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June 5, 2007

Notice to Shareholders

Sompo Japan Insurance Inc.
1-26-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Masatoshi Sato, President

Invitation to the 64th Annual Shareholders' Meeting

Thank you all for your continued patronage.

The 64th Annual Shareholders' meeting will be held as follows and your attendance is cordially requested.

If you are unable to attend on this date, you may exercise your voting rights either in writing or via electronic format (Internet etc.). In this case, please review the Shareholders' Meeting Reference documents (which follow this notice), and exercise your voting rights by 5 p.m. on June 26, 2007 (Tuesday).

[Exercising voting rights by post]

Please mark your approval or disapproval with respect to the proposals on the enclosed Voting Rights Execution form, and return it so that it is received by us by the abovementioned expiration date.

[Exercising voting rights via Internet]

Please access the company's designated website for exercising voting rights (<http://www.it-soukai.com>). Use the "voting rights execution code" and "password" indicated on the enclosed Voting Rights Execution form and follow the instructions on the screen to mark your approval or disapproval with respect to the proposals.

For execution of voting rights via Internet and other matters related to the exercise of voting rights, please refer to "Information on Exercise of Voting Rights" on pages 3 and 4.

If duplicate votes are exercised through the use of both the Voting Rights Execution form and the Internet, then only the execution of voting rights via Internet shall be deemed valid.

(Request)

If you are attending the meeting, kindly submit the enclosed Voting Rights Execution form to the reception counter at the meeting. In addition, if you are attending by proxy, please submit a proxy together with the Voting Rights Execution documentation to the reception counter at the meeting. (Proxy eligibility shall be limited to one (1) other shareholder having voting rights with respect to the company.)

(Notice)

If amendments are made to the Shareholders' Meeting Reference documents or to the attached documents, the amended contents will be released immediately on the corporate website (<http://www.sompo-japan.co.jp>).

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Details of the Meeting

1. Date and Time **June 27, 2007 (Wednesday) at 10 a.m.**

2. Location **1-26-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo**
Head office, 2nd floor conference room

3. Purpose of the Shareholders' Meeting

Items to be Reported **1. Report of the contents of the business report, and the contents of the financial statements , for the 64th term [Business Year 2006 (April 1, 2006 to March 31, 2007)]**

2. Report of the contents of the consolidated financial statements and the audit reports by the accounting auditors and the board of corporate auditors for the 64th term [Business Year 2006 (April 1, 2006 to March 31, 2007)]

Items to be Resolved

Item #1 Disposal of surplus

Item #2 Partial amendments to the Articles of Incorporation

Item #3 Appointment of 15 directors

Item #4 Granting of share options (stock options) as remuneration to the directors

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Information on the Exercise of Voting Rights

1. Voting rights can only be exercised via the Internet by using the Company's designated websites for the exercise of voting rights (please refer to the URLs below). You may also access the Internet using your mobile phone.

When exercising your voting rights using the Internet, the voting rights execution code and the password indicated on the enclosed Voting Rights Execution form are required.

1) The voting rights execution code and the password provided this time is only valid for this general meeting. A new voting rights execution code and password will be issued for the next general meeting.

2) How to exercise your voting rights via the Internet.

Please go to:

(1) <http://www.it-soukai.com> or <https://daiko.mizuho-tb.co.jp>

(These URLs cannot be accessed between the hours of 3 a.m. and 5 a.m. during the voting period)

* The voting sites may be accessed by using a mobile phone which has barcode reading functionality and by reading the "QR code." Please refer to the user manual for your mobile phone for detailed instructions on how to use your phone.



(2) Enter the voting rights execution code and the password and press the "login" button. The voting rights execution code and the password are indicated on the upper right hand side of your Voting Rights Execution form.

(3) Follow the instructions on the screen to exercise your voting rights.

【User Environment】

(1) Using a personal computer

- Personal computer: Windows, Macintosh

(Not compatible with PDA or game machines)

- Browser: Microsoft Internet Explorer 5.5 or later version,
Netscape Communicator 4.7 or later version.

- An Internet accessible environment such as that provided by contract with an ISP.

- Screen resolution: 1024 x 768 or better is recommended.

(2) Using a mobile phone

- Mobile telephone : A mobile phone model capable of 128 bit SSL transmission (encoding).

Allows for the use of at least one of the following services: iMode, EZweb or Yahoo!
Keitai (Some models are not compatible).

* Microsoft and Windows are registered trademarks of Microsoft Corporation USA and other countries.

* Macintosh is a registered trademark of Apple, Inc.

* Netscape is a registered trademark of Netscape Communications Corporation.

Netscape Communicator is also a trademark of Netscape Communications Corporation and is a registered trademark in some countries.

* "iMode" is a registered trademark of NTT DoCoMo, Inc.

* "EZweb" is a registered trademark of KDDI Corporation.

* "Yahoo!" is a registered trademark of Yahoo! Inc., of US.

* "QR code" is a registered trademark of Denso Wave Incorporated.

3) Costs for using the Internet, including connection and transmission charges to an Internet service provider, shall be borne by the individual shareholder.

4) Security

SSL 128 bit encryption technology is used to ensure that information is not tampered with or stolen so that users may use the websites safely.

The voting rights exercise code and the password indicated on your Voting Rights Execution form are important information that verify your identity as a shareholder. Do not disclose these to anyone. The Company will not make inquiries to an individual shareholder about their password.

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- 2. Shareholders should exercise their voting rights via the Internet until 5 p.m. on Tuesday, June 26, 2007.**
- 3. If multiple votes are exercised via the Internet or duplicate votes are exercised through both personal computers and mobile phones, the last vote cast shall be treated as the effective vote.**
- 4. If duplicate votes are exercised by using both the enclosed Voting Rights Execution form and the Internet, the vote cast using the Internet shall be treated as the effective vote.**
- 5. If a shareholder makes no indication of approval or disapproval (or abstention) in relation to each proposal, this shall be treated as a vote for approval.**

【Further inquiries】

- 1) Further inquiries concerning how to use a personal computer or mobile phone to cast electronic votes should be directed to:
Internet Help Dial, Securities & Custody Business Department, Mizuho Trust & Banking Co. Ltd.
Telephone: 0120-768-524 (Toll Free)
(Reception hours: 9:00-21:00 except Saturdays, Sundays and public holidays)
- 2) For inquiries other than 1) above, concerning address changes etc.
Securities & Custody Business Department, Mizuho Trust & Banking Co. Ltd.
Telephone: 0120-288-324 (Toll Free)
(Reception hours: 9:00-17:00 except Saturdays, Sundays and public holidays)

【Electronic Voting Platform】

Nominee shareholders (including standing proxies) such as trust banks, etc. who have made a prior application to use the electronic voting platform operated by the joint venture established by Tokyo Stock Exchange, Inc. may use the platform instead of the Internet to cast their votes as a means of electronically exercising their voting rights for the company's Annual Shareholders' Meeting.

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Attachments

Attachment (1)

Business Report for Business Year 2006 (April 1, 2006 – March 31, 2007)

1. Matters concerning the Current Status of Insurance Companies

(1) Business Progress and Results

The Japanese economy in Business Year 2006 continued to strongly rebound with improved corporate earnings and growing capital investment, supported by increased exports during the second straight year of a robust global economy and firm domestic private demand, despite surging oil prices and concern over a slowing US economy. Although the upturn in personal consumption lacked strength, the employment picture clearly showed an improving trend, including increased hiring of new graduates and of formerly non-regular employees as regular employees, amid a growing sense of labor shortages as corporate earnings improved. On the other hand, prices showed continued weakness, with consumer price inflation remaining in the neighborhood of zero percent.

In the non-life insurance industry, the economic recovery contributed to the good performance of commercial marine insurance and general liability insurance. At the same time, the problem of nonpayment of insurance benefits for automobile insurance and third-sector products underscored the need to work hard on improving business conditions.

Sompo Japan in May 2006 received an administrative penalty—a partial business suspension order and a business improvement order—from the Financial Services Agency (FSA) for reasons including the failure to pay incidental benefits and inappropriate conduct when soliciting life insurance. Thereupon, we submitted a business improvement plan to the FSA. The status of the business improvement plan's implementation is described in the section below entitled, "Issues that should be addressed." We revised our medium-term management plan, which was launched in Business Year 2006, and established the Sompo Japan Regeneration Plan (hereinafter Regeneration Plan) based on the business improvement plan and the comments of company employees and relevant parties.

Following the Regeneration Plan, we will do our utmost to enhance the effectiveness of corporate governance, risk management, and compliance, and to establish systems designed to foster a more transparent corporate culture. By doing so, we aim to improve our innate corporate culture and the quality of our business management. In addition, we are endeavoring to strengthen our management base in line with two major goals—rapid expansion of business scale in the future and reinforcement of earnings power—by aggressively investing business resources in areas related to our growth strategy, focusing mainly on establishing business infrastructure for front-line business operations.

Going forward, each and every Sompo Japan employee will unite in following the Regeneration Plan and place the highest priority on achieving the goals of recovering trust, contributing to society, and fulfilling a customer-first policy, thereby aiming to move the Company ahead to the stage of sustainable growth.

In the non-life insurance business in Japan, Sompo Japan's mainstay automobile insurance and fire insurance businesses recorded a fall in income as the Company's efforts were focused on strengthening our management base. Personal accident insurance, marine insurance, and general liability insurance, however, posted increased revenues over the preceding year. Going forward, we will carry out our growth strategy for realizing rapid expansion of business scale and reinforcement of earnings power, with a view toward developing sustainable future growth.

In the non-life insurance business outside Japan, we established a representative office in Seoul, South Korea in June 2006, dispatching one Japanese representative to the office. In China, we entered into a business partnership with Bohai Property Insurance Co., Ltd., headquartered in Tianjin, in September 2006. Through the partnership, we will jointly provide services to customers, mainly in Tianjin. Sompo Japan also acquired a 30% interest in the Malaysian non-life insurance company, Berjaya General Insurance Berhad. In February 2007, we started expanding our business in the Malaysian market under the new name, Berjaya Sompo Insurance Berhad. Sompo Japan will dispatch executives, including a vice president, to the Malaysian company and begin participating in its management. In India, we signed a joint venture contract with partners, including two local state-run banks, in November 2006 to establish a non-life insurance company and started preparations for the company formation.

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Regarding the operations of affiliated companies, in the life insurance business, Sompo Japan responds to diversified consumer needs through two life insurance companies: Sompo Japan Himawari Life Insurance Co., which mainly conducts face-to-face sales through agencies, and Sompo Japan DIY Life Insurance Co., which mainly conducts non-face-to-face sales. In the asset management business, we regard the defined-contribution pension business as the third important strategic business for the group after the non-life insurance and life insurance businesses, and provide the service through Sompo Japan DC Securities Co., a specialty company in defined-contribution pension plans. Healthcare Frontier Japan Inc., which was established in Business Year 2005 as a joint venture with Omron Healthcare Co., Ltd. provides services to support health enhancement and disease prevention.

In terms of corporate social responsibility (CSR), Sompo Japan is undertaking a variety of activities, with due heed given to the three aspects of CSR—namely, the environment, economy, and society (i.e., the triple bottom line). In order to send a clear message about our CSR activities, we issued the Corporate Social Responsibility Report 2006 in November 2006. The report included an overview of the Regeneration Plan. It has been nine years (the fifth year following the foundation of Sompo Japan) since the publication of the “Environment Report” in 1998, the first by a Japanese domestic financial institution. Going forward, we will continue striving to upgrade further our CSR efforts through an exchange of views with various parties.

As described above, Sompo Japan is seeking to actualize our corporate vision of being a comprehensive service provider group for risk and asset management by pushing forward with efforts in line with the Regeneration Plan.

With respect to insurance underwriting, underwriting income decreased due to the impact of typhoons and other natural disasters. For asset management, interest and dividend income increased on the strength of strong corporate profits. As a result, we recorded the following business results.

Ordinary income decreased ¥9.5 billion from the preceding year to ¥1,687.0 billion. Although provision for reserves on outstanding claims and provision for underwriting reserves decreased, ordinary expenses increased ¥12.9 billion over the preceding year to ¥1,595.3 billion due to an increase in net claims paid. Ordinary profit decreased ¥22.5 billion from the preceding year to ¥91.7 billion. Net income—i.e., ordinary profit adjusted for extraordinary gains and losses, corporate income taxes and local inhabitant taxes as well as corporate income tax adjustments—decreased ¥19.6 billion from the preceding year to ¥48.1 billion.

Overview of insurance underwriting

Of underwriting income, net premiums written fell 0.6% from the preceding year to ¥1,362.7 billion. Of underwriting expenses, net claims paid increased 4.0% over the preceding year to ¥806.8 billion. The net loss ratio rose 3.0 points over the preceding year to 64.3%. Operating, general, and administrative expenses related to insurance underwriting increased 4.8% over the preceding year to ¥198.8 billion, with the net expense ratio rising 0.6 point from the preceding year to 30.9%.

As a result, the balance of net premiums written minus net claims paid, loss adjustment expenses, net commissions and brokerage fees, and operating, general, and administrative expenses related to insurance underwriting decreased ¥49.5 billion from the preceding year to ¥65.2 billion. Underwriting—i.e., the above balance adjusted for deposits of premiums by policyholders, maturity refunds and dividends to policyholders, provision for reserves for outstanding claims, and reversal of underwriting reserves, etc.—resulted in a profit ¥10.1 billion.

Overview by insurance category

Fire Insurance

Net premiums written fell 2.1% from the preceding year to ¥148.8 billion, in part due to a decrease in long-term contracts related to housing loans.

The net loss ratio rose 7.6 points over the preceding year to 58.1%.

Marine Insurance

Net premiums written rose 9.5% over the preceding year to ¥31.0 billion, thanks in part to the brisk movement of goods through import and export trade and firm sales of hull insurance.

The net loss ratio dipped 0.5 point from the preceding year to 47.0%.

Personal Accident Insurance

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Net premiums written increased 0.1% over the preceding year to ¥127.7 billion, owing in part to firm sales in the third sector, mainly group medical insurance.

The net loss ratio rose 4.6 points from the preceding year to 45.8%.

Automobile Insurance

Net premiums written declined 1.1% from the preceding year to ¥666.9 billion, due in part to a fall both in the unit price and the number of automobiles covered in the retail market.

The net loss ratio rose 2.4 points over the preceding year to 66.0%.

Compulsory Automobile Liability Insurance

Net premiums written dropped 2.2% from the preceding year to ¥232.7 billion, due in part to the impact of the revision to the premium rate.

The net loss ratio went up 3.1 points to 74.4%, caused by the abolition of the government reinsurance scheme and other factors.

Other Insurance

Net premiums written rose 3.1% over the preceding year to ¥155.5 billion, thanks in part to robust sales of general liability insurance.

The net loss ratio edged up 0.6 point from the preceding year to 66.2%.

Overview of asset management

Total assets held at the end of Business Year 2006 increased ¥95.0 billion over the previous year to ¥6,029.7 billion. Of the total assets held, assets under management such as securities and loans rose by ¥126.7 billion to ¥5,650.0 billion.

The valuation difference in the current price of securities held (unrealized gains) at the end of Business Year 2006 rose ¥62.2 billion over the previous year to ¥1,550.2 billion. The valuation difference in other securities held after deducting an amount equivalent to corporate income tax (net assets) increased ¥38.6 billion to ¥999.2 billion.

In managing assets, we worked to enhance investment efficiency while continuing efforts to strengthen and improve the risk management system, paying due heed to the safety and liquidity of assets invested.

In addition to increased dividends on stocks held, reflecting a recovery in corporate earnings, we made efforts to improve investment efficiency in Business Year 2006. As a result, income from interest and dividends rose ¥18.5 billion to ¥113.6 billion. Investment income, after adjusting for realized gains on the sale of securities, transfer of investment income on premiums deposited, etc., rose ¥7.8 billion over the preceding year to ¥106.4 billion.

Meanwhile, investment expenses, including unrealized losses on securities and realized losses on the sale of securities, increased ¥7.9 billion over the preceding year to ¥15.1 billion.

The Japanese economy in Business Year 2007 can be expected to continue recovering if the underlying conditions of a growing global economy and ongoing expansion of domestic private-sector demand can be sustained. On the other hand, a possible decline in the Japanese economy remains, given factors of instability in the global economy like the prospects for the US economy, as well as concern over a domestic slowdown in capital investment amid consumer spending not entering a full-fledged turnaround.

For Sompo Japan, Business Year 2007 will mark the halfway point of the three-year Regeneration Plan from Business Year 2006 to Business Year 2008. Securely embracing the sustainable expansion of the Japanese economy, we will strive to expand our business scale, reinforce earnings power, and improve the quality of our business management, and we will accelerate efforts to increase further shareholder value.

Issues to be addressed

Sompo Japan on May 25, 2006 received a partial business suspension order and a business improvement order from the Financial Services Agency (FSA) for reasons including failure to pay incidental benefits and inappropriate conduct when soliciting life insurance. In response to this business improvement order, we established a business improvement plan, which we submitted to the FSA on June 26, 2006.

Sompo Japan deeply apologizes for the great trouble and concern we caused customers, interested parties, and many other stakeholders in connection with this administrative penalty. We take this matter seriously and have completely reviewed our previous corporate framework. In line with the ideals of the “customer’s viewpoint” and “society’s viewpoint,” we will secure transparent, fair, and appropriate business operations, and make a company-wide effort to execute steadily the business improvement plan to prevent a recurrence. Through these efforts, we will do our utmost to recover the confidence of our customers and society.

The Company submitted business improvement reports to the FSA covering the progress and implementation of

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the business improvement plan and the status of improvement on September 25, 2006, December 25, 2006, and March 26, 2007. Below is an overview of those reports.

< Overview of business improvement reports >

I. Corporate governance

- The Company introduced reappointment limitations on the president and chairman, discontinued the executive advisor system, set up a nomination and remuneration committee as well as a Business Audit and Compliance Committee, and established and published a corporate governance policy focusing on a group company management policy, etc.
- The Company established a nomination and remuneration committee to increase transparency by accepting outside scrutiny in the appointment and compensation of executives. The committee deliberated the executive remuneration system and the appointment policy and candidate eligibility for executive officers. The committee met five times.
- The Company established a Business Audit and Compliance Committee to ensure fair and appropriate business operations by accepting outside scrutiny in internal controls, including internal audits and compliance with laws and regulations. The committee deliberated internal auditing capacity, preparedness to comply with laws and regulations, preparedness to respond to complaints, etc. The committee met seven times.

II. System of business administration and internal controls

- The Company made efforts to understand the status of business operations in each division by taking steps such as holding “Two-Way Meeting” in which executive officers from the headquarters visit divisions and branches nationwide and exchange opinions with front-line employees (sales division and the claims payment division, which are points of contact with customers); implementing a “front-line monitor system” in which the corporate planning division listens to the opinions and wishes of front-line employees and sends the summarized information to the executive team; implementing a “knowledge management system” that utilizes information systems to gather feedback from the front-lines; and holding a “Pledge to Inspire Meeting,” where front-line employees exchange opinions.
- The Committee to Improve Business Management Quality deliberated measures to improve the conditions of business operations based on the understanding of those conditions obtained through the above steps. The Business Audit and Compliance Committee also deliberated the status of and issues related to the above steps.
- The Product Committee moved forward with discussions on product revisions based on the wishes of front-line employees and agencies.

