

UNOFFICIAL TRANSLATION

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Sompo Japan Regeneration Plan (Revised version of new medium-term business plan)

—Toward achieving recovery of customer confidence in the company, its contribution to society and its customer-first policy—

Sompo Japan Insurance Inc. (hereinafter, “Sompo Japan,” President: Masatoshi Sato) worked out its Sompo Japan Regeneration Plan (hereinafter, “Regeneration Plan”) by revising a new medium-term business plan that was launched in FY 2006.

The Regeneration Plan was devised on the basis of a business improvement plan Sompo Japan presented to the Financial Services Agency (FSA) on June 26, and reflects the views expressed by employees through their in-house discussion which was held to review the company’s past business conduct and to explore how it should be in society in the future. The plan gives the highest priority to achieving recovery of customer confidence in the company, its contribution to society and its customer-first policy. By doing so, Sompo Japan requires the Regeneration Plan to guide where it should go as a way to realize its business philosophy.

In the future, all employees of Sompo Japan will be united to steadily execute measures envisaged under the Regeneration Plan and help realize the regeneration.

1. Philosophy on which the Regeneration Plan has been worked out

In order for Sompo Japan to survive and maintain its business activity, the company needs to provide all concerned parties—customers, shareholders, insurance agencies and employees—with the benefits they are supposed to receive, and win their support and confidence in the company continuously.

Given the current situation surrounding Sompo Japan, it is necessary for the company to urgently enhance the effectiveness of measures being envisaged to improve corporate governance, risk management and compliance—problems that were unearthed through a series of incidents—and to strengthen its management basis, including claim payment system. In order to achieve these objectives, Sompo Japan will introduce a variety of business systems. We believe that it is indispensable for us to improve the effectiveness of these systems and regain the trust of all concerned parties.

To recover their confidence in the company, Sompo Japan will promote constructive dialogue with concerned parties and try to reflect their discussions and proposals in its business activities.

2. Basic policy

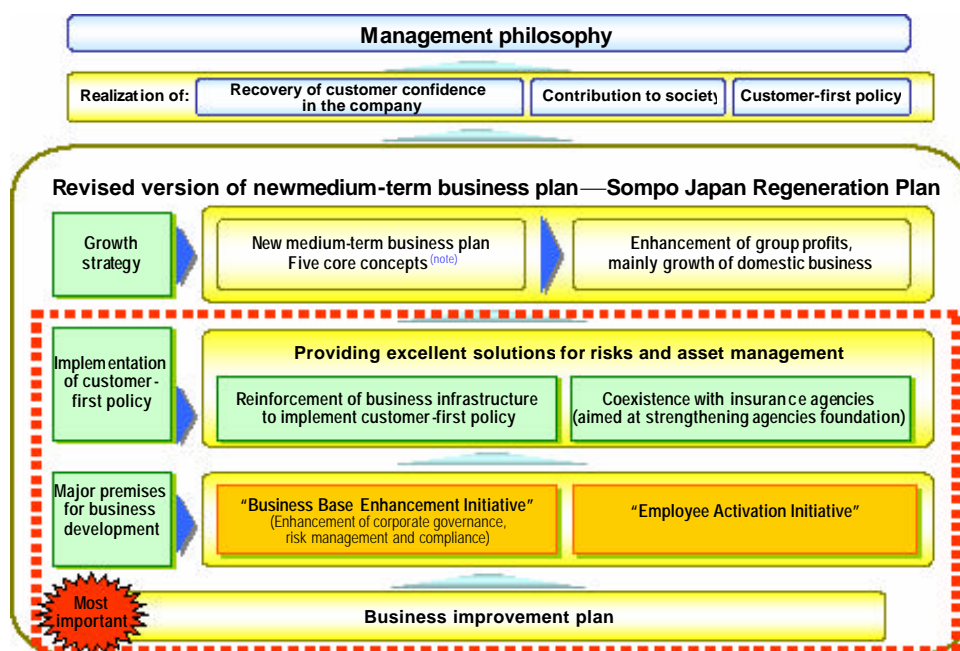
Based on the business improvement plan submitted to the Financial Services Agency (FSA) on June 26, 2006, Sompo Japan aims to promote two major premises for its business activity—enhancement of corporate governance, risk management and compliance (Business Base Enhancement Initiative), and establishment of a framework to foster a transparent corporate culture (Employee Activation Initiative). In addition, the company, by pursuing its customer first policy as well as teaming up with insurance agencies, will try to provide excellent solutions for risks and asset management. The company will first build a solid business base and then will try to realize growth and a genuine management philosophy centering on five core concepts.

