588	125	(1,714)	—
Total	1,871,940	114,293	(83,766)	1,902,467
Ordinary expense	1,811,445	113,414	(83,732)	1,841,127
Ordinary profit	¥ 60,494	¥ 878	¥ (33)	¥ 61,339
Assets	¥7,308,739	¥293,801	¥(30,538)	¥7,572,002
Depreciation	23,993	144	—	24,137
Capital investment	17,763	80	—	17,844

	Yen in millions			
March 31, 2002	Property and Casualty Insurance	Life Insurance	Adjustments and Eliminations	Consolidated
Ordinary income	**¥1,815,843**	**¥129,310**	**¥(85,147)**	**¥1,860,007**
Adjustments and eliminations	**1,784**	**72**	**(1,857)**	**—**
Total	**1,817,627**	**129,383**	**(87,004)**	**1,860,007**
Ordinary expense	**1,755,874**	**128,576**	**(87,038)**	**1,797,412**
Ordinary profit	**¥ 61,753**	**¥ 806**	**¥ 33**	**¥ 62,594**
Assets	**¥6,985,012**	**¥369,487**	**¥(30,594)**	**¥7,323,905**
Depreciation	**24,230**	**148**	**—**	**24,378**
Capital investment	**18,130**	**316**	**—**	**18,447**

	Dollars in thousands			
March 31, 2002	Property and Casualty Insurance	Life Insurance	Adjustments and Eliminations	Consolidated
Ordinary income	**$13,652,954**	**$ 972,255**	**$(640,203)**	**$13,985,015**
Adjustments and eliminations	**13,413**	**541**	**(13,962)**	**—**
Total	**13,666,368**	**972,804**	**(654,165)**	**13,985,015**
Ordinary expense	**13,202,060**	**966,736**	**(654,421)**	**13,514,375**
Ordinary profit	**$ 464,308**	**$ 6,060**	**$ 248**	**$ 470,631**
Assets	**$52,518,887**	**$2,778,097**	**$(230,030)**	**$55,066,954**
Depreciation	**182,180**	**1,112**	**—**	**183,293**
Capital investment	**136,315**	**2,375**	**—**	**138,699**

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

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

Overseas Network

(As of July 31, 2002)

★ Overseas Offices
☆ Overseas Branches and Departments
● Overseas Subsidiaries and Affiliates
■ Underwriting Agents for Mitsui Sumitomo Insurance Co., Ltd., Head Office

ASIA AND OCEANIA

Singapore

● Mitsui Sumitomo Insurance (Singapore) Pte. Ltd.
16 Raffles Quay #24-01, Hong Leong Building, Singapore 048581
Tel: 65-6220-9644~8
Fax: 65-6225-6371

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

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

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

Thailand

☆ Mitsui Sumitomo Insurance Co., Ltd., Thailand Branch
14th Floor, Sathorn City Tower, 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6165~6187
Fax: 66-2-679-6209~6214

● MSI Adjusting (Thailand) Company, Limited
14th Floor, Sathorn City Tower, 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6165~6187
Fax: 66-2-679-6209~6214

● Calm Sea Service Co., Ltd.
14th Floor, Sathorn City Tower, 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6165~6187
Fax: 66-2-679-6209~6214

● Wilson Insurance Company Limited
No. 25, 18th Floor, Bangkok Insurance/Y.W.C.A. Bldg., South Sathorn Road, Khwaeng Thungmahamek, Khet Sathorn, Bangkok 10120, Thailand
Tel: 66-2-677-3999
Fax: 66-2-677-3978~9

● Kamol Sukosol Insurance Co., Ltd.
663-665, Mahachai Road, Samranraj, Pranakorn, Bangkok 10200, Thailand
Tel: 66-2-226-2277~88
Fax: 66-2-224-8373

● MBTS Broking Service Co., Ltd.
14th Floor, Sathorn City Tower, 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6205~8
Fax: 66-2-679-6208

