SOMPO JAPAN INSURANCE INC.

Exposure to Structured Finance

As of June 30, 2008

August 11, 2008

SOMPO JAPAN INSURANCE INC.

Summary of Exposure to Structured Finance (Updated as of June 30, 2008)

SOMPO JAPAN INSURANCE INC.

Structured Finance Exposure in Investment Portfolio <Appendix 1>

- **Total exposure:**

  86.5bil.JPY -Decreased by 1.3bil.JPY since the end of FY2007

  0.7bil.JPY related to U.S. subprime loans -No change since the end of FY2007

- **Gains/Losses in FY2008 1Q:**

  Less than 0.1bil.JPY losses (Impairment losses and unrealized losses)

Exposure to U.S. housing government-sponsored enterprises (GSEs)

- **Total exposure:**

  75.0bil.JPY (RMBS: 71.4bil.JPY, Agency Bonds: 3.6bil.JPY)

  ※Fannie Mae: 50.3bil.JPY, Freddie Mac: 24.1bil.JPY, FHLB: 0.6bil.JPY

- **Gains/Losses in FY2008 1Q:**

  2.0bil.JPY losses (unrealized losses, mainly due to the fluctuation of exchange rate)

Financial Guarantee Insurance (New business suspended) <Appendix 2,3>

- **Total insured amount:**

  1,151.9bil.JPY

  -Decreased by 4.0bil.JPY since the end of FY2007, mainly due to redemption of some transactions

  194.8bil.JPY related to U.S. subprime loans (CDOs: 189.5bil.JPY, RMBS: 5.2bil.JPY)

  -Increased by 8.7bil.JPY since the end of FY2007, mainly due to the depreciation of yen

- **Additional Losses/Reserves in FY2008 1Q:**

  0.2bil.JPY losses (Payment loss and increased loss reserve for treaty reinsurance)

  *Other than the above, 0.5bil.JPY loss reserve is increased for CDO which is booked for 30.0bil.JPY loss reserve in FY2007, due to the depreciation of yen.

※ The ratio of defaulted underlying assets of all the U.S. subprime loan-related CDOs (189.5bil.JPY) is 0.6%, and the ratio of portions subordinated to our guaranteed tranche of the total underlying assets is 12.1%.

<Appendix 1> Structured Finance Exposure in Our Investment Portfolio

(As of June 30, 2008, Unit: billions of JPY, USD/JPY=106.42, same conversion rate applied throughout this report)

Categories		Outstanding Balance	Gains/Losses in FY2008 1Q		
			Gains/Losses Charged to P/L	Unrealized Gains/Losses	Total
CDOs	Corporate CDOs *1	0.0	-	0.0	0.0
	ABS CDOs *2	0.0	0.0	-	0.0
	CDOs Total	0.1	0.0	0.0	0.0
ABS	RMBS *3				
	U.S. subprime loans related	0.7	-	0.0	0.0
	Global RMBS (excl. U.S. subprime loans related) *4	17.4	-	(0.1)	(0.1)
	Domestic RMBS	34.8	-	0.0	0.0
	RMBS Total	52.9	-	(0.2)	(0.2)
	CMBS *5				
	Global CMBS	3.1	-	0.0	0.0
	Domestic CMBS	22.7	-	(0.1)	(0.1)
	CMBS Total	25.9	-	(0.2)	(0.2)
	Other ABS				
	Global ABS	2.9	-	0.3	0.3
	Domestic ABS	0.3	-	0.0	0.0
	Other ABS Total	3.2	-	0.3	0.3
	ABS Total	82.2	-	0.0	0.0
Investment in SIV		-	-	-	-
Leveraged Finance *6		4.2	-	-	-
Total		**86.5**	**0.0**	**0.0**	**0.0**
Reference: Hedge funds (U.S. subprime loans related exposure)		(0.9)	Net of the long position and the short position		

*1 Corporate CDOs: CDOs (Collateralized Debt Obligations) where underlying assets are corporate debt such as corporate bonds or credit derivatives (Excluding public finance CLO). Global only (Equity, No ratings).

*2 ABS CDOs: CDOs where underlying assets are ABS (Asset Backed Securities). Global only (Below BBB).

*3 RMBS: Asset Backed Securities where underlying assets are residential mortgage loans (Excluding RMBS issued by government sponsored enterprises). All RMBS are investment grade (BBB and above), and 99% are rated AAA.

*4 74mil.JPY of Global RMBS are U.S. monoline guaranteed notes. Exposure to U.S. monoline insurers other than structured finance assets is 0.2bil.JPY.

*5 CMBS: Asset Backed Securities where underlying assets are commercial mortgage loans.

*6 Leveraged Finance: Finance where funding are provided for corporate mergers and acquisitions, mainly based on cash flows of acquired companies. Domestic only.

<Appendix 2> Financial Guarantee Insurance

SOMPO JAPAN INSURANCE INC.