Sompo Japan has recognized two important tasks it should tackle immediately following the compilation of the business improvement plan and the receipt of opinions and views expressed by its employees. They are: further enhancing the transparency of corporate governance, risk management and compliance, and fostering a work environment in which employees—valuable assets of the company—can work energetically with a sense of fulfillment.

Regeneration Plan has made two tasks mentioned above major premises for the company’s business activity and aims to realize transparent business management, smooth communication between employees and the management, and in-house systems that can be understood by all employees.

Additionally, Sompo Japan, by pursuing its customer-first policy as well as working together with insurance agencies, will try to provide excellent solutions for risks and asset management. By stepping up efforts to reinforce management basis, the company will try to achieve recovery of customer confidence in the company, its contribution to society and its customer-first policy. In addition, the company will implement a growth strategy centering on the five core concepts which is shown in the new medium-term business plan in a bid to enhance profitability of the entire group, particularly growth of domestic business.

3. Conceptual chart of overall Regeneration Plan



(Note) <New medium-term business plan: five core concepts>

- (1) Designating domestic business as core business domain
- (2) Improving front-line productivity and making more time available for sales efforts by enhancing “pro-active sales infrastructure”
- (3) Creating new business models, primarily in retail sector
(Note: includes small and medium-sized companies, large corporate employees market and organizations)
- (4) Contributing to profits through overseas profit-making business
- (5) Reinforcing insurance business and defined contribution pension business, and further investment in new business

4. Long-term corporate vision (five years)

The most prominent comprehensive service group for risks and asset management in Japan

5. Framework

- <1> By fully recognizing its mission as an insurance company, Sampo Japan pledges never to repeat the latest incident. In order to realize the pledge, the company will establish a specific business framework aimed at ensuring transparency, fairness and appropriateness of business operations, and enhancing corporate governance, risk management and compliance.
- <2> Sampo Japan will try to make it easier to grasp the overall state of its business operations, deepen understanding among employees over such operations and increase their work motivation by creating a framework in which communications between the management and front-line employees can be enhanced, teamwork is respected and self-initiative for new business ideas and policy implementation can be promoted. Such efforts are meant to develop and foster a corporate culture in which employees can devote themselves to work while feeling enlivened. Upholding the recognition that employees are valuable assets of a company, Sampo Japan will try to make them the highest professional group in the industry.
- <3> Based on two major premises for business operations, “Business Base Enhancement Initiative” (enhancement of corporate governance, risk management and compliance) and “Employee Activation Initiative,” Sampo Japan will strengthen its business infrastructure aimed at implementing the customer-first policy and try to realize the policy of coexistence with insurance agencies. By doing so, the company will implement its customer-first policy in cooperation with insurance agencies.

Regarding the plan to strengthen the business infrastructure aimed at implementing the customer-first policy, Sampo Japan recognizes that it is extremely important for the company to actually make claim payment operations customer-oriented, because such operations are a core business of an insurance company. Based on that recognition, the company will strengthen the claim payment system and management of such payments so that insurance claims will be paid in a timely manner, appropriately and without fail.

[Reinforcement of claim payment system and management of such payments]

- (1) Compilation of a policy regarding the establishment of a system to manage insurance claim payments, and implementation of resources distribution

In order to create a genuinely customer-oriented claim payment system and a system to manage such payments, the company has crafted a broad policy regarding the establishment of a system to manage insurance claim payments. The policy stipulates the steps in regard to the management’s involvement in claim payment operations, direction of resources distribution, improvement of claim payment and management divisions, human resources development and customer service policies. In line with this policy, the company will distribute its resources and build an improved claim payment system.