● MBTS Life Insurance Broker Co., Ltd.
14th Floor, Sathorn City Tower, 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6165~6187
Fax: 66-2-679-6209~6214

● Sumikai Service (Thailand) Co., Ltd.
14th Floor, Sathorn City Tower, 175 South Sathorn Road, Khwaeng Thungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-679-6165~6187
Fax: 66-2-679-6209~6214

Malaysia

● Mitsui Sumitomo Insurance (Malaysia) Bhd.
Level 21, 22, & 23 Menara Weld No. 76, Jalan Raja Chulan, 50200 Kuala Lumpur, P.O. Box 11034, 50732 Malaysia
Tel: 60-3-20729711
Fax: 60-3-20701454

● MSI Risk Consultancy Service (Malaysia) Sdn. Bhd.
Level 21, 22 & 23, Menara Weld No. 76, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia
Tel: 60-3-20729711
Fax: 60-3-20701454

● Mitsui Sumitomo Reinsurance Limited, Labuan Branch
Level 13 (F2), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 WP Labuan, Malaysia
Tel: 60-087-452748
Fax: 60-087-452750

■ Mitsui Sumitomo Insurance Co., Ltd., Labuan Branch
Level 13 (F2), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 WP Labuan, Malaysia
Tel: 60-087-452748
Fax: 60-087-452750

Philippines

● BPI/MS Insurance Corporation
16th Floor, Ayala-FGU Center, 6811 Ayala Avenue, 1226 Makati City, Philippines
Tel: 63-2-840-9000
Fax: 63-2-840-9229

● First Lepanto-Taisho Insurance Corporation
6th Floor, BA-Lepanto Building, 8747 Paseo de Roxas, 1226 Makati City, Philippines
Tel: 63-2-818-4634
Fax: 63-2-819-0455

● Philippine Charter Insurance Corporation
Ground & 2nd Floors, Skyland Plaza, Sen. Gil J. Puyat Avenue, Corner Tindalo Street, Makati City, Philippines
Tel: 63-2-844-7044
Fax: 63-2-815-4797

Indonesia

● P.T. Asuransi Mitsui Marine Indonesia
Summitmas II, 15th Floor, Jalan Jenderal Sudirman, Kavelling 61-62, Jakarta 12069, Indonesia
Tel: 62-21-252-3110
Fax: 62-21-252-4308

● P.T. Asuransi Sumitomo Marine and Pool
Summitmas II, 16th Floor, Jalan Jenderal Sudirman, Kavelling 61-62, Jakarta 12069, Indonesia
Tel: 62-21-520-1268
Fax: 62-21-525-6040

Taiwan

☆ Mitsui Sumitomo Insurance Co., Ltd., Taipei Branch
7th Floor, No. 260, Tun Hwa North Road, Taipei, Taiwan
Tel: 886-2-8712-1350
Fax: 886-2-8712-1370

★ Kaohsiung Office
Room D, 25th Floor, 55 Jung Jeng 3rd Road, Kaohsiung 800, Taiwan
Tel: 886-7-222-2300
Fax: 886-7-222-2348

★ Yangming Office
4F-1, 13 Sec., 2 Peitou Road, Peitou, Taipei, Taiwan
Tel: 886-2-2893-0020
Fax: 886-2-2897-9171

The Republic of Korea

★ Seoul Office
23F, Young Poong Bldg. 33, Seorin-Dong, Jongno-Gu, Seoul, 110-752, The Republic of Korea
Tel: 82-2-3702-5800
Fax: 82-2-3702-5900

People's Republic of China

★ China General Representative Office
Room No. 1608, Beijing Fortune Bldg., 5 Dong San Huan Bei-Lu, Chao Yang District, Beijing, People's Republic of China
Tel: 86-10-6590-8500
Fax: 86-10-6590-8504