III. Management of offshore bases and audit capacity

- Outside consultants completed site investigations at eight overseas subsidiaries regarding management of offshore bases and audit capacity at the head office, as well as internal audit capacity and preparedness to prevent scandals at offshore bases. The results of these inspections were taken into account during the risk assessments that each base conducts every year, thereby utilizing them to make future improvements.
- Internal auditors were appointed or internal audits were outsourced at 14 overseas subsidiaries.
- The Company received quarterly reports from overseas subsidiaries that perform insurance underwriting. The group company management division used the offshore bases monitoring system to inspect the reports for the second, third, and fourth quarters. Further, improvement reports were received from one overseas branch and one overseas subsidiary on which unannounced audits were performed. Unannounced audits were then performed on another three offshore bases, which were notified of the audit results and requested to submit improvement reports.

IV. Internal audit capacity

1. Strengthening the Internal Audit Division

- The Company upgraded its internal audit capacity by adopting an exclusive executive system in which executives are not in charge of other operation; establishing exclusive sections according to the division audited (Head Office Audit Team, Sales Audit Team, and Claims Departments Audit Team); and establishing 15 local bases. It also increased the number of audit personnel from 65 to 144. Further, the Company strengthened the authority of the internal audit division by giving it the authority to directly advise divisions besides those that were audited to make improvements.
- As a result of the self inspections performed by the sales division and the claims division, the Company reviewed the time, methods, and items of internal audits in light of the results of various kinds of monitoring undertaken by the Head Office Regulatory Department and revised the internal auditing plan for the current business year.

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- As for the regular internal audit, the Company made an effort to ensure the effectiveness of regular internal audits by conducting on the spot audits together with interviews of working-level personnel. Simultaneously, it implemented monitoring that checks for the presence of award systems and contract types that could easily lead to inappropriate conduct. This monitoring has been generating results. The Company also implemented a sampling survey that checks for the presence of failures for pay benefits in an effort to prevent such occurrences before they happen.
- The internal audit division conducted unannounced audits on over 1,200 agencies. They also verified the results of work inspections conducted by sales employees on agencies in an effort to improve the accuracy of inspections.

2. Strengthening auditing by auditors

- The Company strengthened secretariat functions by increasing the number of assistant auditors and establishing an auditors' office. It also strengthened the collection of information from each department at the head office and established cooperation between the internal audit division and the Supervisory Division to ensure the effectiveness of auditing by auditors.

V. Preparedness to comply with laws and regulations

- The Company obtained new written oaths from the executive team and managers regarding compliance with laws and regulations and thereby reinforced the compliance mindset. It also revised the compliance promotion plans of the current business year, focusing on enhancing and strengthening the internal reporting system.
- The Company also revised the human resources evaluation system, promoting a change in the mindset of executives and employees from an emphasis on sales performance toward an emphasis on compliance.
- The Company held a monthly meeting of the compliance promotion office to deliberate the status of efforts in the headquarters and in front-line operations as well as the general overview of initiatives during Compliance Month. A basic compliance promotion policy for Business Year 2007 was worked out based on these discussions.
- The Company summarized various initiatives undertaken during Compliance Month in November 2006 as well as answers to employee questionnaires in the Compliance Enhancement Report. The issues that stood out in bold were reflected in the basic compliance promotion policy for Business Year 2007.
- The Company undertook initiatives such as strengthening the legal checking system (preparing internal regulations, strengthening responses to revisions of laws and regulations, etc.), enhancing and strengthening the internal reporting system (Compliance Hotline), and strengthening the review and control of solicitation documents (support for the preparation of subscription documents by operation branches and agencies).

VI. Preparedness to investigate and respond to scandals

- The Company established acceptance and collection departments (internal: Compliance Department; external: Customer Service Center) for internal information (work reports and internal reporting, etc.) and external information (complaints, news reports, etc.) to enhance and strengthen the collection of information relating to scandals. It also strengthened the investigation system by increasing the number of personnel who investigate scandals and by conducting training sessions for newly-appointed investigators.
- The Company convened an Operations Investigation Committee made up of executive-level employees, which was established to conduct deep investigations of scandals, and deliberated information collection, current state analysis, and the status of measures relating to errors (accidents) that occur during the transaction of business.

VII. Preparedness to control insurance solicitation

- The Company upgraded the method for analyzing the selling power of agencies and developed appropriate sales policies according to those conditions to ensure appropriate sales activities in compliance with laws and regulations. It also established and reviewed appropriate sales goals based on the conditions of business operations in the front-line and discussed and decided to implement monitoring related to sales support measures and inappropriate behavior.
- The Company requested all employees to review the goals set at the beginning of the business year after changing the design of the human resources evaluation system from a results focus to a process focus.
- The Company proceeded with the revision of the human resources evaluation system and various award systems in the sales division and the disciplinary system for executives and employees who have committed inappropriate behavior to ensure appropriate sales activities in compliance with laws and regulations.
- The Company conducted inspections of the work of agencies with an emphasis on stamping out unauthorized use of official seals. It also decided to send insurance policyholders a questionnaire about the correctness of agreement procedures starting in April 2007.

VIII. Preparedness for responding to complaints

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- The Company renovated its existing system for handling complaints and established a Customer Relations Office to manage complaints from customers uniformly. It also analyzed complaint contents and issued instructions to the relevant head office departments to make improvements to prevent recurrences, followed up on the state of handling complaints by the relevant head office departments, worked to release the status of complaint receipts, and reported the status of these efforts to the executive team.
- The Company released on its homepage an overview of the status of complaint receipts and gave examples of complaints. It will continue to release this information on a quarterly basis.

IX. Preparedness to control personal information

- The Company renovated its existing system for controlling personal information and established an Information Security Department. The Information Security Department summarized the status of efforts during the current business year, established new initiatives for the next business year in light of this information in the status summary, and reported such to the executive team.
- In March 2007, the Company took steps to manage security by way of technology that restricts access to non-work-related information. In the future, it will expand the scope of restrictions (in June and September 2007).
- Regarding sensitive information handled when making benefit payments and underwriting medical insurance, unnecessary information is deleted from the information system, necessary information is coded, and steps are taken to restrict the scope of people with access privileges.
- The Company strengthened the interconnection between the procedures for canceling the contract of an agency and the procedures for stopping the agency's system access by taking thorough steps to stop cancelled agencies from using the system.

X. Preparedness to control payment of benefits and other claims

- The Company followed the Financial Services Agency's Comprehensive Guideline for Supervision of Insurance Companies and established policies relating to the development of preparedness to control the payment of benefits and other claims.
- The Company established the Claims Administration Department Quality Control Office to prevent the failure to pay claims and to ensure rapid and appropriate payments. It also established the Claims Administration Department Training Center Office to maintain and improve payment assessment abilities.
- The Company completed an "Investigation of failure to pay benefits and other claims on extra expense insurance" by the end of September 2006. In addition, it conducted an investigation of cases in which one of the five kinds of automobile insurance had been paid to verify whether the other kinds of insurance were also paid. The investigation was completed by the end of April 2007.
- The Company made an effort to develop its preparedness to control the payment of benefits and other claims in third-sector products by inspecting the assessment conditions that lead to the decision not to pay benefits in cases where the exemption clauses that were provided in an agreement were applicable.
- The benefits payment control division (Claims Administration Department Quality Control Office) investigates the decisions of the claims payment division in cases relating to the above mentioned automobile insurance and third-sector products to ensure timely and appropriate payment of benefits and other claims without fail. Further, the internal audit division conducts sampling surveys in an effort to prevent a recurrence.
- The Company invited outside experts to participate in its Benefits and Claims Board of Review, which was convened seven times, to ensure appropriate payment of benefits. The Board examined 17 cases involving exemption decisions relating to drunk driving, death while bathing, preexisting medical conditions, and death while swimming. In the future, the Company will summarize the contents of the Board's deliberations and reflect them in company rules and manuals.

- Note
1. The definition of subsidiaries and affiliated companies is based on Article 2-3, Paragraphs 2 and 3 of the Order for Enforcement of Insurance Business Law (Cabinet Order No. 425 of 1995).
 2. Numerical figures contained in this report (including those contained in tables below) are expressed and calculated as follows:
 - (1) Amounts of insurance premiums and share numbers are expressed by truncating figures smaller than units for description, while ratios such as the net loss ratio are rounded off at two decimal places.
 - (2) Net loss ratio = (Net claims paid + Loss adjustment expenses) / Net premiums written
 - (3) Net expense ratio = (Net commissions and brokerage fees + Operating, general and administrative expenses related to insurance underwriting) / Net premiums written

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(2) Changes in Status of Assets and Profits and Losses

Items	Business Year 2003	Business Year 2004	Business Year 2005	Business Year 2006 (Current period)
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Net Premiums Written	1,352,877	1,351,915	1,370,920	1,362,785
(Fire Insurance)	(157,447)	(150,367)	(152,077)	(148,865)
(Marine Insurance)	(24,849)	(25,199)	(28,361)	(31,049)
(Personal Accident Insurance)	(114,802)	(120,794)	(127,634)	(127,746)
(Automobile Insurance)	(673,588)	(669,097)	(674,073)	(666,900)
(Compulsory Automobile Liability Insurance)	(241,858)	(244,156)	(237,918)	(232,716)
(Other Insurance)	(140,331)	(142,300)	(150,856)	(155,506)
Interest and Dividend Incomes Received	75,114	82,705	95,039	113,625
Underwriting Income	59,804	16,464	24,060	10,127
Ordinary Profit	134,399	74,236	114,288	91,767
Net income for the Current Period	64,174	56,898	67,858	48,159
Net Loss Ratio	56.8 %	64.8 %	61.3 %	64.3 %
Net Expense Ratio	31.9 %	30.9 %	30.3 %	30.9 %
Invested Assets	4,643,480	4,765,982	5,523,347	5,650,070
Total Assets	5,072,284	5,157,080	5,934,761	6,029,789
Net income per Share for the Current Period	¥ 65.14	¥ 57.80	¥ 68.94	¥ 48.92

- Note
1. Invested assets are the aggregate sum of bank deposits and postal savings, call loans, receivables under resale agreements, bond trading with repurchase agreement (gensaki-buy), monetary receivables bought, money in trusts, securities, loans, land property, and buildings.
 2. Net income per share for the current period is calculated on the basis of the average number of shares outstanding during the year (984 million shares for Business Year 2003, 984 million shares for Business Year 2004, 984 million shares for Business year 2005, and 984 million shares for Business Year 2006).

(3) Status of Branch Offices, etc. and Agencies

Category	End of Previous Period	End of Current Period	Changes during Current Period
	Number of Branches	Number of Branches	Number of Branches
Branch Offices	60	60	-
Branch Companies	266	264	- 2
Sales Office	56	57	1
Overseas Branch Offices	-	1	1
Overseas Representative Offices	31	32	1
Total	413	414	1
Agencies	60,427	57,475	- 2,952
Overseas Agencies	7	5	- 2
Total	60,434	57,480	- 2,954

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(4) Status of Employees

Category	End of Previous Period	End of Current Period	Changes during Current Period	As of End of Current Period		
				Average Age	Average Years of Service	Average Monthly Salary
Office Workers	14,394	14,906	512	Years-old 39.3	Years 10.9	In Thousands of Yen 416
Sales Staff	-	-	-	-		

- Note
1. The number of employees does not include directors who concurrently hold the position of employee, employee on leave of absence, or temporary employee.
 2. The average monthly salary is the average monthly salary as of March 2006 (including overtime pay) and does not include bonuses.
 3. The average age and the average years of service are presented by truncating second decimal places.

(5) Status of Major Lenders

Not applicable

(6) Status of Funding

Not applicable

(7) Status of Capital Investment

a. Gross Capital Investment

(Unit: Millions of Yen)

Gross capital investment	6,351
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b. New Installation of Important Equipment

Not applicable

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(8) Parent Company and Subsidiaries, etc. (as of end of business year)

a. Parent Company

Not applicable

b. Status of Subsidiaries, etc.

Name of Company	Location	Major Lines of Business	Date of Establishment	Capital Amount	Percentage of Voting Rights in Subsidiaries Held by Sampo Japan	Other
Sampo Japan Himawari Life Insurance Co., Ltd.	Shinjuku-ku Tokyo	Life insurance	July 7, 1981	¥17,250 million	100.0%	—
Sampo Japan DC Securities Co., Ltd.	Shinjuku-ku Tokyo	Defined contribution pension plan, Mutual fund sales	May 10, 1999	¥10,510 million	100.0%	—
Sampo Japan DIY Life Insurance Co., Ltd.	Nakano-ku Tokyo	Life insurance	April 23, 1999	¥8,000 million	100.0%	—
Sampo Japan Asset Management Co., Ltd.	Chiyoda-ku Tokyo	Investment adviser, Securities investment, Trust management	Feb. 25, 1986	¥1,200 million	70.0%	—
Yasuda Enterprise Development Co., Ltd.	Chiyoda-ku Tokyo	Investment and management for investment enterprise partnerships	Dec. 17, 1996	¥400 million	50.0%	—
Hitachi Capital Insurance Corporation	Chiyoda-ku Tokyo	Casualty (non-life) insurance	June 21, 1994	¥4,600 million	35.0%	—
Saison Automobile & Fire Insurance Co., Ltd.	Toshima-ku Tokyo	Casualty (non-life) insurance	Sep. 22, 1982	¥3,610 million	27.7%	—
Sampo Japan Insurance Company of America	New York, USA	Casualty (non-life) insurance	August 9, 1962	US\$12,057 thousand (¥1,423 million)	100.0%	—
Sampo Japan Insurance Company of Europe Ltd.	London, UK	Casualty (non-life) insurance	Dec. 9, 1993	£128,700 thousand (¥29,839 million)	100.0%	—
Sampo Japan Insurance (China) Co., Ltd.	Dalian, China	Casualty (non-life) insurance	June 1, 2005	500,000 thousand yuan (¥7,635 million)	100.0%	—
Sampo Japan Insurance Company (Asia) Pte Ltd.	Singapore (Singapore)	Casualty (non-life) insurance	Dec. 14, 1989	S\$34,600 thousand (¥2,693 million)	100.0%	—
Yasuda Seguros S.A.	Sao Paulo, Brazil	Casualty (non-life) insurance	Sep. 22, 1958	Real 94,528 thousand (¥5,437 million)	99.6%	—
Berjaya Sampo Insurance Berhad	Kuala Lumpur (Malaysia)	Casualty (non-life) insurance	Sep. 22, 1980	MYR 118,000 thousand (¥4,029 million)	30.0%	—

- Note
1. Only the major subsidiaries, etc. are listed in this table.
 2. Berjaya Sampo Insurance Berhad was added to the list of important subsidiaries etc. from the current period after it became an affiliated company as of January 22, 2007.
 3. The exchange rate on the closing day of the business year was used to calculate the yen figures indicated in the parentheses in the “Capital Amount” column.

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Status of Important Business Alliances:

Sompo Japan has been commissioned by Sompo Japan Himawari Life Insurance Co., Ltd. to conduct agent of business and administrative operations associated with life insurance for that company.

Pursuant to the comprehensive business alliance with The Dai-ichi Mutual Life Insurance Company, an agreement regarding agency of business and administrative operations has been concluded. Under the agreement, The Dai-ichi Mutual Life Insurance Company carries casualty insurance products of Sompo Japan and the agencies of Sompo Japan carry life insurance products of The Dai-ichi Mutual Life Insurance Company.

Pursuant to the business alliance with Credit Saison Co, Ltd. and Saison Automobile & Fire Insurance Co., Ltd., an agreement regarding agency of business and administrative operations was entered into with Saison Automobile & Fire Insurance Co., Ltd. Under the agreement, Saison Automobile & Fire Insurance Co., Ltd. carries Sompo Japan's casualty insurance products.

(9) Status of the Assignment and Acceptance of Assignment of Businesses etc.

Not applicable

(10) Other Important Matters Relating to the Present Condition of Insurance Companies

Not applicable

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2. Matter Relating to Company Executives

(1) Overview of Company Executives

(As of the end of business year)

Name	Position and Job Description	Important Concurrent Posts	Other
Masatoshi Sato	President and CEO (Overall management; In charge of Customer Relations Office)	President, Sompo Japan Research Institute Inc., Associate Director, Sompo Japan Fine Art Foundation, Associate Director, Sompo Japan Foundation, and Associate Director Sompo Japan Environment Foundation	
Yoshio Ito	Representative Director (In charge of Internal Audit Department)		
Yukio Nakamura	Director (In charge of Hokuriku-Shinetsu Regional Headquarters)		
Hideo Suzuki	Director (In charge of 1st Kansai Regional Headquarters)		
Osamu Yoneyama	Director (In charge of Personal Lines Planning & Development Department, Sales Promotion & Distribution Channel Planning Department, Automobile Business Planning & Development Department, Financial Institution Marketing Department, Defined Contribution and Investment Trust Business Development Department, and Business Process Planning Department)		
Takaaki Komatsu	Director (In charge of Group Strategy Planning Department, Compliance Department, Information Security Department, Agency Administrative Support Department, Government Housing Loan Corporation Special Fire Insurance Department (Specified Contact))		
Junichiro Okawa	Director (In charge of Claims Administration Department, Commercial Line Claims Department, and Property & Casualty Claims Department)		
Jun Mochizuki	Director (In Charge of Corporate Communications Department, Automobile Underwriting Department, Personal Lines Underwriting Department, Accounting Department, and IT Strategy Planning Department)		
Koki Kazuma	Director (In charge of General Affairs Department, Investment Planning Department, Financial Services Department, Global Securities Investment Department, and International Planning Department)		
Hisashi Nakano	Director (In charge of Secretarial Department, and Human Capital Department)		
Ichiro Suzuki	Standing Corporate Auditor (Full-time)		
Tsuneo Ando	Corporate Auditor (Full-time)		
Yoshiki Yagi	Auditor (Outside Auditor)	Director and Chairman, Audit Committee, Hitachi, Ltd., Director, Hitachi Capital Corporation, Director, Hitachi Metals, Ltd.	Having built up experience in accounting operations over many years, Mr. Yagi is a man of considerable knowledge regarding financial affairs and accounting.
Tohru Tsuji	Auditor (Outside Auditor)	Chairman, Member of the Board, Marubeni Corporation and Corporate Auditor, INPEX Holdings Inc.	
Toshiaki Hasegawa	Auditor (Outside Auditor)	Attorney, Corporate Auditor, Bridgestone Corporation, Corporate Auditor, Bandai Networks Co., Ltd.	