- (2) Introduction of outside views on claim payments through establishment of claim payment committee

The company will set up claim payment committee comprising third-party insurance experts to ensure that insurance claims will be paid appropriately. The company will hear views and opinions from these experts on claim payments which require highly professional legal and medical judgments before claims are paid to the policyholders. The experts will check if the payments are appropriate in an after-payment assessment.

- (3) Reinforcement of claim payment management system

In order to reinforce claim payment management system, the company has established quality management office in claim payment section to pay without failure, quickly and appropriately.

- (4) Review of insurance products

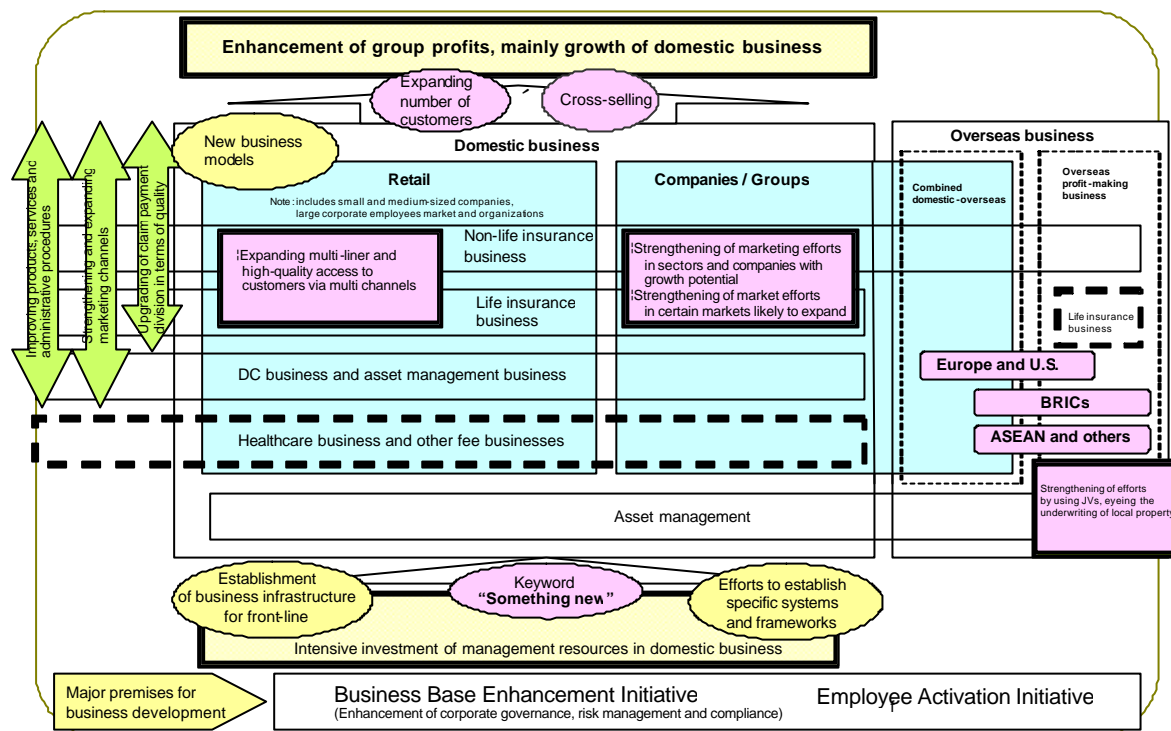
Acting on customer complaints on non-payment claims, a product committee consisting of members from product development section, customer relations office and system development section will discuss whether certain insurance products should be improved and if their sale should be terminated.

- (5) Education of employees who take charge of claim payments

The company has created a training center office to improve and strengthen the training and education of workers in charge of claim payments. Training will be conducted in accordance with employee rank.

<4> The content of the growth strategy is basically the same as the new medium-term business plan, which centers on five core concepts.