☆ Mitsui Sumitomo Insurance Co., Ltd., Shanghai Branch
41st Floor, Shanghai HSBC Tower, 101, Yin Cheng East Road, Pudong New Area, Shanghai 200120, People's Republic of China
Tel: 86-21-6841-1034
Fax: 86-21-6841-0906

★ Beijing Office
Room No. 1608, Beijing Fortune Bldg., 5 Dong San Huan Bei-Lu, Chao Yang District, Beijing, People's Republic of China
Tel: 86-10-6590-8500
Fax: 86-10-6590-8504

★ Guangzhou Office
Room No. 3908, Zhong Xin Ghuang Chang, 233 Tian He Bei-Lu, Guangzhou, People's Republic of China
Tel: 86-20-3877-2136
Fax: 86-20-3877-2161

★ Shenzhen Office
28th Floor, Unit 16, Office Tower Shun Hing Square, Di Wang Commercial Center, 5002 Shen Nan Dong Road, Shenzhen 518008, People's Republic of China
Tel: 86-755-8246-1263
Fax: 86-755-8246-1267

★ Dalian Office
21st Floor, Dalian Senmao Bldg., 147 Zhong Shan Road, Xi gang District, Dalian, Liao-Ning Province, People's Republic of China
Tel: 86-411-360-2076
Fax: 86-411-360-0184

★ Chengdu Office
Room No. 669, Jinjiang Hotel, 80, 2nd Section, Renmin South Ave., Chengdu, Sichuan, People's Republic of China
Tel: 86-28-8559-4992
Fax: 86-28-8559-3565

★ Tianjin Office
Room No. 1703, Tianjin International Building, No. 75 Nianjing Road, Tianjin, People's Republic of China
Tel: 86-22-2330-4987
Fax: 86-22-2330-4986

Hong Kong

● Mitsui Sumitomo Insurance Co., (H.K.) Ltd.
23/F, Bank of America Tower, 12 Harcourt Road, Central (G.P.O. Box 3027), Hong Kong
Tel: 852-252-38191
Fax: 852-284-59255

● The Sumitomo Property & Casualty Insurance Co., (H.K.) Ltd.
23/F, Bank of America Tower, 12 Harcourt Road, Central (G.P.O. Box 3027), Hong Kong
Tel: 852-252-38191
Fax: 852-284-59255

● Oriental Management Service Limited
23/F, Bank of America Tower, 12 Harcourt Road, Central (G.P.O. Box 3027), Hong Kong
Tel: 852-252-38191
Fax: 852-284-59255

● M&H Insurance Agency Limited
23/F, Bank of America Tower, 12 Harcourt Road, Central (G.P.O. Box 3027), Hong Kong
Tel: 852-252-38191
Fax: 852-284-59255

● Mascot Insurance Brokers Limited
23/F, Bank of America Tower, 12 Harcourt Road, Central (G.P.O. Box 3027), Hong Kong
Tel: 852-252-38191
Fax: 852-284-59255

● MITSUI SUMITOMO INSURANCE Asset Management (Hong Kong) Limited
Room No. 3702, 37/F, Tower I, Lippo Centre, 89 Queensway, Hong Kong
Tel: 852-2521-8883
Fax: 852-2537-1793

Macau

■ Mitsui Sumitomo Insurance Co., Ltd., Macau Branch
1-3, Rua Dr. Pedro Jose Lobo, Edificio Banco Luso, 12 Andar, Apartment 1202 Macau
Tel: 853-375427
Fax: 853-596667

Vietnam

● United Insurance Company of Vietnam
Hanoi Tung Shing Square 11F, 2 Ngo Quyen Street, Hoan Kim District, Hanoi, Vietnam
Tel: 84-4-8240495
Fax: 84-4-8240496

★ Hanoi Office
Hanoi Tung Shing Square 11F, 2 Ngo Quyen Street, Hoan Kim District, Hanoi, Vietnam
Tel: 84-4-8240495
Fax: 84-4-8240496