- Note
- Messrs. Yukio Nakamura and Hideo Suzuki took office as representative directors on April 1, 2007. Mr. Osamu Yoneyama resigned from office as a director on March 31, 2007.
 - The Company adopted the executive officer system on June 28, 2001. The list of executive officers as of March 31, 2007, is as follows:
On April 1, 2007, Managing Executive Officers Keishiro Kinoshita, Mitsuhiro Fuse, and Jun Mochizuki were elected as Senior Managing Executive Officers; Executive Officers Ken Endo, Toshio Matsuzaki, Mitsuhiro Fukui, Masami Ishii, Takeshi Oiwa, and Kengo Sakurada were elected as Managing Executive Officers; Messrs. Masanori Ishizuka, Yasushi Kuriyama, Kouji Haranaga, and Toru Nakajima were

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elected as Executive Officers, and each took office as Managing Executive Officers. Additionally, Messrs. Kyouji Kaneko, Hiroshi Nemoto, Hideo Haraguchi, Kouichi Motoyama, Yuuji Hara, Hidehiro Fukuzawa, Hirotaka Arai, Kiyoshi Ido, and Hiroyuki Yamaguchi were elected and took office as Executive Officers. Senior Managing Executive Officers Tsuneo Matsumoto and Yoichi Takamiya, Managing Executive Officers Osamu Yoneyama, Hiroshi Oguchi, Kazunori Kameyama, Ryouzuke Hoshino, Tetsutaka Nagaoka, Akihiro Okuhara, and Koichi Sakonju, and Executive Officers Kazunori Nakamura, Akira Shinozaki, and Hiroshi Inagaki resigned from their posts as of March 31, 2007.

Name	Position and Job Description
Masatoshi Sato	President and Senior Managing Executive Officer (As specified above)
Yoshio Ito	Senior Managing Executive Officer (As specified above)
Tsuneo Matsumoto	Senior Managing Executive Officer (Financial Institutions Department, Financial Institutions Production & Marketing Department, 1st Production Department, and 3rd Production Department)
Yukio Nakamura	Senior Managing Executive Officer (As specified above)
Yoichi Takamiya	Senior Managing Executive Officer (General Manager, Chubu Regional Headquarters)
Hideo Suzuki	Senior Managing Executive Officer (As specified above)
Osamu Yoneyama	Managing Executive Officer (As specified above)
Mitsuhiko Fuse	Managing Executive Officer (General Manager, Tokyo Regional Headquarters)
Takaaki Komatsu	Managing Executive Officer (As specified above)
Junichiro Okawa	Managing Executive Officer (As specified above)
Keishiro Kinoshita	Managing Executive Officer (Healthcare Business Development Department, Asia & Australasia Department, and China Administration Department)
Kenichi Tomita	Managing Executive Officer (Risk Management Department, Investment Administrative Department, and Manager, Investment Administrative Department)
Hiroshi Kudo	Managing Executive Officer (2nd Production Department, 1st Corporate Account Production Department, Employee Benefit Program Production Department, 2nd Corporate Account Production Department, Marine Hull Department, and Manager, 2nd Production Department)
Hiroshi Oguchi	Managing Executive Officer (On leave (dispatched), Sompo Japan Claims Services Inc.)
Kazunori Kameyama	Managing Executive Officer (General Manager, 1st Kyushu Regional Headquarters, and Manager, Kyushu Regional Headquarters)
Takakazu Sugishita	Managing Executive Officer (General Manager, Hokkaido Regional Headquarters)
Jun Mochizuki	Managing Executive Officer (As specified above)
Koki Kazuma	Managing Executive Officer (As specified above)
Shuichi Murakami	Managing Executive Officer (General Manager, Shikoku Regional Headquarters)
Ryouzuke Hoshino	Managing Executive Officer (4th Production Department, 3rd Corporate Account Production Department, 1st Production & Marketing Department, 2nd Production & Marketing Department, and Medical & Welfare Market Department)
Tetsutaka Nagaoka	Managing Executive Officer (General Manager, 2nd Kansai Regional Headquarters)
Toshio Mitsuuchi	Managing Executive Officer (General Manager, Tohoku Regional Headquarters)
Yukio Ito	Managing Executive Officer (General Manager, Saitama & Chiba Regional Headquarters)
Akihiro Okuhara	Managing Executive Officer (General Manager, Kanto Regional Headquarters)
Hisashi Nakano	Managing Executive Officer (As specified above)
Eiichi Yoshimitsu	Managing Executive Officer (Corporate Planning Department, Planning and Research Department, Corporate Legal Department, and Manager, Corporate Planning Department)
Koichi Sakonju	Managing Executive Officer (General Manager, Kanagawa & Shizuoka Regional Headquarters)
Jiro Iida	Managing Executive Officer (General Manager, Chugoku Regional Headquarters)
Kazunori Nakamura	Executive Officer (On leave (dispatched) Sompo Japan Heart-full Line Co., Inc)
Akira Shinozaki	Executive Officer (On leave (dispatched) Sompo Japan Heart-full Line Co., Inc)
Ken Endo	Executive Officer (1st Automobile Business Promotion Department, 2nd Automobile Business Planning & Development Department)
Toshio Asano	Executive Officer (Branch Manager, Chiba Branch)
Toshio Matsuzaki	Executive Officer (Manager, Internal Audit Department)
Toshiro Umezaki	Executive Officer (Branch Manager, Ibaraki Branch)
Mitsuhiko Fukui	Executive Officer (Manager, 1st Corporate Account Production Department)
Hideaki Anzai	Executive Officer (Branch Manager, Yokohama Branch)
Masami Ishii	Executive Officer (Commercial Risk Solutions Department, Reinsurance Department, Corporate Business Planning Department, Planning & Marketing Department, Group Organization Development Department, and Manager, Corporate Business Planning Department)
Takeshi Oiwa	Executive Officer (Manager, International Planning Department)
Kengo Sakurada	Executive Officer (Manager, Financial Institutions Department)
Hiroshi Inagaki	Executive Officer (On leave (dispatched) Sompo Japan Himawari Life Insurance Co., Ltd.)
Fumiaki Akaike	Executive Officer (Manager, 2nd Corporate Account Production Department)
Mitsuo Nishimura	(Managing Executive Officer) Retired September 30, 2006.

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(2) Remuneration for Company Executives

(Unit: Millions of Yen)

Category	Remuneration etc.	Maximum Amount of Remuneration Set by the Company's Articles of Incorporation or at the Shareholders' Meeting
Directors	10 directors ¥483 million (Includes a sum other than remuneration of ¥227 million)	Up to ¥60 million per month and share options up to ¥400 million per year
Corporate auditors	5 Corporate auditors ¥99 million (Includes a sum other than remuneration of ¥24 million)	Up to ¥11 million per month
Total	¥582 million (Includes a sum other than remuneration of ¥252 million)	—

- Note
1. Remuneration, etc. for directors includes remuneration etc. of ¥444 million (including a sum other than remuneration of ¥227 million) for executive officers holding post of director concurrently.
 2. Of the remuneration etc. for directors, ¥128 million is the amount that corresponds to the portion for execution of their duties during the current business year of an amount equivalent to the executive retirement benefits retirement allowances expected to be given at the time of retirement, and ¥99 million is the amount given in share options during the current business year. No executive bonuses were granted during the current business year.
 3. Of the remuneration etc. for auditors, ¥24 million is the amount that corresponds to the portion for execution of their duties during the current business year of an amount equivalent to the executive retirement allowances expected to be given at the time of retirement. No executive bonuses were granted during the current business year.

3. Matters Relating to Outside Executives

(1) Concurrent Posts and Other Circumstances of Outside Executives

(as of the end of business year)

Name	Concurrent posts and other circumstances
Outside corporate auditor Yoshiki Yagi	Outside Director, Hitachi Capital Corporation Outside Director, Hitachi Metals, Ltd.
Outside corporate auditor Tohru Tsuji	Outside Corporate Auditor, INPEX Holdings Inc.
Outside corporate auditor Toshiaki Hasegawa	Outside Corporate Auditor, Bridgestone Corporation Outside Corporate Auditor, Bandai Networks Co., Ltd.

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(2) Main Activities of Outside Executives

Name	Term of service	Record of Attendance at Meetings of the Board of Directors and Meetings of the Board of Corporate Auditors	Remarks Made at Meetings of the Board of Directors and Meetings of the Board of Corporate Auditors and Other Activities
Outside corporate auditor Yoshiki Yagi	4 years 9 months	Meetings of the Board of Directors: Attended 21 times out of 21 meetings. Meetings of the Board of Corporate Auditors: Attended 13 times out of 13 meetings.	Mr. Yagi expressed his opinions at meetings of the Board of Directors, including pointing out the importance of preventing a recurrence of the mistake in posting underwriting reserves, as occurred in the fiscal year ended March 2006. He made remarks at meetings of the Board of Corporate Auditors based on his experience in accounting operation, including statements about the internal controls of group companies. On May 25, 2006, Sampo Japan received a partial business suspension order and a business improvement order from the Financial Services Agency (FSA) for reasons including failure to pay incidental benefits and inappropriate conduct when soliciting life insurance (hereinafter “this incident” in this Paragraph). Before the occurrence of this incident, Mr. Yagi had been involving to develop internal controls and strengthen the internal audit capacity by expressing his opinions etc. through activities in the Board of Directors and Board of Corporate Auditors. After the occurrence of this incident, he took actions that contributed to the steady implementation of the business improvement plan, including expressing his opinion at meetings of the Board of Directors about, among other matters, the need to clarify the independence of assistant auditors and the importance of striving to change mere efforts into corporate culture when implementing the business improvement plan that the Company submitted to the FSA.
Outside corporate auditor Tohru Tsuji	3 years 9 months	Meetings of the Board of Directors: Attended 19 times out of 21 meetings. Meetings of the Board of Corporate Auditors: Attended 12 times out of 13 meetings.	Mr. Tsuji expressed his opinions at meetings of the Board of Directors, including that the important items among internal audit results should be reported to the president. He made remarks at meetings of the Board of Corporate Auditors based on his experience as a manager, including statements about methods to report internal audit results. Before the occurrence of this incident, Mr. Tsuji had contributed toward strengthening the preparedness to comply with laws and regulations and internal audit system by expressing his opinions etc. through activities in the Board of Directors and Board of Corporate Auditors. After the occurrence of this incident, he took actions that contributed to the steady implementation of the business improvement plan, including expressing his opinion at meetings of the Board of Directors about the importance of reforming the mindsets of employees and agencies and the need for raising efforts to change the mindsets by taking the time and working on details regarding modification of the compliance promotion plans based on the business improvement plan that the Company submitted to the FSA.
Outside corporate auditor Toshiaki Hasegawa	1 year 9 months	Meetings of the Board of Directors: Attended 16 times out of 21 meetings. Meetings of the Board of Corporate Auditors: Attended 12 times out of 13 meetings.	Mr. Hasegawa expressed his opinions at meetings of the Board of Directors, including that internal control audit consultants should be appointed from firms other than accounting and auditing companies. He made remarks at meetings of the Board of Corporate Auditors based on his professional point of view as an attorney regarding, among other matters, the way to handle complaints from customers. Before the occurrence of this incident, Mr. Hasegawa had contributed toward strengthening the Company’s preparedness to comply with laws and regulations and internal audit capacity by expressing his opinions—including pointing out the need for measures to prevent scandals by strengthening the internal reporting system—through activities in the Board of Directors and Board of Corporate Auditors. After the occurrence of this incident, he took actions that contributed to the steady implementation of the business improvement plan, including expressing his opinion at meetings of the Board of Directors that, in connection with the status of implementation of the business improvement plan that the Company submitted to the FSA, the addition of the executive teams at group companies to the scope of those from whom written oaths regarding compliance are obtained should be considered.

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(3) Contracts for Limitation Liability

Name	Overview of the Agreement Delineating Responsibilities
Outside Corporate Auditors Yoshiki Yagi Tohru Tsuji Toshiaki Hasegawa	<p>The Company changed its Articles of Incorporation at the 63rd Annual Shareholders' Meeting held on June 28, 2006, and established provisions regarding contracts with outside corporate auditors for limitation of liability. The following is an overview of the Contracts for limitation of liability that the Company entered into with the outside corporate auditors listed at left based on the said Articles of Incorporation.</p> <p>< Overview of the Contracts with Outside Auditors for Limitation of Liability ></p> <p>In cases where an outside company auditor owes liability for damages pursuant to Article 423, Paragraph 1 of the Companies Act after entering into this Contract and such outside company auditor is without knowledge and is not grossly negligent in performing its duties, the amount of liability of such outside company auditor shall be limited to the minimum liability amount which is provided in Article 427, Paragraph 1 of the Companies Act end calculated in accordance with Article 425, Paragraph 1 of the Companies Act.</p>

(4) Remuneration of Outside Executives

(Unit: Millions of Yen)

	Remuneration Received from Insurance Companies	Remuneration Received from Parent Companies, etc. of Insurance Companies
Total remuneration	3 Outside corporate auditors ¥25 million (Includes a sum other than remuneration of ¥7 million)	Not applicable

Note Of the remuneration, ¥7 million is the amount that corresponds to the portion for execution of duties during the current business year of an amount equivalent to the executive retirement benefits expected to be given at the time of retirement.

(4) Opinion of Outside Executives

Not applicable

4. Matters Relating to Equity Shares

(1) Number of Shares

(As of the end of the business year)

Number of Authorized Shares	2,000,000	thousand shares
Number of Issued Shares	987,733	thousand shares

(2) Number of Shareholders at the End of the Current Period 37,886

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(3) Major Shareholders

(As of the end of the business year)

Name of Shareholder	Investment in Sompo Japan	
	Number of Shares Held	Percentage of Ownership
	(Thousands of Shares)	%
The Chase Manhattan Bank N.A., London	70,160	7.1
Mizuho Corporate Bank, Ltd.	48,824	4.9
The Dai-ichi Mutual Life Insurance Company	40,908	4.1
The Master Trust Bank of Japan, Ltd.	35,916	3.6
Japan Trustee Services Bank, Ltd.	28,855	2.9
Meiji Yasuda Life Insurance Company	24,000	2.4
State Street Bank and Trust Company	22,176	2.2
Japan Trustee Services Bank, Ltd. 4	17,260	1.7
Sompo Japan Employee Stock Ownership Group	16,463	1.7
State Street Bank and Trust Company 505103	14,556	1.5

5. Matters Relating to Share Options etc.

(1) Share Option etc. for Insurance Companies Held by Executives of the Insurance Companies on the Last Day of the Business Year

	Features of New Share Options	Number of People with Share Options
Directors	August 7, 2006, issue Exercise price: ¥1,598 Exercise period: June 29, 2008 – June 28, 2016 Number of share options: 101 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 101,000 shares	10
	February 15, 2007, issue Exercise price: ¥1,623 Exercise period: June 29, 2008 – June 28, 2016 Number of share options: 101 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 101,000 shares	10
Auditors	Not applicable	—

Note The share options issued in accordance with the stipulations of the former Commercial Code which are held by the executives of insurance companies are as given below.

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	Features of New Share Options	Number of People with Share Options
Directors	December 15, 2000, issue Exercise price: ¥605 Exercise period: June 30, 2002 – June 29, 2010 Class and number of shares subject to share options: common share, 10,000 shares	1
	August 1, 2001, issue Exercise price: ¥797 Exercise period: June 29, 2003 – June 28, 2011 Class and number of shares subject to share options: common share, 10,000 shares	1
	August 1, 2002, issue Exercise price: ¥777 Exercise period: June 28, 2004 – June 27, 2012 Number of share options: 30 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 30,000 shares	3
	November 1, 2002, issue Exercise price: ¥712 Exercise period: June 28, 2004 – June 27, 2012 Number of share options: 10 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 10,000 shares	1
	May 1, 2003, issue Exercise price: ¥581 Exercise period: June 28, 2004 – June 27, 2012 Number of share options: 10 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 10,000 shares	1
	June 1, 2003, issue Exercise price: ¥574 Exercise period: June 28, 2004 – June 27, 2012 Number of share options: 20 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 20,000 shares	2
	August 1, 2003, issue Exercise price: ¥735 Exercise period: June 28, 2005 – June 27, 2013 Number of share options: 35 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 35,000 shares	7
	February 2, 2004, issue Exercise price: ¥901 Exercise period: June 28, 2005 – June 27, 2013 Number of share options: 35 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 35,000 shares	7
	August 2, 2004, issue Exercise price: ¥1,167 Exercise period: June 30, 2006 – June 29, 2014 Number of share options: 50 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 50,000 shares	8

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	Features of New Share Options	Number of People with Share Options
	February 1, 2005, issue Exercise price: ¥1,082 Exercise period: June 30, 2006 – June 29, 2014 Number of share options: 65 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 65,000 shares	9
	August 1, 2005, issue Exercise price: ¥1,148 Exercise period: June 29, 2007 – June 28, 2015 Number of share options: 83 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 83,000 shares	10
	February 1, 2006, issue Exercise price: ¥1,665 Exercise period: June 29, 2007 – June 28, 2015 Number of share options: 83 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 83,000 shares	10
Auditors	June 1, 2003, issue Exercise price: ¥574 Exercise period: June 28, 2004 – June 27, 2012 Number of share options: 10 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 10,000 shares	1
	August 1, 2003, issue Exercise price: ¥735 Exercise period: June 28, 2005 – June 27, 2013 Number of share options: 5 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 5,000 shares	1
	February 2, 2004, issue Exercise price: ¥901 Exercise period: June 28, 2005 – June 27, 2013 Number of share options: 5 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 5,000 shares	1
	August 2, 2004, issue Exercise price: ¥1,167 Exercise period: June 30, 2006 – June 29, 2014 Number of share options: 15 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 15,000 shares	1
	February 1, 2005, issue Exercise price: ¥1,082 Exercise period: June 30, 2006 – June 29, 2014 Number of share options: 15 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 15,000 shares	1

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(2) Share Options etc. for Insurance Companies Issued to Their Employees etc. during the Business Year

	Features of New Share Options etc.	Number of People with Share Options
Employees	August 7, 2006, issue Exercise price: ¥1,598 Exercise period: June 29, 2008 – June 28, 2016 (For persons allotted 5 or fewer rights, July 22, 2008 – June 28, 2016) Number of share options: 223 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 223,000 shares	32
	February 15, 2007, issue Exercise price: ¥1,623 Exercise period: June 29, 2008 – June 28, 2016 (For persons allotted 5 or fewer rights, January 27, 2009 – June 28, 2016) Number of share options: 215 rights (number of shares per share option: 1,000 shares) Class and number of shares subject to share options: common share, 215,000 shares	31
Executives and employees of subsidiaries etc.	Not applicable	—

6. Matters Relating to Accounting Auditors

(1) Overview of Accounting Auditors

(Unit: Millions of Yen)

Name	Remuneration for the business year	Other
Ernst & Young ShinNihon Designated Employee: Mitsuo Uchida Designated Employee: Munetake Kamiyama Designated Employee: Kenji Usukura	54	The Company commissions accounting auditors to give audits of the internal management system of subsidiaries and to give advice on the preparation of financial statements in accordance with United States accounting standards, etc., and pays remuneration for these services as services other than those specified in Article 2, Paragraph 1 of the Certified Public Accountants Law (non-audit services).