– Conceptual chart of growth strategy –



Sompo Japan plans to revise numerical targets envisaged under the new medium-term business plan after closely monitoring possible effects of the administrative order on its business performance and carefully studying the content of the Regeneration Plan.

6. Conclusion

Sompo Japan will do its utmost in order never to break faith of customers, insurance agencies and shareholders and win their trust in the company. This Regeneration Plan shows the course to be followed by the company in order to achieve these goals.

Under the Regeneration Plan, the company will work on "Business Base Enhancement Initiative" (enhancement of corporate governance, risk management and compliance), a necessary condition for the survival of the company. Based on that, the company will implement a genuinely customer-first policy while cooperating with insurance agencies. It will then try to develop a transparent and communication-smooth corporate culture in which employees, valuable assets of the company, as they are the ones who execute business policies, can work energetically.

All employees of Sompo Japan are ready to unite in implementing the Regeneration Plan in a bid to realize the recovery of customer confidence in the company, its contribution to society and its customer-first policy.

END

Detailed Actions under the Regeneration Plan

Actions for “Business Base Enhancement Initiatives”

1. Improvement of corporate governance effectiveness

<1>Structure to enable steady implementation of the Business Improvement Plan

We have seriously reflected on the problems that were recently subject to administrative order. We will completely review our past internal structure, and will make every effort to maintain the transparency, fairness and appropriateness of business operations by paying due attention to the viewpoints of customers and society. At the same time, we will steadily implement the business improvement plan with the aim of preventing any repetition of similar problems in the future on a company-wide basis, and make our utmost effort to recover customer confidence and public confidence.

We have established “Sompo Japan Regeneration Task Force” headed by the President. “Sompo Japan Regeneration Task Force” will track and monitor the implementation of the business improvement plan and periodically report the progress to the board of directors, the management council and “Internal Audit and Compliance Committee.”

<2>Measures to improve corporate governance effectiveness

The new management has deeply reflected on recent problems. With a strong will to break with the past, the new management will establish a highly transparent corporate governance system and invite outside persons to act as members of “Internal Audit and Compliance Committee.” Under the supervision of the committee, the new management will intensely review various internal systems, including business management and internal control systems, and implement the business improvement plan as the most important management task.

-Establishment and announcement of the corporate governance policy

The board of directors has adopted and announced a corporate governance policy including the introduction of term limits for president and chairman, the abolition of the counselor position and the creation of a new transparent system to avoid an overconcentration of powers in the top management.

-Establishment of “Appointment and Remuneration Committee”

We have established “Appointment and Remuneration Committee,” with outside members in attendance, to maintain transparency in appointing and treating directors and operating officers. Outside members account for the majority of committee members, and the chairman of the committee has been selected from among the outside members in order to maintain the high effectiveness of the committee.

-Establishment of “Internal Audit and Compliance Committee”

We have established “Internal Audit and Compliance Committee” in charge of internal control, internal audit and compliance management, with outside members in attendance, in order to secure transparent, fair and appropriate business operations. Outside members account for the majority of committee members, and the chairman of the committee has been selected from the outside members in order to maintain the high effectiveness of the committee. To further enhance its effectiveness, the committee will be given significant authority, including the authority to make recommendations to the board of directors.

2. Improvement of risk management effectiveness

Appropriate risk assessment and the implementation of proper measures are important to enable effective risk management; therefore we will take the following actions.

-Enhancement of risk management in product development

“Product Committee” has been established. The committee will conduct extensive discussions on matters related to the internal management system for products, the development of new products that will have a significant influence on management, and modification or abolition of products.

-Utilization of clerical failure

We will establish a central system to manage information on clerical failure that take place in our business operations. “Operation Investigation Committee” to be newly established will analyze information on clerical failure reported and examine the effectiveness of measures to prevent the occurrence of disgraceful acts or to detect their premonitory signs.

-Establishment of risk assessment system

We will establish a risk assessment system and upgrade the method to measure risks in order to enable accurate assessment of risks and maintain measures to reduce or respond to risks.