★ Ho Chi Minh Office
8th Floor, Sun Wah Tower, 115 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam
Tel: 84-8-8219030
Fax: 84-8-8219029

India

★ New Delhi Office
Suite #201, Taj Palace Hotel, Sardar Patel Marg, Diplomatic Enclave, New Delhi 110 021, India
Tel: 91-11-302-3692
Fax: 91-11-302-3677

★ Mumbai Office
Jolly Maker Chamber No. II, 15th Floor, 225 Nariman Point, Mumbai 400-021, India
Tel: 91-22-287-6238
Fax: 91-22-287-6239

Myanmar

★ Yangon Representative Office
Room No. 622, Traders Hotel,
223 Sule Pagoda Road,
G.P.O. Box 888, Yangon, Myanmar
Tel: 95-1-254472
Fax: 95-1-242807

Australia

★ Sydney Office
Level 32, The Chifley Tower,
2 Chifley Square, Sydney, N.S.W.
2000, Australia
Tel: 61-2-9232-7644
Fax: 61-2-9232-7006

★ Melbourne Office
Level 7, 34 Queen Street, Melbourne,
Victoria 3000, Australia
Tel: 61-3-9245-8188
Fax: 61-3-9614-2248

New Zealand

★ New Zealand Office
Royal & Sun Alliance Center,
48 Shortland Street, Auckland,
New Zealand
Tel: 64-9-357-2394
Fax: 64-9-363-2328

Papua New Guinea

★ Papua New Guinea Office
(Principal Office)
Level 1, The Lodge, Bampton Street,
Port Moresby, Papua New Guinea
(P.O. Box 1579)
Tel: 67-5-321-1600
Fax: 67-5-321-1658

THE AMERICAS

U.S.A.

● Mitsui Sumitomo Insurance Group Holding (USA), Inc.
15 Independence Boulevard,
P.O. Box 4602, Warren,
NJ 07059, U.S.A.
Tel: 1-908-604-2900
Fax: 1-908-604-2991

● Mitsui Marine & Fire Insurance Company of America
33 Whitehall Street, 26th Floor,
New York, NY 10004-2112, U.S.A.
Tel: 1-212-480-2550
Fax: 1-212-480-1127

● Sumitomo Marine & Fire Insurance Company of America
33 Whitehall Street, 26th Floor,
New York, NY 10004-2112, U.S.A.
Tel: 1-212-480-2550
Fax: 1-212-480-1127

★ New York Office
33 Whitehall Street, 26th Floor,
New York, NY 10004-2112, U.S.A.
Tel: 1-212-480-2550
Fax: 1-212-480-1127

★ San Francisco Office
50 California Street, Suite 680,
San Francisco, CA 94111, U.S.A.
Tel: 1-415-433-4270
Fax: 1-415-433-4292

★ Los Angeles Office
10 Universal City Plaza, Suite 1700,
Universal City, CA 91608, U.S.A.
Tel: 1-818-509-7150
Fax: 1-818-752-9329

★ Chicago Office
1750 East Golf Road, Suite 215,
Schaumburg, IL 60173, U.S.A.
Tel: 1-847-995-1772, 1773
Fax: 1-847-995-1794

★ Houston Office
1000 Louisiana, Suite 5675,
Houston, TX 77002, U.S.A.
Tel: 1-713-651-9722
Fax: 1-713-651-1374

★ Atlanta Office
14 Piedmont Center, Suite 415,
3535 Piedmont Road, Atlanta,
GA 30305, U.S.A.
Tel: 1-404-442-9407
Fax: 1-404-442-9410

★ Detroit Office
3000 Town Center, Suite 835,
Southfield, MI 48075, U.S.A.
Tel: 1-248-355-2080
Fax: 1-248-355-9113

★ Evansville Office
120 West State Street, Suite C,
Princeton, IN 47670, U.S.A.
Tel: 1-812-386-6688
Fax: 1-812-385-0615