Note 1. The auditing fees for auditing based on the Companies Act and auditing based on the Securities Exchange Law are not classified in auditing contracts between the Company and accounting auditors; nor is it even possible to separate them, and so the amount is presented as an aggregate sum.
 2. The aggregate total of cash and other property benefits to be paid by the Company or its subsidiaries etc. to accounting auditors is ¥195 million.

(2) Contracts for Limitation of Liability

Not applicable

(3) Other Matters Relating to Accounting Auditors

a. Policy regarding decisions on dismissal or non-reappointment of accounting auditors

An evaluation of the accounting auditor will be carried out in compliance with general auditing standards. In the event that the accounting auditor is judged to be inappropriate in that capacity, the Board of Directors shall, with the agreement of the Board of Auditors, make the dismissal or non-reappointment of the accounting auditor a purpose of the Shareholders' Meeting.

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- b. Cases where a certified public accountant or audit corporation (including a person with the equivalent qualification in foreign country) other than an insurance company accounting auditor carries out audits (limited to those as provided for in the Companies Act or the Securities Exchange Law [including foreign laws and regulations equivalent to these laws]) of the accounting documentation (including items equivalent to this) of important subsidiaries etc. of such insurance company

Among the Company's important subsidiaries, Sompo Japan Insurance Company of America, Sompo Japan Insurance Company of Europe Limited, Sompo Japan Insurance (China) Company Limited, Sompo Japan Insurance Company (Asia) Pte Limited, and Yasuda Seguros S.A. receive audits from audit corporations other than the Company's auditing accountants.

7. Basic Policy on what the Persons Controlling Financial and Business Policy Decisions ought to be
Not applicable

8. Systems for Ensuring the Adequacy of Operation of Business

The Company resolved the Basic Policy of Formation of Internal Control Systems at the meeting of the board of directors held on April 28, 2006, and is developing internal control systems in line with the Basic Policy. In addition, this resolution was partially revised on June 26, 2006; March 16, 2007; and May 1, 2007. An outline of the latest resolution is as follows.

< Basic Policy on Formation of Internal Control Systems > (Outline)

The directors shall faithfully comply with relevant laws and regulations, the Articles of Association, and the Sompo Japan Insurance Inc. Group Mission Statement in the execution of their duties, and shall develop systems as described below to ensure the properness of operations of the Company and to raise the quality of corporate governance.

- 1) Systems for keeping and managing information relating to directors and executive officers' execution of their duties
The Company shall systematically manage and keep information pertaining to the execution of duties by directors and executive officers based on the regulations covering information management prescribed by the board of directors.
- 2) Regulations and other systems pertaining to loss risk management
The Company shall develop systems pertaining to management of individual risks, as well as systems that integrate and manage such risks, based on regulations covering risk management prescribed by the board of directors, for the risks that may have a significant impact on the management of the Company such as insurance underwriting risk, asset management risk, liquidity risk, operational risks and risk associated with group companies, out of the risks arising from execution of business of the Company.
- 3) Systems to ensure that the directors and executive officers effectively carry out their duties
In order to ensure that each of the directors effectively discharges his or her duties, the directors shall convene a meeting of the board of directors each month, and intermittently as required, to promote coordination among the directors by increasing discussion on management of the Company and the appropriate exchange of information, etc.
To contribute to the proper and prompt execution of Company business, the board of directors shall appoint executive officers, define the scope of the duties they are to perform, and entrust them with the execution of these duties.
Further, to ensure that the executive officers and employees of the Company effectively discharge their duties, the Company shall exhaustively provide details in the organization's regulations of such items as the division of work duties, responsible managers, the scope of work authority, details of work execution procedures, etc., for each organizational unit.
- 4) Systems to ensure that directors, executive officers, and employees perform their duties in compliance with relevant laws and regulations and the Articles of Incorporation
To ensure that the directors, executive officers, and employees discharge their duties in compliance with the relevant laws and regulations and the Articles of Incorporation, the Company shall formulate a Code of Conduct

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that all these persons shall observe; the Company shall establish a compliance promotion headquarters to act as a consultative body regarding compliance for the board of directors, giving it the authority to draft plans to facilitate compliance and to enforce policies to facilitate compliance; and the Company shall also establish a Business Audit and Compliance Committee, composed mainly of external committee, and shall develop systems to comply with the relevant laws and regulations under the direction and supervision of this Business Audit and Compliance Committee.

The Company will take a firm stand, in cooperation with police and other relevant authorities, against any antisocial forces which pose a threat to the order and safety of civil society.

Further, in addition to providing an internal auditing system, the Company shall provide systems centered around the compliance promotion headquarters to deal with compliance issues in the event of a problem occurring, through filing reports and issuing notices; collecting, investigating, and analyzing information; and ensuring that problems do not recur. The board of directors and the auditors shall receive reports concerning any matter that may have a significant impact on the management of the Company, and shall consider these reports in depth.

5) Systems to ensure the properness of financial reporting

The Company shall develop the systems to ensure the properness of the Company's financial reporting on a non-consolidated or consolidated base, and to ensure the proper disclosure of other information as stipulated by laws and regulations etc.

6) Systems to ensure the properness of operation of the business group comprised of the Company and Company subsidiaries

To ensure that the business group operates effectively, the Company shall support each subsidiary company as it establishes regulations and other systems for business operations in conformance with these resolutions and based on the Sompo Japan Insurance Inc. Group Mission Statement.

Further, the Company shall establish regulations covering the operation and management of subsidiary companies, and shall clearly designate divisions having authority for the management of business operations of subsidiary companies and education in furtherance thereof; the Company shall also establish procedures for determining matters of importance affecting subsidiary companies.

Moreover, to prevent business from being performed improperly, the Company shall endeavor to develop systems that facilitate reporting and notification as well as the collection of information.

7) Matters relating to employees appointed by the auditors in the cases where they require such appointment to assist them in the performance of their duties

The Company shall select assistant auditors from among the Company's employees at a meeting of the board of directors, in accordance with regulations concerning assistant auditors as prescribed by the board of directors.

8) Ensuring independence from the directors of employees assisting the auditors

The Company shall ensure the independence from the directors of employees assisting the auditors by obtaining the consent of the board of corporate auditors in decisions over the appointment, dismissal, and treatment of assistant auditors etc., and through the evaluation of the assistant auditors as personnel by the board of corporate auditors, in accordance with the regulations concerning assistant auditors.

Further, the assistant auditors shall only comply with orders and instructions of the auditors in the discharge of their work and shall not accept orders and instructions from directors and the persons responsible for the execution of business etc.

9) Systems to facilitate reporting by directors, executive officers, and employees to the auditors and othersystems relating to submission of reports to the auditors

The Company shall, with the agreement of the board of corporate auditors, determine matters that should be reported to the auditors by the directors, executive officers, and employees of the Company and the timing of such submissions, thus improving the effectiveness of audits performed by the auditors.

The directors, executive officers, and employees shall without fail submit reports as provided above.

Further, the directors, executive officers, and employees shall, if requested by the auditors, promptly comply with the submission of reports concerning matters other than the matters provided above.

When the auditors announce their opinions concerning the execution of duties by the directors or executive officers, or offer their advice on improvements to the performance of their duties, the directors or executive officers concerned shall report to the auditors as appropriate on the status of their progress in relation to such matters as have been specified.

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10) Other systems for ensuring the effective performance of audits by the auditors

The Company shall ensure that when an auditor enters a division of the head office, a branch, or other place of business of the Company to perform an audit, or requests cooperation in some other way with the performance of an audit, priority shall be given to such audit work over other work as much as possible, and cooperation shall be given to the audit.

The auditors may be requested to attend a management meeting or other important meeting and may be requested to provide an adequate discussion with the directors and executive officers.

9. Matters Regarding the Accounting Advisor

This is not applicable, as the Company is not a company with an accounting advisor.

10. Other Matters

Not applicable

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Attachment (2)

Non-Consolidated Balance Sheet for Business Year 2006 (As of March 31, 2007)

(Unit: Millions of Yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Cash and Deposits	129,122	Insurance Policy Reserve	3,928,053
Cash	38	Outstanding Claims	627,240
Deposits	129,084	Underwriting Reserves	3,300,812
Call Loans	69,000	Other Liabilities	212,023
Repurchase Agreement Account	28,966	Co-Insurance Payable	5,465
Monetary Claims Purchased	18,978	Re-Insurance Payable	68,404
Money Trusts	47,932	Foreign Re-Insurance Payable	19,271
Securities	4,673,746	Agency Borrowing	21
Government Bonds	759,217	Borrowings	648
Municipal Bonds	114,769	Corporate Income Tax and Other	16,785
Corporate Bonds	456,614	Taxes Payable	
Stocks	2,099,986	Deposits Received	4,958
Foreign Securities	1,129,053	Advance Received	55
Other Securities	114,104	Accounts Payable	39,092
Loans	483,417	Temporary Receipts	54,446
Insurance Policy Loans	11,679	Borrowed Securities	848
General Loans	471,738	Derivatives	2,025
Tangible Fixed Assets	221,615	Reserve for Retirement Allowance	93,799
Land	105,025	Reserve for Accrued Bonuses	12,591
Buildings	93,920	Reserves under Special Laws	30,598
Construction in progress	662	Reserve for Price Fluctuation	30,598
Other Tangible Fixed Assets	22,007	Deferred Tax Liabilities	278,680
Intangible Fixed Assets	761	Total Liabilities	4,555,748
Other Assets	377,926	(Net Assets)	
Premiums Receivable	315	Capital	70,000
Agent Balances	91,514	Additional Paid-In Capital	24,229
Foreign Agent Balances	21,846	Capital Reserves	24,229
Co-Insurance Recoverable	8,960	Retained Earnings	383,060
Reinsurance Recoverable	71,763	Retained Earnings Reserve	29,000
Foreign Reinsurance Recoverable	38,104	Other Retained Earnings	354,060
Agency Business Receivables	1	(Reserve for Advanced Depreciation)	(527)
Accounts Receivable	16,297	(Reserve for Advanced Depreciation	(407)
Uncollected Income	12,453	Special Account)	
Deposits	16,165	(General Reserve)	(289,000)
Deposits for Earthquake Insurance	54,971	(Earned Surplus Carried Forward)	(64,125)
Temporary Payments	42,763	Treasury Stock	-2,832
Margin Accounts for Futures	776	Total Shareholders' Equity	474,457
Variation Margins of Futures	2	Valuation differences on other Securities	999,268
Derivatives	970	Total Valuation and Translation etc.	999,268
Other Assets	1,017	Adjustments	
Allowance for Bad Debts	-15,915	Share Options	315
Investment Loss Reserve	-5,763	Total Net Assets	1,474,041
Total Assets	6,029,789	Total Liabilities and Net Assets	6,029,789

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Notes to Non-Consolidated Balance Sheet

1. The definitions of subsidiaries and affiliated companies etc. conform to Paragraph 2 and Paragraph 3 of Article 2-3 of the “Cabinet Order for the Enforcement of the Insurance Business Law” (1995 Cabinet Order No. 425).
2. Standards and methods for valuation of securities are as follows:
 - (1) Securities held for sale purposes are valued by the market value method.
Cost of sales is calculated using the moving-average method.
 - (2) Securities held to maturity are valued by the amortized cost method using the moving-average method.
 - (3) Shares of subsidiaries and other related companies are valued by the cost method using the moving-average method.
 - (4) Other securities with market value are valued at their market values on the final day of the business year by the market value method.
All valuation differences are directly added to or subtracted from net asset value. In addition to this, the cost of sales is calculated using the moving-average method.
 - (5) Other securities without market value are valued by the cost method or the amortized cost method, using the moving-average method.
3. The valuation of securities that has been invested as trust assets for sole-managed money trusts, with the purpose of holding being other than investment or holding to maturity, are valued using the same method specified above for other securities.
4. Derivative transactions are valued by the market value method.
5. Depreciation of tangible fixed assets is calculated using the fixed-percentage method. However, the straight-line method is applied to buildings (excluding furniture, fixtures and equipment) acquired on or after April 1, 1998.
6. Foreign currency denominated assets and liabilities have been converted into Japanese Yen in accordance with the Accounting Standards Pertaining to Foreign Currency Denominated Transactions.
7. Allowance for bad debts is set aside as follows using self-assessment standards as well as depreciation/reserve standards for assets:

The amount set aside for claims against a debtor who is legally and formally in corporate failure, such as bankruptcy or special liquidation, or subject to disposition of suspension of trading at clearinghouses, and for claims against a debtor who is effectively bankrupt, is the amount of the outstanding claims against such debtor after deducting the expected disposal value of collateral and deducting the amount of possible recovery from the guarantees.

The amount set aside for claims against a debtor who is likely to fail, is the amount considered necessary by comprehensively judging the debtor’s ability to pay, out of the balance of the amount of the outstanding claims against such debtor after deducting the expected disposal value of collateral and deducting the amount of possible recovery from the guarantees.

The amount set aside for claims other than the above is calculated to be the amount of expected losses during a specified period of time in the future. This is done by computing actual historical bad debt ratios based on actual historical bad debt over a specified period of time and by multiplying the expected loss ratio computed based on such figures by the amount of outstanding claims.

All claims are assessed by the departments and branches responsible for the debts according to the self-assessment standards for assets. The results from these assessments are audited by an independent Internal Audit Department and the amounts set aside are based on these assessment results.
8. The amount set aside for investment loss reserve is based on the expected losses on securities at the end of the period in order to prepare for possible future losses based on the self-assessment standards as well as depreciation/reserve standards for assets.

In addition, in the current period, a new reserve is set aside against possible losses on shares in subsidiaries etc. in the amount deemed necessary in consideration of the financial condition of the subsidiary concerned and the possibility of its recovery.
9. The amount set aside for reserve for retirement allowances is based on the expected retirement benefit obligations at the end of the current period and is applied towards the employees’ retirement allowances.

The past service liability is treated as an expense using the straight line method, based on a specified number of years not exceeding the average remaining service years of the employees as at the time when the liability is incurred.

Actuarial variances are treated as expenses beginning in the subsequent period using the straight line method, based on a specified number of years not exceeding the average remaining service years of the employee as at the term when the variance occurs.

In addition to the above, ¥1,371 million has been calculated as reserves for retirement allowances to cover expenditures for executive retirement allowances (including pensions).

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Items related to retirement allowances are as follows:

(1) Retirement benefit obligations and the breakdown

Retirement Benefit Obligations	- ¥	121,287	million
Retirement Benefit Trusts	¥	7,210	million
<hr/>			
Unfunded Retirement Benefit Obligations	- ¥	114,077	million
Unrecognized Actuarial Variances	¥	22,163	million
Unrecognized Past Service Liabilities	- ¥	1,886	million
<hr/>			
Reserve for Retirement Benefits	- ¥	93,799	million

(2) Basis for calculation of retirement benefit obligations etc.

Method of Period Allocation of Expected Retirement Benefit Obligations	Fixed Period Amount Standard
Discount Rate	1.5%
Expected Rate of Return	0.0%
Years Processed regarding the amount of Past Service Liabilities	5 years
Years Processed regarding the Actuarial Variances	11 years

The number of years processed regarding actuarial variances was hitherto set at 12 years, not exceeding the average remaining length of service. Since the average remaining period of service has now been shortened to less than 12 years, the number of years processed regarding actuarial variances is changed to 11 years from the current period.

Under this change, the current period's ordinary profit and pre-tax net income are both ¥380 million lower than the levels under the previous method.

10. The amount set aside for the reserve for accrued bonuses is based on the estimated amount payable at the end of the current period and is applied towards employee bonuses.
11. The amount set aside for the reserve for price fluctuations to provide for losses associated with stock price fluctuations, is in accordance with the provisions of Article 115 of the Insurance Business Law.
12. Stock swap transactions for the purpose of hedging future share price fluctuation risks of held stocks is valued using hedge market values.

In addition, of the interest rate swap transactions for the purpose of hedging interest rate fluctuations risks of held bonds, the exceptional disposition for the accounting of interest rate swaps is used for those transactions that meet the requirements for the exceptional disposition. The appropriation method is used for future exchange contracts and currency swaps used to hedge fluctuation risks in the currency exchange market related to foreign currency loans, bonds and deposits for those transactions that meet the requirements of the appropriation method. Please note that the effectiveness of hedges is generally determined by periodically analyzing the fluctuation amounts of market rate fluctuations for both the hedged items and the hedging instruments during the period from the commencement of the hedge up to the assessment dates. However, the analysis of hedge effectiveness is omitted where there is strong correlation between the hedged items and the hedging instruments, and for those interest rate transactions that meet the requirements of the exceptional disposition method and those that meet the requirements of the appropriation method.

13. Amounts are stated exclusive of national and local consumption taxes. However these taxes are included in the amounts shown for expenses such as loss adjustment expenses, various commissions and collection expenses, operation expenses and general administrative expenses.

Consumption tax and other taxes related to assets that are eligible for deduction are added to temporary payments and amortized in equal installments over five years.

14. Finance lease transactions except for leases that are recognized to transfer ownership to the lessee are treated according to the accounting method used for ordinary lease transactions.

15. (1) Of the total loan amount, uncollectible loans were ¥612 million and delinquent loans were ¥2,249 million.
Uncollectible loans are loans for which interest receivables are not reported because the principal or interest is unlikely to be collected or received as payments have been continuously delinquent for a substantial amount of time or for other reasons (excluding the portion written off; hereinafter referred to as "Loans with Unreported Interest Receivables") and where any of the events set forth in Article 96, Paragraph 1, Sub-Paragraph 3, Item a) through e) of the Ordinance for Enforcement of Corporate Income Tax Law (Cabinet Order No. 97 of 1965) or the events in Paragraph 1, Sub-Paragraph 4 apply.
Delinquent loans are Loans with Unreported Interest Receivables other than uncollectible loans or loans which have been granted a grace period for interest payments to assist the debtors' financial reconstruction or to provide other support.

- (2) There are no loans overdue for longer than three months.

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Loans overdue for longer than three months are loans other than uncollectible loans or delinquent loans for which interest or principal payments are overdue by three months or longer from the succeeding day of the contractual due date for payment.

(3) Of the overall loan amount, restructured loans (loans with alleviated loan terms) were ¥5,180 million.

Restructured loans are those loans other than uncollectible loans, delinquent loans, or loans overdue for longer than three months for which interest reductions or waivers, payment extensions for interest, repayment extensions for principal, forgiveness of debt, or other measures have been agreed upon for the benefit of the debtor, to assist the debtor's financial reconstruction, or to provide other support.

(4) The sum of the uncollectible loans, delinquent loans, loans overdue for longer than three months, and restructured loans was ¥8,042 million.

16. Accumulated depreciation of tangible fixed assets was ¥225,650 million and the amount of reduced value entry of tangible fixed assets was ¥10,667 million.