3. Improvement of compliance management effectiveness

<1>Review of compliance management system

We will enhance compliance awareness among the officers and employees on a company-wide basis to ensure that no officer or employee will violate, or allow other officer or employee to violate, laws or regulations. We will also review and enhance the current compliance management system so that the internal control function may work satisfactorily to prevent headquarters, sales sections and service center section (claim payment section) from conducting any inappropriate business operations violating laws and regulations.

- We have established highly effective “Internal Audit and Compliance Committee” attended by outside members.
- We have established “Compliance Management Committee” consisting of directors and operating officers as a compliance operation unit. The Committee will establish and implement compliance measures and plans.
- “Regional Compliance Committee” headed by each regional manager will establish compliance operation plans for local branches and monitor their progress.

<2>Review of compliance management measures

We will take measures for employees and agencies to improve our company’s compliance culture.

- Education and training for enhancement of compliance awareness and lessons for business knowledge and various rules
- Communication of messages on compliance obligation from top management and managers
- Strict implementation of various inspections and audits of agencies’ business operations in order to ensure compliance
- Establishment of compliance enhancement month (November)
- Submission of a written oath by directors and officers
- Review of the personnel evaluation system, various commendation schemes and disciplinary actions
- Review of the manner of implementation of business policies
- Enhancement of the compliance hotline (for the collection of information, voluntary notification and advice from employees)
- Enhancement of the grievance procedure (establishment of customer relations office)
- Assessment of business operations of each department
- Enhancement of the internal auditing system

<3>Information management system

We have created Information Security Department, which is an expert department that can submit recommendations on the importance of personal information protection, and has significant authority to submit recommendations on the allocation of management resources for the enhancement of the personal information management system on a priority basis. Based on the basic policy to the effect that the personal information management system should be reviewed on a company-wide basis and drastic improvement measures should be taken, we will take the following actions on a priority basis.

- In order to limit access to information that is not relevant to an employee’s work, we will develop a system to limit the persons who can access the online menu by department, title, etc.
- Items classified as sensitive information in information inquiry menu have already been deleted or encoded. For the items classified as sensitive information in the contracts inquiry menu, we will implement measures to limit the persons who can access them.
- To prevent retired agencies from accessing the agency system, we have modified our clerical procedure for terminating agency contracts to preclude retired agency access to the agency system at the same time their contracts are terminated, and developed “Guidance for Personal Information Protection in the Case of Termination of Contract with Agency” and “Manual for Termination of Contract with Agency.”

Promotion of Employee Activation Initiatives

4. Initiatives to improve communications with front-line employees

<1>“Two-Way Meeting” with officers

Officers in charge at our headquarters will visit 105 sales departments/branches and 21 claim payment departments once a year, and have free discussions with front-line employees. These officers will submit a report to the corporate planning section on business operations. The corporate planning section will summarize these reports and submit a report to the management council. The management council will reflect the contents of the report in corporate policies.

<2>Implementation of corporate policy monitoring system

A monitoring group will be established in Internal Audit Department. Through audits and monitoring, the monitoring group will examine whether front-line employees are well aware of corporate policies and whether these corporate policies are effective and compatible with actual business operations. The monitoring group will periodically submit a report to “Internal Audit and Compliance Committee” on the results of the examination. The committee will utilize its results in reviewing corporate policies.

<3>Introduction of front-line monitor system

We will introduce a front-line monitor system under which a representative from each division or sub-branch will be nominated as a monitor (communicator) and these monitors will be allowed to freely communicate with the staff in the headquarters (Corporate Planning Department). Front-line employees may reflect their opinions in corporate policies through their monitors, and at the same time understand the background of corporate policies.

These monitors and the Corporate Planning Department will deepen personal relationships and communications with each other through the exchange of opinions over the phone or via e-mails, meetings on a regional headquarters basis, and frank exchange of opinions in the net community.

In the net community, anonymous opinions will be allowed so that negative information, which doesn't surface in normal times, may be identified earlier.