● Mitsui Sumitomo Marine Management (U.S.A) Inc.
15 Independence Boulevard,
P.O. Box 4602, Warren,
NJ 07059, U.S.A.
OR
49 East 4th Street, Suite 500,
Dixie Terminal South, Cincinnati,
OH 45202, U.S.A.
Tel: 1-908-604-2900 or
1-877-679-4032
Fax: 1-908-604-2991 or
1-513-287-8199

● GARMI Inc.
49 East 4th Street, Suite 500,
Dixie Terminal South, Cincinnati,
OH 45202, U.S.A.
Tel: 1-800-952-6757
Fax: 1-513-369-7440

★ Cincinnati Office
49 East 4th Street, Suite 500,
Dixie Terminal South, Cincinnati,
OH 45202, U.S.A.
Tel: 1-513-412-4989
Fax: 1-513-412-4990

● Seven Hills Insurance Agency Inc.
49 East 4th Street, Suite 500,
Dixie Terminal South, Cincinnati,
OH 45202, U.S.A.
Tel: 1-877-638-1706
Fax: 1-513-763-7530

● Seven Hills Insurance Agency L.L.C.
49 East 4th Street, Suite 500,
Dixie Terminal South, Cincinnati,
OH 45202, U.S.A.
Tel: 1-877-638-1706
Fax: 1-513-763-7530

● Seven Seas Insurance Agency Inc.
49 East 4th Street, Suite 500,
Dixie Terminal South, Cincinnati,
OH 45202, U.S.A.
Tel: 1-877-638-1706
Fax: 1-513-763-7530

★ Honolulu Office
Central Pacific Plaza, 220 S King
Street, Suite 840, Honolulu,
HI 96813, U.S.A.
Tel: 1-808-537-4977
Fax: 1-808-537-5348

● Mitsui Sumitomo Insurance Asset Management (New York) Inc.
33 Whitehall Street, 26th Floor,
New York, NY 10004-2112, U.S.A.
Tel: 1-212-480-0474
Fax: 1-212-480-5936

● MSI Re Management, Inc.
15 Independence Boulevard,
P.O. Box 4602, Warren,
NJ 07059, U.S.A.
Tel: 1-908-604-2900
Fax: 1-908-604-2852

● MSI Claims (USA), Inc.
33 Whitehall Street, 26th Floor,
New York, NY 10004-2112, U.S.A.
Tel: 1-212-480-1123
Fax: 1-212-480-1126

Guam (U.S.A.)

■ Cassidy's Associated Insurers Inc.
376 W. O'Brien Drive, Aguana,
Guam 96910
Tel: 1-671-472-8834
Fax: 1-671-477-3127

■ Atkins Kroll Insurance Inc.
Dda: Aon Insurance Micronesia
Suite 203, Hengi Plaza, 278 South
Marine Drive, Tamuning,
Guam 96911
Tel:1-671-646-3681
Fax: 1-671-649-6098

Northern Marianas

■ Associated Insurance Underwriters of the Pacific Inc.
Beach Road, Garapan,
P.O. Box 501369, Saipan,
MP 96950
Tel: 1-670-234-7222
Fax: 1-670-234-5367

■ Microl Insurance Inc.
Dda: Aon Insurance Micronesia
Ground Floor, Limi's Office Bldg.,
cor. Beach Road & Airport Road,
San Jose, Saipan, MP 96950, Saipan
Tel: 1-670-234-2811
Fax: 1-670-234-5462

Canada

★ Toronto Office
One Financial Place, 14th Floor,
1 Adelaide St. East, Toronto, Ontario,
M5C 2V9, Canada
Tel: 1-416-359-3222
Fax: 1-416-863-9488

■ Chubb Insurance Company of Canada
One Financial Place, 1 Adelaide St.
East, Toronto, Ontario, M5C 2V9,
Canada
Tel: 1-416-863-0550
Fax: 1-416-863-5010