In addition, the amount of reduced value entry deducted from the acquisition value of tangible fixed assets acquired with government subsidies granted in the current period is ¥nil million.

17. Total monetary claims against affiliated companies was ¥19,751 million while total monetary liabilities against affiliated companies was ¥5,376 million.

18. Investments in shares of affiliated companies totaled ¥187,966 million while investment in affiliated companies was ¥20,956 million.

19. Assets pledged as collateral consist of ¥41,167 million in securities and ¥7,300 million in deposits. These are collateral for borrowings of ¥648 million as well as for obtaining letters of credit.

In addition, assets in effect pledged as collateral through a special purpose company established for the purpose of guaranteeing the Company's reinsurance contract debts are ¥10,130 million in securities.

20. Breakdown of reserves for outstanding claims:

Reserve for outstanding claims: (before deducting ceded reinsurance reserve for outstanding claims, excluding insurances stated in (b))	¥	609,191	million
Ceded reinsurance reserve for outstanding claims relating to the above	¥	40,946	million
Difference (a)	¥	568,245	million
Reserve for outstanding claims involved in earthquake insurance and compulsory automobile liability insurance (b)	¥	58,995	million
Total (a + b)	¥	627,240	million

21. Breakdown of underwriting reserves:

Ordinary underwriting reserves (before deducting ceded reinsurance underwriting reserves)	¥	932,503	million
Ceded reinsurance underwriting reserves relating to the above	¥	31,243	million
Difference (a)	¥	901,259	million
Other underwriting reserves (b)	¥	2,399,553	million
Total (a + b)	¥	3,300,812	million

22. A total of ¥148,806 million in securities on loan pursuant to loan agreements are included under stocks and foreign securities.

23. The balance of unexecuted loans related to loan commitment agreements were ¥25,499 million.

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24. Deferred tax assets were ¥273,133 million while deferred tax liabilities were ¥551,813 million.

A breakdown of deferred tax assets and deferred tax liabilities grouped by main cause of accrual is as follows:

Deferred Tax Assets			
Underwriting reserves	¥	176,502	Million
Reserve for retirement allowances	¥	33,852	Million
Loss on asset valuation	¥	30,854	Million
Reserve for outstanding claims	¥	24,517	Million
Intangible fixed assets for tax purposes	¥	12,354	Million
Other	¥	25,832	Million
<hr/>			
Subtotal for deferred tax assets	¥	303,914	Million
Allowance account	- ¥	30,781	Million
<hr/>			
Total deferred tax assets	¥	273,133	Million
Deferred Tax Liabilities			
Unrealized Loss on other securities	- ¥	550,944	Million
Others	- ¥	868	Million
<hr/>			
Total Deferred Tax Liabilities	- ¥	551,813	Million
<hr/>			
Net deferred tax assets (or liabilities)	- ¥	278,680	Million

25. Major intangible fixed assets include ¥ 622 million in telephone subscription rights.

26. Net assets per share are ¥1,496.97.

Net assets at the end of the current period, which provide the basis for the above calculation, are ¥1,474,041 million, including ¥315 million in share options not vested in common shareholders. Net assets at the end of the current period in relation to common shares are ¥1,473,725 million the number of common shares outstanding at the end of the current period is 984 million.

27. From the current period, the Company adopted the “Accounting Standard for Presentation of Net Assets in Balance Sheet” (Company Accounting Standard No. 5, December 9, 2005) and the “Guidelines for Application of Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Company Accounting Standard Guidelines No. 8, December 9, 2005).

The amount equivalent to the part of shareholders’ equity, which term was previously used is ¥1,473,725 million. Due to the revision in the Ordinance for Enforcement of the Insurance Business Law, the part of net assets in the current period’s balance sheet are calculated in accordance with the revised Ordinance for Enforcement of the Insurance Business Law.

28. From the current period, the Company changed the format of the balance sheet in the wake of the revision in the Ordinance for Enforcement of the Insurance Business Law and the enforcement of the Ordinance for Company Accounting. Major changes are as follows:

- (1) What had been listed as “real estate and movable assets” in the previous period is shown as “tangible fixed assets” from the current period.
 - (2) What had been listed as “movable assets” in the previous period is shown as “other tangible fixed assets” from the current period.
 - (3) Telephone subscription rights that were included in “money on deposit” in the previous period are shown as “intangible fixed assets” from the current period.
 - (4) What had been listed as “reserve for price fluctuation” is shown in the breakdown of “reserves under special law.”
 - (5) What had been listed as “valuation difference in stocks held” in the previous period is shown as “valuation difference on other securities” from the current period.
29. Amounts have been rounded off to the decimal place noted.

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Attachment (3)

Non-Consolidated Income Statement for Business Year 2006 (April 1, 2006 - March 31, 2007)

(Units: Millions of Yen)

Item	Amount
Ordinary Income	1,687,096
Underwriting Income	1,568,937
Net Premiums Written	1,362,785
Savings-Type Insurance Premiums Written	137,001
Investment Income on Savings-Type Insurance Premiums Written	45,825
Reversal of Underwriting Reserves	20,498
Foreign Exchange Gain	384
Other Underwriting Income	2,442
Asset Investment Income	106,435
Interest and Dividends Received	113,625
Investment Gain on Money Trusts	4,210
Investment Income on Securities Held for Trading Purposes	175
Income on Sale of Securities	31,011
Income on Redemption of Securities	378
Foreign Exchange Gain	2,204
Other Investment Income	656
Transfer of Investment Income on Savings-Type Insurance Premiums Written	- 45,825
Other Ordinary Income	11,722
Ordinary Expenses	1,595,328
Underwriting Expenses	1,356,524
Net Claims Paid	806,871
Loss Adjustment Expenses	69,001
Various Commissions and Collection Expenses	222,762
Maturity Refunds	224,401
Dividends to Policyholders	41
Amounts Transferred to Reserves for Outstanding Claims	32,864
Other Underwriting Expenses	581
Asset Management Expenses	15,134
Loss on Sale of Securities	1,485
Loss on Revaluation of Securities	3,636
Loss on Redemption of Securities	459
Loss on Derivatives	7,974
Other Asset Management Expenses	1,577
Operating Expenses and General Administrative Expenses	216,514
Other Ordinary Expenses	7,153
Interest Paid	21
Loss on Bad Debt	13
Provision for Possible Investment Losses	5,759
Other Ordinary Expenses	1,359
Ordinary Profit	91,767
Extraordinary Profit	3,310
Gain on Disposal of Fixed Assets	3,310
Extraordinary Loss	19,328
Loss on Disposal of Fixed Assets	1,151
Impairment Losses	790
Provision for Reserves under Special Laws	6,597
Provision for Price Fluctuation Reserve	6,597
Advanced Depreciation Deduction for Real Estate	0
Revaluation Loss of Real Estate	7
Other Extraordinary Loss	10,781
Net Income Before Adjustments to Taxes etc. for Current Period	75,749
Corporate Income Tax and Inhabitation Tax	25,542
Adjustments to Corporate Income Tax and Other Taxes	2,047
Net Income for Current Period	48,159

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Notes to Non-Consolidated Income Statement

1. Total income from transactions with affiliated companies was ¥19,493 million and total expenses from transactions with affiliated companies were ¥72,270 million.

2. (1) Breakdown of net premiums written:

Premiums written	¥	1,652,336	million
—) Reinsurance premiums paid	¥	289,551	million
Net Premiums Written	¥	1,362,785	million

(2) Breakdown of net losses paid:

Losses paid	¥	1,008,131	million
—) Reinsurance payments collected	¥	201,260	million
Net losses paid	¥	806,871	million

(3) Breakdown of various commissions and collection expenses:

Various commissions and collection expenses paid	¥	241,628	million
—) Ceded reinsurance commissions received	¥	18,866	million
Various commissions and collection expenses	¥	222,762	million

(4) Breakdown of provisions for amounts transferred to reserves for outstanding claims

(- indicates reversal of amounts transferred to reserves for outstanding claims):

Amounts transferred to reserves for outstanding claims (before deducting ceded reinsurance reserve for outstanding claims, excluding insurances stated in (b))	¥	30,338	million
Ceded reinsurance amounts transferred to reserves for outstanding claims relating to the above amount	- ¥	2,427	million
Difference (a)	¥	32,765	million
Amounts transferred to reserves for outstanding claims relating to earthquake insurance and compulsory automobile liability insurance (b)	¥	98	million
Total (a+b)	¥	32,864	million

(5) Breakdown of provisions for amounts transferred to underwriting reserves

(- indicates reversal of amounts transferred to underwriting reserves):

Amounts transferred to ordinary underwriting reserves (before deducting ceded reinsurance underwriting reserve)	¥	4,777	million
Ceded reinsurance amounts transferred to ordinary underwriting reserves relating to the above amount	- ¥	540	million
Difference (a)	¥	5,318	million
Other amounts transferred to underwriting reserves (b)	- ¥	25,817	million
Total (a+b)	- ¥	20,498	million

(6) Breakdown of interest and dividends received:

Interest on deposits	¥	374	million
Interest on call loans	¥	207	million
Interest on repurchase agreement accounts	¥	198	million
Interest on monetary claims purchased	¥	193	million
Interest and dividends on securities	¥	96,589	million
Interest on loans	¥	7,824	million
Rent on real estate	¥	5,302	million
Other interest and dividends	¥	2,934	million
Interest and dividend received	¥	113,625	million

3. The investment profits on securities held for trading purposes consist of profits on sales of ¥24 million and revaluation profits of ¥151 million.

4. The revaluation losses from money trusts were ¥24 million. The revaluation losses from derivatives were ¥987 million being the sum of ¥875 million in underwriting loss and ¥111 million in loss from derivatives.

5. The breakdown of extraordinary losses are as follows: ¥8,409 million in prior-year adjustment in underwriting reserves for group auto insurance and ¥2,371 million in extraordinary expenses related to administrative penalties.

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6. The total retirement benefit expenses recorded as loss adjustment expenses, and operational and general administrative expenses were ¥17,131 million and the breakdown is as follows.

Working expenses	¥	6,543	million
Interest expenses	¥	1,793	million
Expected investment income		—	million
Expenses disposition associated with the actuarial variations	¥	3,201	million
Expenses disposition associated with past service liabilities	¥	3,311	million
Sub Total	¥	14,850	million
Premium payments to defined contribution pension fund	¥	2,280	million
Expenses associated with retirement allowances	¥	17,131	million

7. The statutory effective tax rate was 36.09% for the current period and the burden ratio for corporate and other taxes after the application of deferred tax accounting was 36.42%. The breakdown of main items in the differences between the two rates is as follows:

Statutory effective tax rate		36.09	%
(Adjustments)			
Dividends received that are not included in gross revenue		- 6.21	%
Increase in valuation reserves		4.30	%
Entertainment expenses not qualified as tax deductible expenses		1.20	%
Other		1.04	%
Burden ratio for corporate and other taxes after the application of deferred tax accounting		36.42	%

8. Net income of current period per share is ¥48.92. The items forming the calculation basis for this number are as follows: Net income, which serves as the basis for computing per-share net income, was ¥48,159 million, all of which is allocable to the common shareholders. Net income allocable to common shares was ¥48,159 million and the average number of shares outstanding during the period is 984 million.

Net income of current period per share adjusted for residual securities is ¥48.88. Adjustment of net income of current period, which serves as the basis for computing per-share net income of current period was not applicable and there is no increase in the number of common shares outstanding during the period.

9. The Company posted impairment losses for this period on the asset groups described below:

(1) Method used to group assets

Real estate property and other fixed assets used in insurance business operations are grouped into one asset group for the entire insurance business division. Rental properties and idle properties not utilized in insurance business operations are grouped into separate asset groups by asset.

(2) Reasons for the recognition of impairment losses

Of rental properties etc., for asset groups for which the recoverable value of properties has become below the book value, the book value was reduced to the recoverable value and such amounts of reduction were accounted for as extraordinary impairment losses.

(3) Asset group for which impairment loss was recognized with a breakdown of impairment losses recorded by class of fixed assets.

Use	Asset group	Impairment loss (Millions of Yen)		
		Land	Buildings	Total
Rental properties etc.	2 properties, including Fukuoka Tenjin Building	273	517	790

(4) Calculation of the recoverable value

Recoverable value of property is calculated by applying the net sales value. The net sales value is calculated by applying the appraisal value derived using real estate appraisal standards.

10. From the current period, the Company adopted the “Accounting Standard for Stock Options” (Company Accounting Standard No.8, December 27, 2005) and the “Guidelines for Application of the Accounting Standard for Stock Options” (Company Accounting Standard Guidelines No.11, May 31, 2006). Under these changes, the current period’s ordinary profit and pre-tax net income are both ¥315 million lower than the levels under the previous method.

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11. From the current period, the Company changed the format of the income statement in the wake of the revision in the Ordinance for Enforcement of the Insurance Business Law and the enforcement of the Ordinance for Company Accounting. Major changes are as follows:
 - (1) What had been listed as “gain on disposal of real estate and movable assets” in the previous period is shown as “gain on disposal of tangible fixed assets” from the current period.
 - (2) What had been listed as “loss on disposal of real estate and movable assets” in the previous period is shown as “gain on disposal of tangible fixed assets” from the current period.
 - (3) What had been listed as “amounts transferred to provision for price fluctuation reserve” is shown as “amounts transferred to reserves under special law” and included in its breakdown as “price fluctuation reserve.”
12. Amounts have been rounded off to the decimal place noted.

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Attachment (4)

**Statement of Changes in Shareholders' Equity for Business Year 2006
(April 1, 2006 - March 31, 2007)**

(Units: Millions of Yen)

	Shareholders' equity								
	Capital	Additional paid-in capital	Retained earnings						
			Capital Reserve	Retained earnings reserve	Other retained earnings				
		Reserve for dividend payment to shareholders			Reserve for retirement allowances	Reserve for advanced depreciation	Reserve for advanced depreciation special account	Special reserve for insurance policies	Special reserve
Balance at the end of the prior period	70,000	24,229	26,400	41,300	1,000	583	-	76,500	123,100
Changes in the current period									
Drawdown of reserve for dividend payment to shareholders (Note 1)				- 41,300					
Drawdown of reserve for retirement allowances (Note 1)					- 1,000				
Drawdown of reserve for advanced depreciation (Note 2)						- 56			
Provision of reserve for advanced depreciation special account							407		
Drawdown of special reserve for insurance policies (Note 1)								- 76,500	
Drawdown of special reserve (Note 1)									- 123,100
Amount set aside for contingent reserve (Note 1)									
Distribution of retained earnings (Note 1)			2,600						
Net income of current period									
Acquisition of treasury stock									
Disposal of treasury stock									
Changes in items other than shareholders' equity during the current period (net)									
Total of changes during the current period	-	-	2,600	- 41,300	- 1,000	- 56	407	- 76,500	- 123,100
Balance at the end of the current period	70,000	24,229	29,000	-	-	527	407	-	-

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(Units: Millions of Yen)

	Shareholders' equity				Revaluation/translation		Share options	Total net assets
	Retained earnings		Treasury stock	Total Shareholders' equity	Other securities revaluation difference	Total of revaluation/translation difference		
	Other retained earnings							
	General reserve	Retained earnings carried forward						
Balance at the end of the prior period	-	78,833	- 2,857	439,090	960,629	960,629	-	1,399,719
Changes in the current period								
Drawdown of reserve for dividend payment to shareholders (Note 1)		41,300		-				-
Drawdown of reserve for retirement allowances (Note 1)		1,000		-				-
Drawdown of reserve for advanced depreciation (Note 2)		56		-				-
Provision of reserve for advanced depreciation special account		- 407		-				-
Drawdown of special reserve for insurance policies (Note 1)		76,500		-				-
Drawdown of special reserve (Note 1)		123,100		-				-
Amount set aside for contingent reserve (Note 1)	289,000	- 289,000		-				-
Distribution of retained earnings (Note 1)		- 15,394		- 12,794				- 12,794
Net income		48,159		48,159				48,159
Acquisition of treasury stock			- 394	- 394				- 394
Disposal of treasury stock		- 21	418	397				397
Changes in items other than shareholders' equity during the current period (net)					38,639	38,639	315	38,954
Total of changes during the current period	289,000	- 14,708	24	35,367	38,639	38,639	315	74,321
Balance at the end of the current period	289,000	64,125	- 2,832	474,457	999,268	999,268	315	1,474,041

(Note 1) Items subject to the appropriation of earnings at the annual shareholders' meeting in June 2006

(Note 2) The reversal of ¥56 million from the reserve for advanced depreciation include the reversal of ¥29 million in the appropriation of earnings at the annual shareholders' meeting in June 2006 and the reversal of ¥26 million in the current period.

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Notes to the Statement of Changes in Shareholders' Equity

1 . Matters Concerning Type of Treasury Stock and the Number of Shares

	The number of shares at the end of the prior period (1,000 shares)	Increase in the number of shares during the current period (1,000 shares)	Decrease in the number of shares during the current period (1,000 shares)	The number of shares at the end of the current period (1,000 shares)
Treasury stock				
Common share	3,508	252	494	3,266
Total	3,508	252	494	3,266

- Notes
1. The increase of 252,000 shares in common shares in the treasury stock represents the increase due to the purchase of odd stock.
 2. The decrease of 494,000 shares in common shares in the treasury stock represents the sum of the decrease of 14,000 shares due to the additional purchase of odd stock and the disposal of 480,000 shares from the treasury stock associated with the exercise of rights to share options.

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Attachment (5)

Certified Copy of the Accounting Auditor's Report

Ernst & Young ShinNihon, the accounting auditor, submitted an audit report to the Company's board of directors on May 15, 2007

Attachment (6)

Certified Copy of the Audit Report

Audit Report

The Board of Corporate Auditors has prepared this audit report following deliberation on the basis of audit reports as prepared by each auditor in respect of the duties as performed by the directors of the Company during the 64th business year between April 1, 2006 and March 31, 2007 and hereby report as follows:

1. Audit Methods and Contents of Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors established the audit policy and audit plans etc., received reports from each auditor on audit field work performed and audit results, and also received reports from directors etc. and the accounting auditor concerning the status of the performance of their duties, and requested explanations if and when needed.

Each auditor, in conformity with general audit standards set out by the Board of Corporate Auditors and in accordance with the audit policy and audit plans, has requested communications with directors and employees from internal audit and other departments, strove to collect information and develop the environment for audit, attended Board of Directors meetings and other pertinent meetings, received reports from directors and employees concerning the status of the performance of their duties, and requested explanations if and when needed, gained access to important approval documents, and examined the status of business operations and assets at the head office and other major business offices.

Further, the Board of Corporate Auditors has monitored and inspected the contents of a Board of Directors resolution concerning the development of the system to ensure that the execution of duties by directors is in compliance with the laws and regulations and the articles of incorporation and the system prescribed by Paragraph 1 and Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act as necessary to ensure proper operations of companies and the status of the system developed under the said Board of Directors resolution (the internal control system).