Except for information by which individuals can be identified, the contents of dialogues will be publicized to all employees to prevent any problems from being neglected.

<4>Introduction of knowledge management system

We will review the information access system so that front-line employees may access information as needed. At the same time, we will introduce those indicators (number of accesses and points of use) that show the frequency of access to information. We can verify the appropriateness of corporate policies by monitoring these indicators.

We will introduce the net community infrastructure by utilizing social networking services (SNS) and a blog. We believe that this infrastructure will provide employees with opportunities to communicate with each other, and employees of our headquarters and front-line employees will understand of the importance of information, our corporate culture will be improved, and even negative information may be made known to the top management.

<5>Activation of “Pledge to Inspire Meeting”

At present, each local division holds “Pledge to Inspire Meeting” where front-line employees exchange opinions on the current business operations and their improvement measures. From now on, the top management will utilize such meetings as a means to assess the actual conditions of business operations.

The top management will assess opinions presented at these meetings and measures taken by front-line employees through “Two-Way Meeting” and the knowledge management system, and reflect these opinions, etc. in corporate policies. By doing so, we believe that front-line employees will be more active in exchanging their opinions.

<6>Improvement of interviews conducted by headquarters

Each department of headquarters will review the loads of regional headquarters and local offices, and each department will conduct interviews with them concerning the necessity of corporate policies and the awareness of corporate policies among front-line employees, and increasingly collect opinions of front-line employees and the actual status of business operations.

5. Creation of scheme to promote team play, thinking and acting on one's own initiative

<1>Reflection of front-line employee opinions in corporate policies

Under the Management Quality Improvement Committee (consisted by directors and operating officers; Corporate Planning Department works as the secretariat of this committee), which is supervised by the management council, the Business Quality Improvement Sub-Committee, Service Center (the unit responsible for claim payment) Quality Improvement Sub-Committee, and the Pledge to Inspire Promotion Project Team will be established. These committee and sub-committees will reflect the opinions of front-line employees.

<2>Reform of personnel management system and personnel evaluation system

To reform personnel management system and personal evaluation system, we will create scheme to promote team play, thinking and acting on one's own initiative.

-Reform of the personnel evaluation system

The old personnel evaluation system attached great importance on employee evaluations in terms of

single-year target achievement, but the new personnel evaluation system will focus on the behaviors of employees, including compliance and business processes.

-Narrowing of compensation disparity

We will narrow disparities in evaluation-based compensation, and evaluate our employees every year.

-Change of criteria for determination of promotion, pay raise or assignment

The main roles of officers in charge of business operations will be changed to those related to promotion, pay raise and assignment. The new character grading system will be the sole criteria for grading employees to avoid excessive emphasis on the achievement of targets. We will introduce the multidimensional evaluation system, etc. under which two or more persons determine who should be assigned to the post of the manager.

-Others

In addition to the above, we will reform the compensation system for clerical employees and enhance education and training for employees.

<3>Shift to the regional management system (local department-oriented management system)

The title of regional general manager will be changed to regional management general manager. The important job of regional management general manager will be changed from the promotion of business operations to regional management in order to establish a local department-oriented management system.

The regional management general manager will be responsible for business performance, and at the same time play the role of mentor who manages the operations of, and gives support to, local departments and sections. For example, regional management general manager will examine the following matters: “Are leaders or managers of local departments actively making an effort to develop personnel?”...“Is communication in offices activated?”...“Is compliance management strictly made?”...and “Are they making an effort to solidify the business base to improve performance from medium- and long-term viewpoints?”

The regional management general manager will properly assess employee contributions to the company.

In addition to the above, the regional management general manager will take measures and create an environment so that employees may work energetically, through the communication of messages from the top management, the promotion of empowerment, and manager education for managers of local departments.

In addition, we will create a corporate culture in which employees can devote themselves to work while feeling enlivened by top message, shift of authority and education for manager.

6. Monitoring of Employee Liveliness

<1>Implementation of Employee Satisfaction Survey

We aim at creating a company where all employees can work energetically, behave in compliance with our business philosophy and the code of conduct and pursue customer satisfaction. For this purpose, we will periodically conduct an attitude survey of all employees concerning corporate policies and management at local levels.