Bermuda

● MS Frontier Reinsurance Limited
Victoria Hall, 3rd Floor,
11 Victoria Street,
Hamilton, HM11, Bermuda
Tel:1-441-295-5795
Fax: 1-441-295-8384

● Interisk Global Management (Bermuda) Limited
Skandia International House,
16 Church Street, Hamilton, HMHX,
Bermuda

Mexico

★ Mexico Office
Blvd. Manuel Avila Camacho No. 24,
Piso 9 Col. Lomas de Chapultepec,
C.P. 11000, Delegacion Miguel
Hidalgo, Mexico, D.F.
Tel: 52-55-5202-3613/4632
Fax: 52-55-5520-5524

Panama

★ Panama Office
Plaza Credicorp Bank Panama,
Piso 7, Oficina 701, Panama
Republica de Panama
(P.O. Box 89-9909, Zona 9,
San Francisco, Panama City,
Republica de Panama)
Tel: 507-210-0133 or 0147
Fax: 507-210-0122

Brazil

★ São Paulo Office
Avenida Paulista 1471-4° Andar,
Cep. 01311-927 Cerq. Cesar,
São Paulo SP, Brazil
Tel:55-11-3177-5806
Fax: 55-11-289-6997

● Mitsui Sumitomo Seguros S.A.
Avenida Paulista 1471-1° Andar,
Cep. 01311-927 Cerq. Cesar,
São Paulo, SP, Brazil
Tel: 55-11-3177-5806
Fax: 55-11-289-6997

Colombia

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

Peru

★ Lima Office
Jr. San Martin 864-Piso 7, Miraflores,
Lima, Peru
Tel: 51-1-447-3313/3053
Fax: 51-1-447-3280

Argentina

★ Buenos Aires Office
c/o Royal & Sun Alliance Seguros
(Argentina) S.A.,
Alsina 756, Buenos Aires 1087,
Argentina
Tel: 54-11-4334-4472
Fax: 54-11-4334-4472

EUROPE, MIDDLE EAST, AND AFRICA

United Kingdom

● Mitsui Sumitomo Insurance Company (Europe), Ltd.
6th Floor, New London House,
6 London Street,
London EC3R 7LP, U.K.
Tel: 44-20-7816-0321
Fax: 44-20-7816-0220

● MSI Claims (Europe), Inc.
6th Floor, New London House,
6 London Street,
London EC3R 7LP, U.K.
Tel: 44-20-7816-0321
Fax: 44-20-7816-0220

● Mitsui Sumitomo Insurance (London Management) Ltd.
12th Floor, 71 Fenchurch Street,
London EC3M 4BS, U.K.
Tel: 44-20-7977-8321
Fax: 44-20-7977-8300

● MSI Corporate Capital Ltd.
12th Floor, 71 Fenchurch Street,
London EC3M 4BS, U.K.
Tel: 44-20-7977-8321
Fax: 44-20-7977-8300

● MSI European Services Ltd.
6th Floor, New London House,
6 London Street, London EC3R
7LP, U.K.
Tel: 44-20-7816-0321
Fax: 44-20-7816-0220

● The Sumitomo Marine & Fire Insurance Co., (EUROPE) Ltd.
6th Floor, New London House,
6 London Street, London EC3R
7LP, U.K.
Tel: 44-20-7816-0321
Fax: 44-20-7816-0220

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

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

● MITSUI SUMITOMO MARINE Asset Management (London) Ltd.
Devonshire House, 1 Mayfair Place,
London W1J 8AJ, U.K.
Tel: 44-20-7470-1539
Fax: 44-20-7470-1533

Ireland

● Mitsui Sumitomo Reinsurance Limited
IFSC House, 3rd Floor,
Custom House Quay, I.F.S.C.,
Dublin 1, Ireland
Tel: 353-1-605-4243
Fax: 353-1-605-4275