As for subsidiary companies, the Board of Corporate Auditors requested communications and an exchange of information with directors and auditors of subsidiaries, and received business reports from subsidiaries if and when needed.

On the basis of the above-mentioned methods, the Board of Corporate Auditors examined the business report and supplementary schedules thereof for the reference business year.

Furthermore, the Board of Corporate Auditors has monitored and inspected whether the accounting auditor has maintained its independent position and conducted proper auditing and received reports from the accounting auditor on the status of the performance of its duties and requested explanations if and when needed.

The Board of Corporate Auditors has also received the notification from the accounting auditor that it has developed the "internal system for ensuring the appropriate execution of duties (matters listed in relevant paragraphs of Article 159, the Ordinance for Company Accounting) in accordance with "Quality Control Standards for audit" (Business Accounting Council, October 28, 2005), and requested explanations if and when needed.

On the basis of the above-described audit methods, the Board of Corporate Auditors has examined the financial statements (the balance sheet, profit and loss statement, and statement of changes in shareholders' equity) and supplementary notes for the reference fiscal year.

2. Audit Results

(1) Audit Results for the Business Report, etc.

- (i) The business report and supplementary schedules thereof properly represent conditions at the Company in accordance with relevant laws and regulations and the Company's articles of incorporation.
- (ii) As described in the business report, on May 25, 2006, the Company was ordered by the Financial Services Agency to partially suspend its business operations, including the suspension of insurance policy sales for a period of 14 days, and also to improve its business operations. The Company has taken steps to prevent the recurrence of problems in line with the business improvement plan prepared on the basis of the Agency's orders and no unfair acts or material facts which violate any relevant laws and regulations or the Company's Articles of Incorporation relating to the execution by the directors of their duties are found.
- (iii) The contents of the Board of Directors resolution concerning the internal control system are appropriate. Further, there are no matters to be pointed out regarding the performance of duties by directors regarding the internal control system.

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(2) Audit Results for the Financial Statements and Supplementary Schedules thereof

The audit methods used and results obtained by the accounting auditor, Ernst & Young ShinNihon, are appropriate.

May 22, 2007

The Board of Corporate Auditors, Sompo Japan Insurance, Inc.
Ichiro Suzuki, Standing Corporate Auditor (full-time)
Tsuneo Ando, Corporate Auditor, (full-time)
Yoshiki Yagi, Auditor (outside auditor)
Tohru Tsuji, Auditor (outside auditor)
Toshiaki Hasegawa, Auditor (outside auditor)

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Attachment (7)

Consolidated Balance Sheet for Business Year 2006 (As of March 31, 2007)

(Units: Millions of Yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Cash and Deposits	196,021	Insurance Policy Reserve	4,891,683
Call Loans	69,000	Outstanding Claims	698,476
Repurchase Agreement Accounts	28,966	Underwriting Reserves	4,193,207
Monetary Claims Purchased	18,978	Other Liabilities	237,585
Money Trusts	47,963	Reserve for Retirement Allowance	94,959
Securities	5,486,282	Reserve for Accrued Bonuses	13,342
Loans	494,866	Reserves under Special Laws	30,700
Tangible Fixed Assets	223,878	Reserve for Price Fluctuation	30,700
Intangible Fixed Assets	28,340	Deferred Tax Liabilities	279,165
Other Assets	415,642	Total Liabilities	5,547,436
Deferred Tax Assets	9,050	(Net Assets)	
Allowance for Bad Debts	- 16,807	Capital	70,000
Investment Loss Reserve	- 4	Additional Paid-In Capital	24,229
		Retained Earnings	362,683
		Treasury Stock	- 2,832
		Total Shareholders' equity	454,080
		Other Securities Revaluation Difference	998,702
		Foreign Currency Translation Adjustments Account	1,091
		Total of revaluation/translation differences	999,793
		Share options	315
		Minority Equity	554
		Total Net Assets	1,454,744
Total Assets	7,002,180	Total Liabilities and Net Assets	7,002,180

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Attachment (8)

Consolidated Income Statement for Business Year 2006 (April 1, 2006 - March 31, 2007)

(Units: Millions of Yen)

Item	Amount
Ordinary Income	1,901,599
Underwriting Income	1,765,470
Net Premiums Written	1,386,662
Savings-Type Insurance Premiums Written	137,001
Investment Income on Savings-Type Insurance Premiums Written	45,825
Life Insurance Premiums	192,997
Other Underwriting Income	2,982
Asset Investment Income	125,430
Interest and Dividends Received	132,126
Investment Gain on Money Trusts	4,210
Investment Incomes on Securities for Trading Purposes	175
Income on Sale of Securities	30,995
Income on Redemption of Securities	382
Extraordinary Account Asset Investment Income	935
Other Investment Income	2,430
Transfer of Investment Income on Savings-Type Insurance Premiums Written	- 45,825
Other Ordinary Income	10,699
Ordinary Expenses	1,791,058
Underwriting Expenses	1,516,738
Net Claims Paid	820,082
Loss Adjustment Expenses	69,710
Various Commissions and Collection Expenses	245,159
Maturity Refunds	224,401
Dividends to Policyholders	41
Life Insurance Premiums	36,122
Amounts Transferred to Reserves for Outstanding Claims	37,663
Amounts Transferred to Reserves for Underwriting Expenses	82,970
Other Underwriting Expenses	586
Asset Management Expenses	15,220
Loss on Sale of Securities	1,983
Loss on Revaluation of Securities	3,108
Loss on Redemption of Securities	494
Expenses from Derivatives	7,988
Other Asset Management Expense	1,645
Operating Expenses and General Administrative Expenses	256,186
Other Ordinary Expenses	2,913
Interest Paid	212
Loss on Bad Debt	11
Investment Loss under the Equity Method	1,310
Other Ordinary Expenses	1,378
Ordinary Profit	110,541
Extraordinary Profit	3,320
Gain on Disposal of Fixed Assets	3,320
Extraordinary Loss	19,408
Loss on Disposal of Fixed Assets	1,181
Impairment Losses	790
Provision for Reserves under Special Laws	6,642
Price Fluctuation Reserve	6,642
Advanced Depreciation Deduction for Real Estate	0
Revaluation Loss of Real Estate	7
Other Extraordinary Loss	10,785
Net income Before Taxes for Current Period	94,453
Corporate Income Tax and Inhabitation Tax	33,848
Adjustments to Corporate Income Tax and Other Taxes	- 1,439
Minority Stockholder Profit	100
Net income for the Current Period	61,944

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Attachment (9)

**Consolidated Statement of Changes in Shareholders' Equity for Business Year 2006
(April 1, 2006 - March 31, 2007)**

(Units: Millions of Yen)

	Shareholders' equity				
	Capital	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' equity
Consolidated balance at the end of the prior period	70,000	24,229	313,357	- 2,857	404,730
Consolidated changes in the current period					
Distribution of retained earnings (Note)			- 12,794		- 12,794
Net income			61,944		61,944
Acquisition of treasury stock				- 394	- 394
Disposal of treasury stock			- 21	418	397
Increase based on foreign accounting system			197		197
Consolidated changes in items other than shareholders' equity during the current period (net)					
Consolidated total of changes during the current period	-	-	49,325	24	49,350
Consolidated balance at the end of the current period	70,000	24,229	362,683	- 2,832	454,080

(Units: Millions of Yen)

	Revaluation/translation			Share options	Minority equity	Total net assets
	Other securities revaluation difference	Foreign currency translation adjustments account	Total of revaluation/translation differences			
Consolidated balance at the end of the prior period	959,485	- 2,633	956,852	-	469	1,362,052
Consolidated changes in the current period						
Distribution of retained earnings (Note)						- 12,794
Net income						61,944
Acquisition of treasury stock						- 394
Disposal of treasury stock						397
Increase based on foreign accounting system						197
Consolidated changes in items other than shareholders' equity during the current period (net)	39,216	3,725	42,941	315	85	43,341
Consolidated total of changes during the current period	39,216	3,725	42,941	315	85	92,691
Consolidated balance at the end of the current period	998,702	1,091	999,793	315	554	1,454,744

Note Items subject to the appropriation of earnings at the annual shareholders' meeting in June 2006

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(Important Items for Preparation of Consolidated Balance Sheet)

1. The consolidated balance sheet of the Company was prepared in accordance with the Ordinance for Company Accounting (Ministry of Justice Ordinance No. 13 of 2006), the Ordinance for Enforcement of the Rules for Terms, Form, and Preparation Method of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976) and the Ordinance for Enforcement of the Insurance Business Law (Ministry of Finance Ordinance No. 5 of 1996) promulgated under the provisions of Articles 46 and 68 of the Ordinance for Enforcement of the Rules for Terms, Form, and Preparation Method of Consolidated Financial Statements.
2. The definitions of subsidiaries etc. and affiliated companies etc. conform to Article 2-3, Paragraphs 2 and 3 of the Order for Enforcement of Insurance Business Law (Cabinet Order No. 425 of 1995).
3. Issues Pertaining to the Scope of Consolidation
 - (1) Consolidated subsidiaries-9 Companies
 - Sompo Japan Himawari Life Insurance Co., Ltd.
 - Sompo Japan DC Securities Co., Ltd.
 - Sompo Japan DIY Life Insurance Co., Ltd.
 - Sompo Japan Asset Management Co., Ltd.
 - Sompo Japan Insurance Company of America
 - Sompo Japan Insurance Company of Europe Limited
 - Sompo Japan Insurance (China) Co., Ltd.
 - Sompo Japan Insurance Company (Asia) Pte Ltd.
 - Yasuda Seguros S.A.
 - (2) Non-consolidated subsidiaries
 - Major company names
 - Sompo Japan Reinsurance Company Limited
 - Ark Re Limited
 - Non-consolidated subsidiaries were excluded from the consolidation scope as, with regards to the total assets, ordinary income, net income for current period (the appropriate amount considering the equity interest) and retained earnings (the appropriate amount considering the equity interest) of the group, they had little effect on the rational appraisal of the financial status and operating results of the consolidated group.
4. Issues Pertaining to Application of Equity Method
 - (1) Affiliated companies accounted for by the equity-method- 4 companies
 - Yasuda Enterprise Investment Co., Ltd.
 - Hitachi Capital Insurance Corporation
 - Saison Automobile & Fire Insurance Co., Ltd.
 - Berjaya Sompo Insurance Berhad
 - Berjaya Sompo Insurance Berhad became a new affiliate through investment and is considered a company accounted for by the equity method as of the current consolidated business year.
 - (2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method
 - Major company names
 - Sompo Japan Reinsurance Company Limited
 - Ark Re Limited
 - Sompo Japan Insurance (Thailand) Co., Ltd.
 - The equity method was not applied to the non-consolidated subsidiaries and affiliated companies not accounted for by the equity method since they had minor impact on the consolidated net incomes and losses and retained earnings and they are on the whole immaterial.
5. Issues Pertaining to Accounting Years of Consolidated Subsidiaries
 - The business year end of all foreign consolidated subsidiaries is December 31. However, as the variation in business year ends does not exceed three (3) months, business year end balance sheet etc. as of the same date were used for the purpose of preparation of the consolidated balance sheet etc.
 - Adjustments required for consolidated accounting were made for important transactions which occurred during the variation period of the consolidated business year ends.
6. Issues Pertaining to Accounting Standards
 - (1) Valuation standards and methods for securities
 - Valuation standards and methods for securities held by the Company and its domestic consolidated subsidiaries are as follows:
 - i. Securities held for sale purposes are valued by the market value method. Cost of sales is calculated using the moving-average method.

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- ii. Securities that will be held to maturity are valued by the amortized cost method using the moving-average method.
 - iii. Underwriting Reserves Bonds issued under the “Accounting and Auditing of ‘Underwriting Reserve Bonds’ in the Insurance Industry” (Japan Association of Certified Public Accountants Industry Auditing Committee Publication No. 21) are stated at amortized cost (with set prices), with cost being calculated using the moving-average method. The risk management policies for the Underwriting Reserves Bonds are as follows: In order to properly manage the changes in interest on assets and liabilities, the “Insurance Agreement on the General Payment for Indivisible Goods with Less than 20 Years Shelf Life” was subdivided, and the Company adopted a management policy to deal with the gap between the duration of the underwriting reserves under the subdivision and the duration of the Underwriting Reserve Bonds.
 - iv. Shares in non-consolidated subsidiaries and other affiliated corporations etc. not accounted for by the equity method are valued by the cost method using the moving-average method.
 - v. Other securities with market value are valued by their market values on the final day of the business year by the market value method. All valuation differences are added to or subtracted from net asset value. In addition to this, the cost of sales is calculated using the moving-average method.
 - vi. Other securities without market values are valued by the cost method or amortized cost method, using the moving-average method.
 - vii. The valuation of securities that have been invested as trust assets for sole-managed money trusts, with the purpose of holding being other than investment or holding to maturity are valued using the same methods specified above for other securities. Securities held by foreign consolidated subsidiaries are generally valued by the market value method.
- (2) Valuation standards and methods for derivative transactions
Derivative transactions of the Company and domestic consolidated subsidiaries are valued by the market value method.
- (3) Depreciation method of important depreciable assets
- i. Tangible Fixed Assets
Tangible fixed assets held by the Company and domestic consolidated subsidiaries are depreciated using the fixed percentage method.
However, straight line depreciation is applied to buildings (excluding furniture, fixtures and equipment) acquired after April 1, 1998.
Tangible fixed assets held by foreign consolidated subsidiaries are all depreciated using the straight-line method.
 - ii. Software
Software used in-house by and held by the domestic consolidated subsidiaries posted as intangible fixed assets are depreciated using the straight-line method during the effective use life of the software.
- (4) Recording Standards for Important Allowances
- i. Allowance for Bad Debts
The Company and its domestic insurance consolidated subsidiaries provide an allowance for losses from bad debts and record it as follows using self-assessment standards, as well as depreciation/reserve standards, for assets:
The amount set aside for claims against a debtor who is legally and formally in corporate failure, such as bankruptcy or special liquidation, or subject to deposition of suspension of trading at clearinghouses, and claims against a debtor who is effectively bankrupt, is the amount of the outstanding claims against such debtors after deducting the expected disposal value of collateral and deducting the amount of possible recovery from the guarantees.
The amount set aside for claims against a debtor who is likely to fail, is the amount considered necessary by comprehensively judging the debtor’s ability to pay out of the balance of the amount of the outstanding claims against such debtor after deducting the expected disposal value of collateral and deducting the amount of possible recovery from the guarantees.
The amount set aside for claims other than the above is calculated to be the amount of expected losses during a specified period of time in the future. This is done by computing actual historical bad debt ratios based on actual historical bad debt over a specified period of time and by multiplying the expected loss ratio computed based on such figures by the amount of outstanding claims.
All claims are assessed by the departments responsible for the debts according to the self-assessment standards for assets. The results from these assessments are audited by an asset audit department etc. independent from such departments and the amounts set aside are based on these assessment results.

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Furthermore, all claims are assessed by the local departments and branches responsible for the loans according to the self assessment criteria for assets. The results from these assessments are audited by an independent internal audit department and the amounts set aside are based on these assessment results.

For other consolidated subsidiaries, bad debt estimations are calculated mainly based on the collectability of individual claims.

ii. Investment Loss Reserve

For securities, based on self assessment standards as well as depreciation/reserve standards for assets, the Company calculates the expected loss amount at the end of the current period to prepare for possible future losses.

iii. Reserve for Retirement Allowance

The Company and its domestic consolidated subsidiaries appropriate for accrued retirement allowances for the employees' retirement allowances based on the projected retirement allowances liabilities and pension assets at the end of the business year.

Past service liabilities are treated as expenses using the straight line method, based on a specified number of years not exceeding the average remaining service period of employees at the time when the liability is incurred.

Actuarial variances are treated as expenses beginning in the subsequent consolidated accounting period using the straight line method, based on a specified number of years not exceeding the average remaining years of employee at the time when the variance occurs.

The number of years processed regarding actuarial variances taken into account at the Company was hitherto 12 years not exceeding the average remaining years of service. Since the average remaining period of service was shortened to less than 12 years, the number of years processed regarding actuarial variances is changed to 11 years as of the current consolidated business year. Following this change, ordinary profit and net income before taxes and other adjustments both decreased by ¥380 million if compared to their calculation under the old method.

In addition, the Company and some consolidated subsidiary companies etc. have included ¥1,381 million in the reserves for retirement allowances to prepare for the payment of retirement allowances (including pensions) to its executives.

iv. Reserve for Accrued Bonuses

The Company and its domestic consolidated subsidiaries appropriate a bonus reserve for employee bonuses based on the estimated amount payable at the end of the current period.

v. Price Fluctuation Reserve

To prepare for losses associated with stock price fluctuations, the Company and domestic insurance consolidated subsidiaries appropriate a price fluctuation reserve in accordance with Article 115 of the Insurance Business Law.

(5) Standards for translating important foreign currency denominated assets or liabilities into Japanese Yen

Foreign currency denominated assets and liabilities have been converted into Japanese Yen in accordance with the accounting standards pertaining to foreign currency denomination transactions. Foreign currency denominated monetary debts and credits have been translated into Japanese Yen based on the spot exchange rate of the consolidated accounting date. All translating differences have been stated as losses.

Assets and liabilities and profits and expenses of the foreign consolidated subsidiaries have been translated into Japanese Yen based on the spot exchange rate of the consolidated accounting dates of the foreign consolidated subsidiaries. The translation difference has been included in the foreign currency translation adjustments account and the minority shareholder interests as part of net assets portion.

(6) Important lease transaction processing method

The Company and consolidated subsidiaries have treated finance lease transactions except for leases that are recognized to transfer ownership to the lessee according to the method used for ordinary lease transactions.

(7) Important hedge accounting method

The Company values stock swap transactions for the purpose of hedging future share price fluctuation risks of held stocks using hedge market values.

In addition, of the interest rate swap transactions for the purpose of hedging interest rate fluctuations risks of held bonds, etc. the exceptional disposition for the accounting of interest rate swaps is used for those transactions that meet the requirements for the exceptional disposition. The appropriation method is used for future exchange contracts and currency swaps used to hedge fluctuation risks in the currency exchange market related to foreign currency bonds etc. that meet the requirements of the appropriation method. Please note that the effectiveness of hedges is generally determined by periodically analyzing the fluctuation amounts of market rate fluctuations for both the hedged items and the hedging instruments during the period from the commencement of the hedge up to the assessment dates. However, the analysis of hedge effectiveness is

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omitted where there is strong correlation between the hedged items and the hedging instruments, and for those interest rate transactions that meet the requirements of the exceptional disposition method and those that meet the requirements of the appropriation method.

(8) Accounting processing of consumption tax

The national and local consumption taxes of the Company and domestic consolidated subsidiaries are accounted for using mainly the tax exclusive method. However, loss adjustment expenses, commissions and collection expenses, and operational and general administrative expenses of the Company are accounted for using the tax inclusive method.

Non-deductible consumption tax and other taxes related to assets are added to other assets and amortized in equal installments over five years.