<2>Implementation of Partner Satisfaction Survey (PS Questionnaire) by Agencies

To solidify a culture where each employee thinks by himself/herself, works actively and demonstrates his/her capability to the fullest extent, we believe that not only a self-assessed Employee Satisfaction Survey but also a survey by outside parties (agencies) will be necessary to avoid self-satisfaction or arbitrary results. We will therefore ask the agency that has been selected by each workplace to verify whether employees' efforts have contributed to improved services for customers and agencies through a PS questionnaire. We will thus examine the efforts of our employees.

We aim at creating a virtuous cycle between liveliness of employees and customer satisfaction by speedily identifying problems and resolving problems between front-line employees and agencies through the above-mentioned fixed-point observation.

Customer-First Policy

7. Enhancement of infrastructure for implementing customer-first policy

<1>Method to Reflect Opinions of Customers in Measures

We have created a Customer Relations Office (department level) that is solely responsible for managing requests and complaints from customers. Through the activities of this unit, we will rapidly reflect requests and complaints from customers in our products and services.

<2>Measures to Improve the Quality of Business Management

-Improvement of the quality of services provided by agencies

To improve the quality of services provided by agencies, we will solicit customer satisfaction (CS) questionnaires and partner satisfaction questionnaires. Based on the results of these questionnaires, we will assess problems in current services and support to customers and agencies and examine remedial measures and new measures.

-Improvement of the quality of services provided by insurance claim payment department

In compliance with the three keywords (kindness, timeliness and appropriateness), insurance claim payment department will provide real accident response services through the care support (services will be provided depending on the mental state of customers and victims of accidents.) We will provide accident response services of high quality by establishing a system to inform the top management and corporate planning department of our headquarters of any requests, complaints, etc. from customers, without fail.

-Reinforcement of claim payment system and management of such payments

Refer to item 5. <3>, page 3

<3>Establishment of an infrastructure for front-line employees

To enable front-line employees to concentrate on customer-first services and improve their productivity, we will actively invest management resources in expanding the call center, the innovation of products, clerical works and systems, and the introduction of the knowledge management system.

8. Coexistence with agencies (Enhancement of agencies' operational bases)

<1>Method to reflect opinions of agencies in measures

The top management will collect agency opinions through the initiatives to improve communications with front-line employees, the agency monitoring system and the results of the Partner Satisfaction Questionnaire, and reflect these opinions in measures.

<2>Development of new business models in retail market

In retail market, we will create a new business model based on the following four concepts in order to establish the business structure or base that enables sustainable growth.

< Four concepts >

-Customer-oriented cooperation with agencies

-Maximization of synergies of diversified channels

-Enhancement of business capabilities of sales personnel and agencies by creating extra time for them

-Increase in consolidated profit (low-cost operation)

Examples of concrete measures are as follows.

-Expansion of strategic call centers

We will establish; customer satisfaction call center that collects opinions from customers, which will be used for improving business operations and developing new products; market development call center that develops new customers (small and medium-sized companies) and conducts cross-selling; and agency support center that receives inquiries from agencies and creates extra time for business offices and agencies. We will increase the number of booths to 1,000 by expanding Saga call center and establishing Sapporo call center.

-Reforms of products, clerical works and systems

We will reform products, clerical works and systems by simplifying products and regulations and improving the agency system based on opinions collected from front-line employees. We have a plan to invest about 40 billion yen over three years in developing new IT systems

-Introduction of the knowledge management system

Refer to item 4. <4>, page 7

-Others

We will create a new customer-focused business model by enhancing the base of our sales network through the following initiatives; promotion of the new core agency initiative, which aims at developing incorporated, specialized agencies with a next-generation agency management system and real independent sales capability; establishment of a scheme of coexistence with agencies; enhancement of agency capabilities based on their characteristics; establishment of a new measure for promotion of cross-selling; and establishment of a new measure for development of small and medium-sized companies as customers.