Germany

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

Hungary

★ Budapest Office
H 1066 Budapest,
Terez Krt. 42-44, Hungary

The Netherlands

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

France

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

Belgium

★ Brussels Office
Av. Louise 287, Bte. 8,
1050 Brussels, Belgium
Tel: 32-2-646-0940
Fax: 32-2-646-1129

Spain

★ Barcelona Office
Rambla de Catalunya 33, Entresuels,
08007 Barcelona, Spain
Tel: 34-93-488-0813
Fax: 34-93-488-0413

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

Italy

★ Milan Office
Foro Buonaparte, 63 20121
Milan, Italy
Tel: 39-02-8791431
Fax: 39-02-87914331

Austria

★ Vienna Office
Hietzinger Hauptstr. 41,
A-1131 Vienna, Austria
Tel: 43-1-87-883-690
Fax: 43-1-87-883-692

Czech Repbulic

★ Prague Office
IBC-Pobrezni 3, Prague 8, Czech
Republic, IBC Building 3F (Unit 3.3)
Tel: 420-2-2483-5400
Fax: 420-2-2232-2530

Turkey

★ Istanbul Office
Buyukdere Cad. No. 100-102,
Maya Akar Is Merkezi, B Block,
Kat: 18, 80280, Esentepe, Istanbul,
Turkey
Tel: 90-212-356-2219
Fax: 90-212-356-2358

Saudi Arabia

■ Arab Commercial Enterprises Ltd., Al Khobar Branch
ACE Building, 28th Street,
Al Khobar, Saudi Arabia
(P.O. Box 358, 31952 Al Khobar)
Tel: 966-3-864-1770
Fax: 966-3-898-3181

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

United Arab Emirates

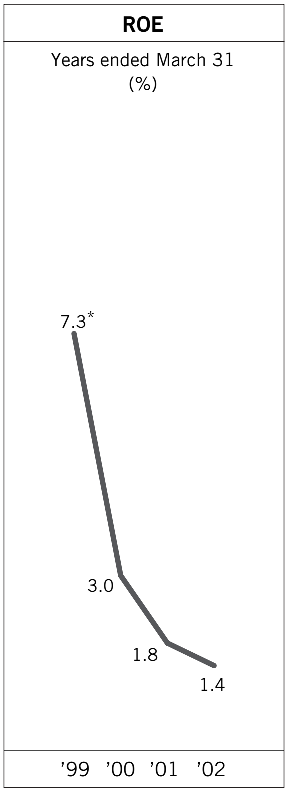
■ Arab Commercial Enterprises Ltd., Dubai Branch
Al Maktoum Street, Sheik Rashid
Building, No. 55, 3rd Floor, Flat 34,
P.O. Box 1100, Deira, Dubai, UAE
Tel: 971-4-295881
Fax: 971-4-2957779

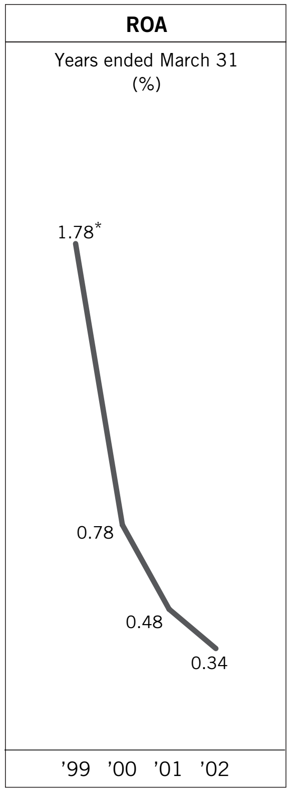
★ Dubai Office
Spectrum Building 109,
P.O. Box 2190,
Dubai, UAE
Tel: 971-4-3365335
Fax: 971-4-3366955