(9) Accounting standards applied to the foreign consolidated subsidiaries

The foreign consolidated subsidiaries mainly applied the local accounting standards of where they were located.

7. Issues Pertaining to Evaluation of Assets and Liabilities of Consolidated Subsidiaries

The market value method was adopted entirely to the evaluation of assets and liabilities of the consolidated subsidiaries.

8. Issues Pertaining to Depreciation of Consolidation Adjustment Accounts

The depreciation for domestic life insurance consolidated subsidiaries amortizes in equal installments for 20 years after the time when the accounts were incurred. A small amount of adjustments account has been depreciated at one time.

9. Accounting Standards for the Presentation of Net Assets in the Non-consolidated Balance Sheet

As from the current consolidated business year, the Company adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Company Accounting Standard No. 5 of December 9, 2005) and the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Company Accounting Standard Implementation Guidance No. 8 of December 9, 2005).

The amount equivalent to the shareholder's equity, which term was previously used, is ¥1,453,874 million.

Following the revision of the rules for consolidated financial statements and the Ordinance for Enforcement of the Insurance Business Law, the net assets portion of the consolidated balance sheet for the current consolidated business year was prepared according to the revised rules for consolidated financial statements and the Ordinance for Enforcement of the Insurance Business Law.

10. Accounting Standards Relating to Stock Options

During the current consolidated business year, the Company adopted the Accounting Standard for Stock Options (Accounting Standard No. 8 of December 27, 2005) and the Implementation Guidance for the Accounting Standard for Stock Options etc. (Company Accounting Standard Implementation Guidance No. 11 of May 31, 2006). Consequentially, ordinary profit and net income before taxes and other adjustments both decreased by ¥315 million if compared to their calculation under the old method.

11. During the current consolidated business year, the forms of the consolidated balance sheet and the consolidated income statement were revised following revision of the Ordinance for Enforcement of the Insurance Business Law and the enforcement of the Ordinance for Company Accounting. The following are the main changes:

(1) Consolidated balance sheet changes

- i. The item listed as Real Estate and Movable Assets in previous consolidated business years is presented as Tangible Fixed Assets as of the current consolidated business year.
- ii. The telephone subscription rights, etc., included in the items listed as Other Assets in previous consolidated business years are presented as Intangible Fixed Assets as of the current consolidated business year.
- iii. The item listed as Consolidated Adjustment Accounts in previous consolidated business years is presented as Intangible Fixed Assets as of the current consolidated business year.
- iv. The item listed as Provision for Price Fluctuation Reserve in previous consolidated business years is presented as a category within Reserves under Special Laws as of the current consolidated business year.
- v. The item listed as Unrealized Gains on Securities in previous consolidated business years is presented as Revaluation Difference on Other Securities as of the current consolidated business year.

(2) Consolidated income statement changes

- i. The item listed as Income on Disposal of Real Estate and Movable Assets in previous consolidated business years is presented as Gain on Disposal of Tangible Fixed Assets as of the current consolidated business year.
- ii. The item listed as Loss on Disposal of Real Estate and Movable Assets in previous consolidated business years is presented as Loss on Disposal of Tangible Fixed Assets as of the current consolidated business year.
- iii. The item listed as Amounts Transferred to Reserves for Price Fluctuations in previous consolidated business years is presented as Provision for Reserves under Special Laws, and includes the subcategory Price Fluctuation Reserves as of the current consolidated business year.

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(Notes on the Consolidated Balance Sheet)

1. Total depreciation of all tangible fixed assets amounts to ¥227,606 million and the reduced value entry amounts to ¥10,667 million. The reduced value entry after subtracting the value of the tangible fixed assets obtained with the receipt of a governmental subsidy during the current consolidated business year amounts to ¥0 million.
2. Shares and amount invested of non-consolidated companies and affiliated companies are as follows:

Securities (stock)	¥ 23,410	million
Securities (investments)	¥ 13,699	million
3. (1) Of the total loan amount, ¥612 million is in uncollectible loans and ¥2,256 million is in delinquent loans. Uncollectible loans are those loans that are not included in interest receivables because the principal or interest is unlikely to be collected by or repaid to the Company due to such reasons as payments have been delinquent for a substantial amount of time (excluding the portion of the bad debt already written off; hereinafter referred to as “Loans with Unreported Interest Receivable”) to which the conditions set forth in Article 96, Paragraph 1, Sub-Paragraph 3, Items a) through e) or Sub-Paragraph 4 of the Cabinet Order for Enforcement of Corporate Income Tax Law (Cabinet Order No. 97 of 1965) apply. Delinquent loans fall under the Loans with Unreported Interest Receivable and are those loans which are not uncollectible loans or loans for which interest payments are deferred in order to assist the debtor or help the debtor restructure its business.
 - (2) Of the overall loan amount, ¥7 million is attributed to loans overdue longer than three months. Loans overdue longer than three months are those loans other than uncollectible loans or delinquent loans and for which interest or principal payments are overdue by three months or longer from the next day after the payment date set forth in the contract.
 - (3) Of the overall loan amount, ¥5,180 million is allocated to restructured loans (loans with alleviated loan terms). Restructured loans are those loans, other than uncollectible loans, delinquent loans or loans overdue longer than three months, for which interest reductions or waivers, payment extensions for interest or principal, forgiveness of debt or other beneficial conditions have been applied in favor of the borrower in order to assist the business restructuring of or to provide other support to the borrower.
 - (4) The sum of the uncollectible loans, delinquent loans, loans overdue longer than three months, and restructured loans is ¥8,056 million.
4. Assets pledged as collateral consist of securities worth ¥49,956 million and deposits worth ¥8,827 million. These assets are used as collateral for borrowings of ¥648 million included in other liabilities and as a deposit to obtain a letter of credit. Assets effectively pledged as collateral through a special purpose company established for the purpose of guarantying liabilities under the Company’s reinsurance contracts consist of securities worth ¥10,130 million.
5. Securities lent on the basis of consumption loan agreements total ¥148,806 million and are included in Securities.
6. The balance on unexecuted loans related to loan commitment agreements amounts to ¥25,499 million.
7. The number of issued and outstanding shares of the Company is 987,733,424 common shares.
8. The number of treasury stock held by the Company, consolidated subsidiaries etc and the affiliated companies accounted for by the equity method totals 3,266,091 common shares.
9. Net assets per share are ¥1,476.81. The basis for computing the above number includes ¥1,454,744 million in net assets at the end of the current consolidated business year, ¥869 million in minority equity shareholder and share options that are not vested to common shareholders, ¥1,453,874 million in net assets related to common share at the end of the current consolidated business year, and 984 million shares of common share.
10. Items related to stock options are as follows:
 - (1) Expenses and expense amount related to stock options in the current consolidated business year. Business costs, general administrative costs, and loss adjustment costs: ¥315 million

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(2) Stock option contents, scale, and status of changes

i. Stock option contents

	Grantee classification and number	Number of stock options granted by type of stock	Grant date	Exercise period
2000 stock options	Company directors: 29	Common share: 450,000 shares	Dec. 15, 2000	Jun. 30, 2002 – Jun. 29, 2010 ^{*1}
2001 stock options	Company directors: 12 Executive officers: 16	Common share: 450,000 shares	Aug. 1, 2001	Jun. 29, 2003 – Jun. 28, 2011 ^{*2}
2002 stock options	Company directors: 15 Executive officers: 32	Common share: 800,000 shares	Aug. 1, 2002 Nov. 1, 2002 Jan. 1, 2003 May 1, 2003 Jun. 1, 2003	Jun. 28, 2004 – Jun. 27, 2012 ^{*3}
2003 stock options	Company directors: 9 Executive officers: 28	Common share: 600,000 shares	Aug. 1, 2003 Feb. 2, 2004	Jun. 28, 2005 – Jun. 27, 2013 ^{*3}
2004 stock options	Company directors: 8 Executive officers: 31	Common share: 625,000 shares	Aug. 2, 2004 Feb. 1, 2005	Jun. 30, 2006 – Jun. 29, 2014 ^{*3}
2005 stock options	Company directors: 11 Executive officers: 36	Common share: 733,000 shares	Aug. 1, 2005 Feb. 1, 2006	Jun. 29, 2007 – Jun. 28, 2015 ^{*3}
2006 stock options	Company directors: 10 Executive officers: 32	Common share: 640,000 shares	Aug. 7, 2006 Feb. 15, 2007	Jun. 29, 2008 – Jun. 28, 2016 ^{*3}

- Note
- The number of stock options granted is listed as the number of shares.
 - Vesting conditions: all options are vested on the grant date.
 - Subject service period: not applicable.
 - *1 When an individual ceases to hold the position of director of the Company, his or her last day to exercise the stock options shall be the sooner of the last day of the exercise period or the day three years following retirement.
 - *2 When an individual ceases to hold the position of director or executive officer of the Company, his or her last day to exercise the stock options shall be the sooner of the last day of the exercise period or the day three years following retirement.
 - *3 When an individual ceases to hold the position of director and the position of executive officer of the Company, his or her last day to exercise the stock options shall be the sooner of the last day of the exercise period or the day five years following retirement.
 - For the 2006 stock options, the starting date of the exercise period for the executive officers who were granted 5,000 shares on August 7, 2008 is July 22, 2008, and the starting date of the exercise period for the executive officers who were granted 5,000 shares on February 15, 2007 is January 27, 2009.

ii. Stock options scale and status of changes

The number of stock options existing in the current consolidated business year is listed as the number of shares.

a. Number of stock options

< After vesting >

(Unit: Shares)

	Initial	Vested	Exercised	Lapsed	Unexercised
2000 stock options	41,000	-	31,000	-	10,000
2001 stock options	148,000	-	104,000	-	44,000
2002 stock options	625,000	-	262,000	-	363,000
2003 stock options	526,000	-	58,000	-	468,000
2004 stock options	625,000	-	25,000	-	600,000
2005 stock options	733,000	-	-	-	733,000
2006 stock options	-	640,000	-	-	640,000

Note Under the Company's stock option system, options are vested at the time they are granted, and so there are no options before they are vested.

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b. Unit value information

	Grant date	Exercise price	Stock price average at time of exercise	Fair unit value on grant date
2000 stock options	Dec. 15, 2000	¥605	¥1,451	-
2001 stock options	Aug. 1, 2001	¥797	¥1,506	-
2002 stock options	Aug. 1, 2002	¥777	¥1,523	-
	Nov. 1, 2002	¥712	-	
	Jan. 1, 2003	¥705	¥1,403	
	May 1, 2003	¥581	¥1,463	
	Jun. 1, 2003	¥574	-	
2003 Stock options	Aug. 1, 2003	¥735	¥1,486	-
	Feb. 2, 2004	¥901	¥1,516	
2004 stock options	Aug. 2, 2004	¥1,167	¥1,543	-
	Feb. 1, 2005	¥1,082	¥1,471	
2005 stock options	Aug. 1, 2005	¥1,148	-	-
	Feb 1, 2006	¥1,665	-	
2006 stock options	Aug. 7, 2006	¥1,598	-	¥470
	Feb. 15, 2007	¥1,623	-	¥515

(3) Method for estimating the fair unit value of stock options

The method for estimating the fair unit value of stock options granted during the current consolidated business year is as follows:

- i. Valuation technique used: binomial model
- ii. Main basis figures and estimation method

Valuation date	Aug. 7, 2006	Feb. 15, 2007
Unit period	3 months	3 months
Price change rate	32%	31%
Share price on valuation date	¥1,473	¥1,619
Exercise price	¥1,598	¥1,623
Dividend rate	0.97%	0.97%

(4) Method for estimating the number of vested stock options

This item is not applicable, since options are vested at the time of granting under the Company's stock option system.

11. Amounts have been rounded down to the nearest whole unit.

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(Notes on the Consolidated Statement of Income)

1. Breakdown of main business costs:

Agency commission ¥ 246,176 million
Salary ¥ 116,665 million

The business costs are a sum of the loss adjustment expenses, various commissions and collection expenses stated in the consolidated statement of income plus operational and general administrative expenses of the Company.

2. Items associated with impairment losses of fixed assets in the current consolidated accounting year are as follows:

(1) Method used to group assets

Real estate available for use by the insurance division is grouped into one insurance division asset group. Rental properties and idle real estate not available for use by the insurance division are each grouped into individual, separate asset groups.

Real estate available for use in the business of the consolidated subsidiaries is grouped into one asset group for each company.

(2) Reasons for the generation of impairment losses

Of the rental properties, for the asset groups whose amounts recoverable became less than their book value, the book value was reduced in value to the amounts recoverable and the associated reduction was accounted for as an impairment loss under extraordinary losses.

Impairment losses are not stated for the consolidated subsidiaries.

(3) Asset groups that saw an impairment loss and those fixed assets associated with the impairment loss

Use	Asset group	Impairment loss (Millions of Yen)		
		Land	Buildings	Total
Rental properties	2 properties, including Fukuoka Tenjin Building	273	517	790

(4) Calculation of the amounts recoverable

The amount recoverable for idle real estate is calculated using the net sales value.

The net sales value is based on the appraisal value from the standards of real estate appraisal.

3. The main extraordinary losses are ¥8,409 million in the restatement of the previous business years' underwriting reserves related to the Company's group contracts for automobile insurance and ¥2,371 million in extraordinary expenses accompanying administrative penalties.

4. Net income of the current period per share for the business year is ¥62.93.

The net income for the current period which forms the basis of the above number is ¥61,944 million, not applicable for what is not vested to common shareholders, the net income from the current period related to common shares is ¥61,944 million, and the average number of outstanding common shares during the business year is 984 million shares. Net income of the current period per share after adjustment of residual shares is ¥62.88. The adjustments to net income that form the basis for computing the above number are not applicable, and the increase in the number of common shares is 0 million shares.

5. Amounts have been rounded down to the nearest whole unit.

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(Notes on the Consolidated Statement of Changes in Shareholders' Equity)

1. Items related to the type and total number of outstanding shares, and the type and number of treasury stock

	Shares at end of previous consolidated business year (thousands of shares)	Increase in number of shares during current consolidated business year (thousands of shares)	Decrease in number of shares during current consolidated business year (thousands of shares)	Shares at end of current consolidated business year (thousands of shares)
Outstanding shares				
Common shares	987,733	—	—	987,733
Total	987,733	—	—	987,733
Treasury stock				
Common shares	3,508	252	494	3,266
Total	3,508	252	494	3,266

- Note
1. The increase of 252,000 in the number of common shares of treasury stock was the result of a buyback of fractional shares.
 2. The decrease of 494,000 in the number of common shares of treasury stock was the result of a decrease by 14,000 shares due to the purchase of fractional shares and the disposal of 480,000 shares of treasury stock accompanying the exercise of warrants.

2. Items related to new share options and treasury stock warrants

Category	Breakdown of share options	Balance at end of current consolidated business year (millions of yen)
Sompo Japan	Share options as stock options	315
Total		315

3. Items related to dividends

(1) Dividends paid

	Type of stock	Gross dividends	Dividend per share	Record date	Effective date
June 28, 2006 Annual Shareholders' Meeting	Common share	¥12,794 million	¥13	March 31, 2006	June 28, 2006

(2) Dividends with a record date in the current consolidated business year and an effective date in the next consolidated business year

	Type of stock	Money to pay dividend	Gross dividends	Dividend per share	Record date	Effective date
June 27, 2007 Annual Shareholders' Meeting	Common share	Retained earnings	¥15,751 million	¥16	March 31, 2007	June 28, 2007

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(Notes on Retirement Allowance)

1. Summary of Adopted Retirement Allowance Plan

The Company utilizes a defined benefit type plan and has established retirement benefit trusts for its lump sum retirement benefit system (including company administered pension plans).

The Company has adopted a defined contribution pension fund plan.

The domestic consolidated subsidiaries have adopted defined-benefit type pension fund plans. Three have established a lump sum retirement benefit system, one has adopted a qualified retirement pension fund plan, and another has adopted a defined contribution pension fund plan. A number of the foreign consolidated subsidiaries have established a defined contribution pension fund plan and a defined-benefit type pension plan.

2. Issues Pertaining to Retirement Allowance Obligations

Retirement benefits obligations	- ¥	125,123	million
Pension assets	¥	10,200	million
Unfunded retirement allowances obligations	- ¥	114,92	million
Unrecognized statistical variances	¥	21,872	million
Unrecognized past service liabilities	- ¥	1,910	million
Net amount on consolidated balance sheet	- ¥	94,959	million
Prepaid pension expenses		-	million
Reserve for retirement allowances	- ¥	94,959	million

(Note) The Company and some consolidated companies have calculated ¥1,381 million as part of the reserve for retirement allowances in preparation for payment of executive retirement allowances (including pension).

3. Issues Pertaining to Retirement Allowance Expenses

Working expenses	¥	6,991	million
Interest expenses	¥	1,847	million
Anticipated investment income	- ¥	124	million
Disposal of expenses associated with statistical expenses	¥	3,176	million
Disposal of expenses associated with past service liabilities	¥	3,290	million
Sub-total	¥	15,181	million
Installment payments into the defined contribution type pension plan	¥	2,327	million
Total retirement benefit expenses	¥	17,509	million

(Note) Some of the consolidated companies have calculated ¥4 million for executive retirement allowances transferred last year to reserves for retirement allowances as extraordinary losses.

4. Issues Pertaining to the Basis of Calculation of Retirement Allowance Obligations

Method of periodically allocating

Projected retirement allowances

Discount rate

Expected investment return rate

Periodically fixed amount standard

1.5% ~ 2.0%

4.5%

(However, the expected investment return rate from the retirement benefit trust is assumed to be 0.0%.)

Years Processed with respect to the amount of past service liabilities amounts

5 years

Years Processed with respect to actuarial variances

9 ~ 11 years

(At Sompo Japan the number of years processed regarding actuarial variances was hitherto set at 12 years, not exceeding the average remaining years of service. Since the average remaining years of service has now been shortened to less than 12 years, the number of years processed regarding actuarial variances is changed to 11 years as of the current consolidated business year.)

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(Tax Effect Accounting)

1. Deferred tax assets total ¥289,761 million, while deferred tax liabilities total ¥559,875 million.
A breakdown of the main factors that generate deferred tax assets and deferred tax liabilities are given below:

Deferred tax assets			
Underwriting reserves	¥	181,530	million
Reserve for retirement allowances	¥	34,075	million
Asset valuation	¥	30,858	million
Outstanding claims	¥	27,812	million
Loss carried forward for tax purposes	¥	14,165	million
Other	¥	44,296	million
<hr/>			
Subtotal for deferred tax assets	¥	332,738	million
Allowance account	- ¥	42,977	million
<hr/>			
Total deferred tax assets	¥	289,761	million
Deferred tax liabilities			
Difference in valuation of shares, etc.	- ¥	551,128	million
Other	- ¥	8,747	million
<hr/>			
Total deferred tax liabilities	- ¥	559,875	million
<hr/>			
Net deferred tax assets (or liabilities)	- ¥	270,114	million

(Note) The net amount of deferred tax liabilities is split and included in the consolidated balance sheet as deferred tax assets totaling ¥9,050 million and as deferred tax liabilities totaling ¥279,165 million.

