

UNOFFICIAL TRANSLATION

The formal press release document is in Japanese.

January 11, 2008
Sompo Japan Insurance Inc.

Booking of loss reserve for financial guarantee insurance and revision of earnings projections for fiscal year 2007

We hereby revise the earnings projections for fiscal year 2007 (April 1, 2007 to March 31, 2008) which we announced in November 20, 2007, due mainly to the booking of loss reserve for financial guarantee insurance.

1. Booking of loss reserve for financial guarantee insurance

We guarantee payment of principal and interest of CDOs (Collateralized Debt Obligations) through underwriting financial guarantee insurance. Our coverage is limited only for the senior portion of CDOs.

We decided to book loss reserve for an insurance policy guaranteeing a portion of the CDO, in which subprime loans are included as underlying assets, because we have recognized a possibility of the early liquidation of the CDO (*) and an occurrence of possible payment of the claim of said insurance policy.

(*)This CDO has a structure of early liquidation by selling all underlying assets to the third party depending on the option of CDO investors, in the case where the aggregate outstanding par amount of underlying assets after the calculation of rating-based par haircuts falls below a particular level.

Though the CDO has not yet been decided to be liquidated, in case such early liquidation occurs, the maximum amount of the claim could reach the entire amount of our guarantee. As the original amount of the guarantee is USD 300 million, we book 34 billion yen (based on the exchange rate as of the end of December, 2007; the same rate applied to any conversion in this announcement) as the loss reserve in this fiscal year.

(Reference) Other financial guarantee insurance policies with any exposure to subprime mortgage loans

Other than the above mentioned CDO, we provide two guarantee insurance policies for the CDOs, in which subprime loans are included as underlying assets, with similar liquidation structure, both rated AAA, and the total amount of our guarantee exposure for these CDOs is 28 billion yen. We anticipate less possibility of liquidation in view of limited downgrading of underlying assets ratings in these two CDOs. There is no liquidation clause in the other eight CDOs, in which subprime loans are included as underlying assets, for which we provide guarantee insurance policies, all rated AAA, and the total amount of our guarantee exposure for these CDOs is 173 billion yen.

CDOs, for which we provide guarantees, consist of a large number of underlying assets (such as Mortgage-Backed Securities), and the updated rating

profiles of underlying assets of ten policies excluding the CDO we book loss reserve, with the total guarantee amount of 201 billion yen, are 30.6%(AAA), 44.9%(AA), 15.6%(A), and 8.9%(equal to or below BBB) as of November 30, 2007. The rate of subprime related MBS is 11.7% of the total underlying assets. The rate of portions subordinated to our guaranteed tranche is 12.0% of the total underlying assets.

For other subprime-related exposure than the above-mentioned policies, we assume an MBS guarantee with the total amount of 6 billion yen from U.S. monoline (Ambac Assurance Corp.) through reinsurance. Concerning this exposure, we have not suffered any loss up to now.

2. Revision of earnings projections for fiscal year 2007
(Consolidated earnings projections)

(Unit: billions of yen)

	Ordinary income	Ordinary profit	Net income
Previous projections (A)	1,850.0	100.0	63.0
Revised projections (B)	1,864.0	80.0	50.0
Change in amount (B-A)	14.0	(20.0)	(13.0)
Change in ratio (B-A)/A	0.8%	(20.0%)	(20.6%)
(Reference) Last fiscal year results (ended on March 31, 2007)	1,901.5	110.5	61.9

(Non-consolidated earnings projections)

(Unit: billions of yen)

	Net premiums written	Ordinary profit	Net income
Previous projections (A)	1,352.0	87.0	55.0
Revised projections (B)	1,352.0	67.0	42.0
Change in amount (B-A)	-	(20.0)	(13.0)
Change in ratio (B-A)/A	-	(23.0%)	(23.6%)
(Reference) Last fiscal year results (ended on March 31, 2007)	1,362.7	91.7	48.1

(Grounds of revision)

The above revision of the ordinary profit and the net income mainly reflects the above-mentioned booking of loss reserve for financial guarantee insurance. In addition, we include the prospect of continuously increasing gains from foreign denominated investment funds.

END