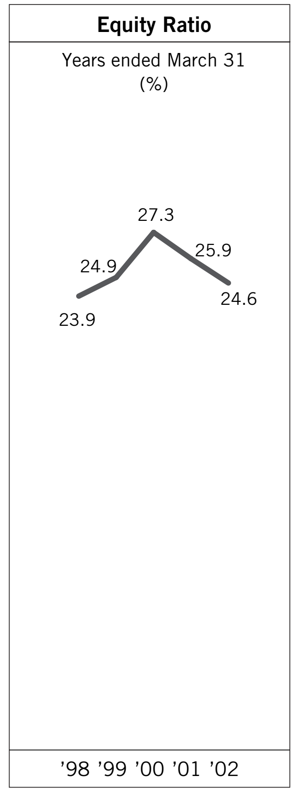
■ Arab Commercial Enterprises Ltd., Abu Dhabi Branch
Shecikh Hamdan Street,
Saalim Al Saaman Building,
P.O. Box 585, Abu Dhabi, UAE
Tel: 971-2-6457070
Fax: 971-2-6458050

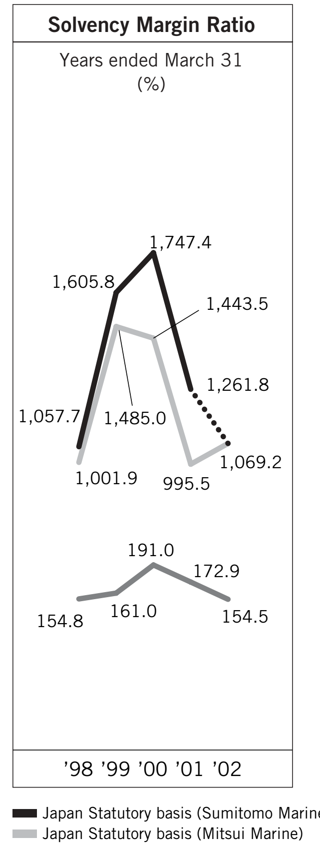
★ Abu Dhabi Office
c/o Abu Dhabi National Insurance Co.,
P.O. Box 839, Abu Dhabi, UAE
Tel: 971-2-6274834
Fax: 971-2-6275115

Investor Information









Notes: 1. ROE = net income/average shareholders' equity*
2. ROA = net income/average total assets*
3. Equity ratio = total shareholders' equity/total assets
4. Solvency margin ratio = total shareholders' equity/net premiums earned
5. Japan statutory basis solvency margin ratio = solvency margin total amount/(total risk amount x 0.5)
These values are calculated according to regulations set forth in the Japanese Ministry of Finance's Note No. 50, issued in 1996, and Articles 86 and 87 of the Enforcement Regulations of the Insurance Business Law of Japan.
6. The consolidated financial statements prior to the merger have been restated as if the companies had been combined for all periods presented.
**Net income in the indicated fiscal year was affected by a change in the corporation tax rate.*

Corporate Data

(As of July 31, 2002, except where noted)

Mitsui Sumitomo Insurance Co., Ltd.
Head Office
27-2, Shinkawa 2-chome,
Chuo-ku, Tokyo 104-8252, Japan
Tel: (03) 3297-1111

Date Established
October 21, 1918

Network
Domestic Offices: 706
Domestic Agents: 86,263 (As of March 31, 2002)
Overseas Branches and Offices: 63

Number of Employees
14,050

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

Number of Shares of Common Stock
Authorized: 3,000,000,000
Issued: 1,479,894,005

Paid-in Capital
¥128,476 million

Auditors
KPMG

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

Investor Relations
Investor Relations Department
Mitsui Sumitomo Insurance Co., Ltd.
27-2, Shinkawa 2-chome,
Chuo-ku, Tokyo 104-8252, Japan
Tel: (03) 3297-1111
Fax: (03) 3297-6888

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

Mitsui Sumitomo Insurance Co.,Ltd.
Head Office:
27-2, Shinkawa 2-Chome
Chuo-ku, Tokyo,104-8252, Japan
Tel: (03) 3297-1111
URL: http://www.ms-ins.com

This annual report is printed on recycled paper.

Printed in Japan