(As of June 30, 2008, Unit: billions of JPY)

	Categories	Insured Amount			Losses/ Reserves in FY2008 1Q *4	Notes
		Direct Insurance *2	Treaty Reinsurance*3	Total		
CDOs	Corporate CDOs	403.3	11.6	415.0	-	All direct insurance policies are rated AAA
	ABS CDOs					Refer to <Appendix 3>
	U.S. subprime loans related *1	189.5	-	189.5	*5 (0.5)	
	Others (excl. U.S. subprime loans related)	63.7	1.0	64.8	-	Such as prime RMBS, CMBS
	ABS CDOs Total	253.3	1.0	254.4	(0.5)	
	CDOs Total	656.7	12.7	669.4	(0.5)	
ABS	RMBS					
	U.S. subprime loans related	-	5.2	5.2	0.0	Almost all RMBS are investment grade (BBB and above), and 76% are rated AAA
	Global RMBS (excl. U.S. subprime loans related)	1.6	14.6	16.3	(0.2)	
	Domestic RMBS	49.8	-	49.8	-	
	RMBS Total	51.4	19.9	71.4	(0.2)	
	CMBS	-	-	-	-	No exposure
	Other ABS					11% of Global ABS are U.S. consumer-loan related ABS, while others are mainly related to corporate credit (e.g., leasing receivables)
	Global ABS	5.6	53.1	58.7	0.0	
	Domestic ABS	25.0	2.2	27.3	-	
	Other ABS Total	30.6	55.3	86.0	0.0	
	ABS Total	82.1	75.2	157.4	(0.2)	
Public Finance		-	324.9	324.9	0.0	
Total		**738.8**	**413.0**	**1,151.9**	**(0.7)**	

*1 CDOs that include any (even a part thereof) U.S. subprime loans. (Excluding CDO which is booked for loss reserve)
*2 Facultative reinsurance policies are included under “Direct Insurance”. 14.4bil.JPY of Direct Insurance are U.S. monoline guaranteed notes.
*3 “Treaty Reinsurance” is a portfolio-based reinsurance where certain parts of policies underwritten by the original insurer are ceded automatically to the reinsurer, Sompo Japan, in accordance with the conditions agreed between the original insurer and reinsurer.
*4 Total amount of payment loss and increased loss reserve in FY2008 1Q. (Financial Guarantee insurance is not supposed to book mark-to-market unrealized gains/losses as it is an insurance policy.)
*5 Increased loss reserve for CDO which is booked for loss reserve in FY2007, due to the depreciation of yen. (Including gains/losses of exchange hedge transactions)

<Appendix 3> List of Guarantee for ABS CDOs

(As of June 30, 2008, Unit: billions of JPY)

Policy No.	Issue Rating *1	Fiscal Year Issued	Insured Amount *2	Subordination Ratio *3	Distribution of underlying assets rating						Ratio of subprime RMBS
					AAA	AA	A	BBB	Below BBB	*4 Default	
Guarantee for CDO①	AAA	2003	10.6	14%	45%	20%	16%	12%	7%	0.0%	0%
Guarantee for CDO② *5	AAA	2004	29.9	18%	86%	8%	0%	1%	5%	1.1%	1%
	AAA	2004	10.0	10%							
Guarantee for CDO③	AA	2004	12.7	10%	30%	43%	12%	3%	11%	0.0%	12%
Guarantee for CDO④ *6	AAA	2004	13.3	12%	41%	42%	4%	1%	11%	0.0%	10%
Guarantee for CDO⑤ *6	AAA	2005	12.7	13%	6%	49%	23%	7%	14%	0.0%	15%
Guarantee for CDO⑥	AA	2006	15.9	12%	43%	8%	16%	9%	25%	0.4%	2%
Guarantee for CDO⑦	AAA	2006	21.2	8%	14%	74%	6%	3%	2%	0.0%	31%
Guarantee for CDO⑧	B	2006	30.9	10%	22%	19%	9%	6%	45%	0.7%	10%
Guarantee for CDO⑨	B	2006	31.9	19%	19%	11%	13%	9%	48%	3.0%	10%
Subtotal of U.S. subprime loans related CDOs			189.5	12.1%	31%	34%	11%	5%	18%	0.6%	12.0%
Guarantee for CDO⑩	AA	2002	0.5	91%	66%	0%	5%	8%	22%	0.0%	-
Guarantee for CDO⑪	AAA	2004	31.9	16%	55%	28%	1%	6%	10%	1.5%	-
Guarantee for CDO⑫	BB	2007	31.2	41%	0%	0%	4%	20%	77%	0.0%	-
Subtotal of other ABS CDOs			63.7	28.7%	25%	8%	3%	14%	50%	0.4%	-
Total of ABS CDOs			253.3	16.2%	30%	30%	10%	7%	22%	0.6%	-

＜Reference＞The U.S. subprime loans related CDO loss reserve has been allocated

Guarantee for CDO⑬ *6	-	2006	*7 30.5	9%	17%	14%	5%	4%	60%	3.2%	14%

*1 Issue ratings are as of the end of July 2008.
*2 Insured amount is principal insured amount. In addition, some policies insure interest payments.
*3 Subordination Ratio is a ratio of portions subordinated to our guaranteed tranche. Senior tranche redemption results in an increase of Subordination Ratio.
*4 Deterioration ratio of underlying assets are described in the "Default". Default of underlying assets is determined by the default definition of each transaction through detail checking and the default amount is adjusted by recovery. If the Default ratio exceed the Subordination Ratio, Sompo Japan will become liable for the guarantee obligation.
*5 Guarantee for CDO② insures different two classes of the same CDO.
*6 Guarantee for CDO④, ⑤ and ⑬ are the three CDOs with early liquidation structure as CDO investors have option to sell all underlying assets to the third party for the purpose of diminishing their loss in case the aggregate outstanding par amount of underlying assets after the calculation of rating-based par haircuts falls below a particular level.
CDO④, ⑤: Most of the underlying assets of these CDOs were issued in 2005 or earlier when the subprime impact was relatively small, therefore the decline of rating-based par haircuts are limited. As for CDO⑤, possibility of early liquidation has been eliminated because it is confirmed that investors will not choose this option.
CDO⑬ : Loss reserve has been booked according to recognition of possibility of early liquidation of the CDO and occurrence of possible payment of the claim of said insurance policy.
*7 Insured Amount of CDO⑬ includes gains/losses of exchange hedge transactions.