2. For the current consolidated accounting year, the domestic statutory effective tax rate was 36.09% and the effective corporate tax rate upon the application of deferred tax accounting was 34.31%. The main differences between the two rates are broken down below:

Domestic statutory effective tax rate	36.09%
(Adjustments)	
Received dividends excluded from gross revenues	- 5.00%
Entertainment expenses not qualifying for as tax deductible expenses	1.17%
Depreciation of Consolidation Adjustment Accounts	0.72%
Per head resident tax	0.57%
Other	0.77%
<hr/>	
Effective corporate tax rate upon application of deferred tax accounting	34.31%

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Attachment (10)

**Certified Copy of the Accounting Auditor's Report
Pertaining to Consolidated Financial Statements**

Ernst & Young ShinNihon, the accounting auditor, submitted an audit report to the Company's board of directors on May 15, 2007

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Attachment (11)

**Certified copy of the Board of Corporate Auditors Report Pertaining to
Consolidated Financial Statements**

Audit Report Pertaining to Consolidated Financial Statements

The Board of Corporate Auditors has prepared this audit report following deliberation on the basis of audit reports as prepared by each auditor in respect to the consolidated financial statements (the consolidated balance sheet, consolidated income statement and consolidated statement of changes in shareholders' equity) for the 64th business year from April 1, 2006 to March 31, 2007 and hereby report as follows:

1. Audit Methods and Contents of Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors established the audit policy and audit plans, received reports from each auditor on audit field work performed and audit results, and also received reports from directors and the accounting auditor concerning the status of the execution of their duties, and requested explanations if and when needed.

Each auditor, in conformity with general audit standards set out by the Board of Corporate Auditors and in accordance with the audit policy and audit plans, has received reports from directors and employees pertaining to the consolidated financial statements and requested explanations if and when needed. Further, the Board of Corporate Auditors has monitored and inspected whether the accounting auditor has maintained its independent position and conducted auditing in a proper manner, received reports from the accounting auditor on the status of the execution of its duties, and requested explanations if and when needed. The Board of Corporate Auditors has also received notification from the accounting auditor that it has developed the "system for ensuring the proper execution of duties" (matters listed in relevant items of Article 159, Ordinance for Company Accounting) in accordance with "Quality Control Standards for audit" (Business Accounting Council, October 28, 2005) etc., and requested explanations if and when needed. On the basis of the above-described audit methods, the Board of Corporate Auditors has examined the consolidated financial statements for the reference business year.

2. Audit Results

The audit methods used and results obtained by the accounting auditor, Ernst & Young ShinNihon, are appropriate.

May 22, 2007

The Board of Corporate Auditors, Sompo Japan Insurance, Inc.
Ichiro Suzuki, Standing Corporate Auditor (full-time)
Tsuneo Ando, Corporate Auditor, (full-time)
Yoshiki Yagi, Auditor (outside auditor)
Tohru Tsuji, Auditor (outside auditor)
Toshiaki Hasegawa, Auditor (outside auditor)

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Shareholders' Meeting Reference Materials

Motions and Related Reference Materials

Motion No. 1 Disposal of Surplus

It is proposed that surplus be appropriated as follows:

1. Matter concerning term-end dividend
The Board of Directors proposes that term-end dividend be increased ¥3 per share over the previous period to ¥16 in consideration of the Company's policy on returning profits to shareholders of steadily increasing dividend payments, earnings performance of the current period and future business plans.
 - (1) Type of dividend asset
Dividend will be made in cash.
 - (2) Matter concerning the allocation of dividend asset and the total amount of allocation
Dividend will be made in the amount of ¥16.00 per share of the Company's common share, and the total amount of ¥15,751,477,328 will be paid out from retained earnings.
 - (3) Date of effectiveness of dividend of surplus
June 28, 2007.
2. Other matters concerning the appropriation of surplus
 - (1) Item of surplus to be reduced and the amount of reduction
Retained earnings carried forward ¥26,300,000,000
 - (2) Item of surplus to be increased and the amount of increase
General reserve ¥26,300,000,000

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Motion No. 2 Amendment of a Part of the Articles

1. Reasons for the changes

- (1) Article 32 (Executive Advisor) of the current Articles of Incorporation will be deleted in order to abolish the system of executive advisors, and the numbering of Article 33 and all subsequent Articles will be advanced sequentially in line with this change.
- (2) Paragraph 2 of Article 42 (Full-Time Auditors) of the current Articles of Incorporation will be deleted in order to abolish the system of full-time auditors.

2. Content of the changes

The content of the changes appears in the following table, the Current and Modified Articles Comparison Table.

Current and Modified Articles Comparison Table

(Underlining indicates changes)

Current Articles	New Articles
(Board of Directors Regulations) Article 31 (Text abbreviated)	(Board of Directors Regulations) Article 31 (As in current Articles)
<u>(Executive Advisor)</u> <u>Article 32</u> The board of directors shall pass a resolution appointing an executive advisor.	[Deleted]
(Remuneration, etc.) Article 33 (Text abbreviated) §	(Remuneration, etc.) Article 32 (As in current Articles) §
(Full-Time Auditors) Article 42 (Text abbreviated) <u>2. The auditors shall determine standing auditors by mutual selection.</u> §	(Full-Time Auditors) Article 41 (No. 1 as in current Articles) [No. 2 deleted] §
(Period for Exclusion for Dividend Payment) Article 47 (Text abbreviated)	(Period for Exclusion for Dividend Payment) Article 46 (As in current articles)

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Motion No. 3 Election of fifteen (15) Directors

Ten (10) directors were elected at the 63rd Annual General Shareholder's Meeting held on June 28, 2006. Director Osamu Yoneyama has resigned his position effective March 31, 2007. Further, nine (9) directors will complete their current period of service on the board of directors as of the conclusion of this General Shareholders' Meeting.

This period, the Company moves to increase the number of directors and elect fifteen (15) directors in order to fundamentally reexamine and put into practice an insurance soliciting system and benefits payment system with the customer's point of view in mind.

The candidates for the position of director are listed below:

Candidates for Directors (15 Individuals)

Candidate No.	Name (Date of Birth)	Summarized Personal History and Representation at Other Companies	No. of Company Shares Held
1	Masatoshi Sato (March 2, 1949)	<p>April 1972 Joined the Company</p> <p>April 1994 Branch Manager, Yamanashi Branch of the Company</p> <p>April 1996 Manager, System Planning Department of the Company</p> <p>April 1997 Manager, Information Systems Department of the Company</p> <p>April 1999 Office Manager, Presidential Staff Office, Manager, New Business Development Office of the Company</p> <p>July 1999 Office Manager, Presidential Staff Office of the Company</p> <p>June 2000 Director, Office Manager, Presidential Staff Office of the Company</p> <p>June 2001 Director, Executive Officer, Manager, Information Systems Department of the Company</p> <p>April 2002 Director, Managing Executive Officer of the Company</p> <p>July 2004 Director, Managing Executive Officer, Manager, Corporate Business Planning Department of the Company</p> <p>Dec. 2004 Director, Managing Executive Officer, Manager, Commercial Risk Solutions Department, Manager, Corporate Business Planning Department of the Company</p> <p>Jan. 2005 Director, Managing Executive Officer, Manager, Corporate Business Planning Department of the Company</p> <p>April 2005 Director, Managing Executive Officer of the Company</p> <p>June 2006 President and Chief Executive Officer, President and Senior Managing Executive Officer of the Company</p> <p>To present</p> <p>Overall management; In charge of Customer Relations Office</p> <p>Representation at other companies:</p> <ul style="list-style-type: none"> • President, Sompo Japan Research Institute Inc. • Chairman, Sompo Fine Art Foundation • Chairman, Sompo Japan Foundation • Chairman, Sompo Japan Environment Foundation 	37,693 Shares
2	Yoshio Ito (Feb. 18, 1949)	<p>April 1972 Joined the Company</p> <p>April 1995 Branch Manager, Nagano Branch of the Company</p> <p>April 1998 Branch Manager, Nishi Tokyo Branch of the Company</p> <p>July 2000 Branch Manager, Niigata Branch, Manager, Niigata Production Promotion Department of the Company</p> <p>April 2002 Managing Executive Officer, General Manager, Shinetsu Regional Headquarters, Manager, Shinetsu Production Promotion Department, Manager, Niigata Automobile Business Production Department and Branch Manager, Niigata Branch of the Company</p> <p>July 2002 Managing Executive Officer, General Manager, Shinetsu Regional Headquarters, Manager, Shinetsu Production Promotion Department of the Company</p> <p>April 2004 Managing Executive Officer, General Manager, Hokuriku & Shinetsu Regional Headquarters of the Company</p> <p>April 2005 Senior Managing Executive Officer, General Manager, Kanto Regional Headquarters of the Company</p> <p>April 2006 Senior Managing Executive Officer of the Company</p> <p>June 2006 Director, Senior Managing Executive Officer of the Company</p> <p>to present</p> <p>In charge of Sales Promotion & Distribution Channel Planning Department, Financial Institution Marketing Department, Defined Contribution and Investment Trust Business Development Department, and Higashi-Nihon Production Promotion Department</p>	20,000 Shares

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Candidate No.	Name (Date of Birth)	Summarized Personal History and Representation at Other Companies	No. of Company Shares Held
3	Yukio Nakamura (Jan. 2, 1949)	<p>April 1973 Joined the Company</p> <p>April 1996 Branch Manager, Sanin Branch of the Company</p> <p>June 1998 Manager, Sales Development Department of the Company</p> <p>April 2000 Manager, Sales Service Development Department of the Company</p> <p>June 2000 Executive Officer, Manager, Sales Development Department of the Company</p> <p>April 2002 Executive Officer, General Manager, Kita-Nihon Regional Headquarters, Manager, Sales Development Department of the Company</p> <p>June 2002 Director, Executive Officer, General Manager, Kita-Nihon Regional Headquarters, General Manager, Kansai Regional Headquarters, and Manager, Sales Development Department of the Company</p> <p>July 2002 Director, Managing Executive Officer, General Manager, Kanto Regional Headquarters of the Company</p> <p>June 2003 Managing Executive Officer, General Manager, Kanto Regional Headquarters of the Company</p> <p>April 2005 Senior Managing Executive Officer, General Manager, Hokuriku & Shinetsu Regional Headquarters of the Company</p> <p>June 2006 Director, Senior Managing Executive Officer, General Manager, Hokuriku & Shinetsu Regional Headquarters of the Company</p> <p>April 2007 Director, Senior Managing Executive Officer of the Company to present</p> <p>In charge of Personal Lines Planning & Development Department, Marketing & Contact Center Planning Office, Saga Call Center Office, Sapporo Call Center Office, and Shutoken Production Promotion Department</p>	17,338 Shares
4	Hideo Suzuki (April 10, 1950)	<p>April 1973 Joined the Company</p> <p>April 1996 Manager, Yokohama Automobile Business Production Department of the Company</p> <p>July 1999 Office Manager, Automobile Business Planning & Development Office of the Company</p> <p>July 2000 Branch Manager, Sendai Branch of the Company</p> <p>Oct. 2002 Managing Executive Officer, General Manager, Saitama Regional Headquarters, Manager, Saitama Production Promotion Department and Office Manager, Saitama Business Development Office of the Company</p> <p>April 2004 Managing Executive Officer, General Manager, Tokyo Regional Headquarters of the Company</p> <p>June 2006 Director, Senior Managing Executive Officer, General Manager, 1st Kansai Regional Headquarters of the Company</p> <p>April 2007 Director, Senior Managing Executive Officer, General Manager, 1st Kansai Regional Headquarters of the Company to present</p>	35,000 Shares
5	Keishiro Kinoshita (Nov. 6, 1948)	<p>April 2002 Managing Executive Officer, Mizuho Corporate Bank, Ltd.</p> <p>June 2002 Associate Director, Mizuho Corporate Bank, Ltd.</p> <p>Oct. 2002 Joined the Company</p> <p>Feb. 2003 Associate Director of the Company</p> <p>April 2003 Executive Officer of the Company</p> <p>April 2004 Managing Executive Officer of the Company</p> <p>April 2005 Managing Executive Officer, General Manager, Chugoku Regional Headquarters of the Company</p> <p>March 2007 Managing Executive Officer of the Company</p> <p>April 2007 Senior Managing Executive Officer of the Company to present</p>	10,000 Shares

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Candidate No.	Name (Date of Birth)	Summarized Personal History and Representation at Other Companies	No. of Company Shares Held
6	Jun Mochizuki (Jan. 5, 1952)	<p>Oct. 1974 Joined the Company</p> <p>April 1997 Manager, Accounting Department of the Company</p> <p>April 1999 Manager, Accounting Department, Chief Actuary of the Company</p> <p>April 2002 Manager, Accounting Department, Manager, Accounting Processing Department, Chief Actuary of the Company</p> <p>June 2002 Manager, Accounting Department, Manager, Accounting Processing Department and Manager, Information Systems Department, Chief Actuary of the Company</p> <p>July 2002 Manager, Information Systems Department, Chief Actuary of the Company</p> <p>April 2003 Manager, BP & IT Planning Department, Chief Actuary of the Company</p> <p>April 2004 Executive officer, Manager, BP & IT Planning Department, Chief Actuary of the Company</p> <p>April 2005 Managing Executive, Officer, Chief Actuary of the Company</p> <p>June 2005 Director, Managing Executive Officer, Chief Actuary of the Company</p> <p>April 2006 Director, Managing Executive Officer of the Company</p> <p>April 2007 Director, Senior Managing Executive Officer of the Company to present</p> <p>In charge of Financial Institutions Department, Financial Institutions Production & Marketing Department, 1st Production Department, and 3rd Production Department</p>	14,000 Shares
7	Junichiro Okawa (March 13, 1952)	<p>April 1975 Joined the Company</p> <p>April 1998 Branch Manager, Matsumoto Branch of the Company</p> <p>July 2000 Manager, Business Development Department of the Company</p> <p>April 2001 Manager, Financial Institution Marketing Department, Manager, Marketing Department of the Company</p> <p>July 2001 Branch Manager, Yokohama Branch of the Company</p> <p>April 2002 Branch Manager, Yokohama Branch, Manager, Yokohama Chuo Branch of the Company</p> <p>July 2002 Branch Manager, Yokohama Branch of the Company</p> <p>June 2003 Managing Executive Officer, General Manager, Chiba Regional Headquarters, Manager, Chiba Production Promotion Department and Office Manager, Chiba Business Development Office of the Company</p> <p>April 2004 Managing Executive Officer, General Manager, Saitama & Chiba Regional Headquarters of the Company</p> <p>April 2006 Managing Executive Officer of the Company</p> <p>June 2006 Director, Managing Executive Officer of the Company</p> <p>April 2007 Director, Managing Executive Officer, General Manager, Chubu Regional Headquarters of the Company to present</p>	26,365 Shares
8	Kenichi Tomita (June 28, 1949)	<p>April 2002 Managing Executive Officer, Mizuho Corporate Bank, Ltd.</p> <p>June 2002 Associate Director, Mizuho Corporate Bank</p> <p>Oct. 2002 Joined the Company</p> <p>Feb. 2003 Associate Director of the Company</p> <p>April 2003 Executive Officer of the Company</p> <p>July 2003 Executive Officer, Manager, Risk Management Department, Manager, Investment Administrative Department of the Company</p> <p>April 2004 Managing Executive Officer, Manager, Risk Management Department, Manager, Investment Administrative Department of the Company</p> <p>July 2005 Managing Executive Officer, Manager, Investment Administrative Department of the Company</p> <p>April 2007 Managing Executive Officer of the Company to present</p>	9,000 Shares

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Candidate No.	Name (Date of Birth)	Summarized Personal History and Representation at Other Companies	No. of Company Shares Held
9	Kouki Kazuma (Feb. 25, 1952)	<p>April 1975 Joined the Company</p> <p>April 1998 Manager, Investment Planning Department of the Company</p> <p>Jan. 1999 Manager, Investment Planning Department, Office Manager, Equities Investment & Research Office of the Company</p> <p>July 1999 Manager, Investment Planning Department of the Company</p> <p>July 2000 Manager, Investment Planning Department, Manager, Global Securities Investment Department of the Company</p> <p>April 2001 Manager, Investment Planning Department of the Company</p> <p>July 2002 Manager, Investment Planning Department, Manager, Equities Investment & Research Department of the Company</p> <p>Jan. 2003 Manager, Investment Planning Department of the Company</p> <p>April 2003 Manager, Investment Planning Department, Manager, Global Securities Investment Department of the Company</p> <p>July 2003 Manager, Investment Planning Department of the Company</p> <p>April 2004 Associate Director, Manager, Investment Planning Department of the Company</p> <p>July 2004 Executive Officer, Manager, Investment Planning Department of the Company</p> <p>April 2005 Managing Executive Officer, Manager, Investment Planning Department of the Company</p> <p>June 2005 Director, Managing Executive Officer, Manager, Investment Planning Department of the Company</p> <p>April 2006 Director, Managing Executive Officer of the Company to present In charge of Corporate Planning Department, Planning and Research Department, Corporate Legal Department, and Group Strategy Planning Department</p>	11,000 Shares
10	Hisashi Nakano (June 21, 1952)	<p>April 1975 Joined the Company</p> <p>July 1999 Manager, Chubu Production Promotion Department</p> <p>July 2000 temporary transferred to INA Himawari Life Insurance(current Sompō Japan Himawari Life Insurance Co., Ltd.)</p> <p>June 2002 temporary transferred to Saison Automobile & Fire Insurance Co., Ltd.</p> <p>April 2004 Manager, Medical & Welfare Market Department of the Company</p> <p>April 2005 Executive Officer, Manager, Human Capital Department of the Company</p> <p>June 2006 Managing Executive Officer, Manager, Human Capital Department of the Company</p> <p>June 2006 Director, Managing Executive Officer, Manager, Human Capital Department of the Company</p> <p>Sept. 2006 Director, Managing Executive Officer of the Company to present In charge of Secretarial Department, Human Capital Department, and Corporate Communications Department</p>	11,000 Shares
11	Eiichi Yoshimitsu (Dec. 19, 1952)	<p>April 1976 Joined the Company</p> <p>Oct. 2001 Manager, Defined Contribution and Investment Trust Business Development Department of the Company</p> <p>June 2002 Manager, Business Strategy Planning Department, Manager, Defined Contribution and Investment Trust Business Development Department of the Company</p> <p>Jan. 2003 Manager, Defined Contribution and Investment Trust Business Development Department of the Company</p> <p>April 2005 Executive Officer, Manager, Accounting Department, Manager, Group Strategy Planning Department of the Company</p> <p>July 2005 Executive Officer, Manager, Corporate Planning Department of the Company</p> <p>June 2006 Managing Executive Officer, Manager, Corporate Planning Department of the Company</p> <p>April 2007 Managing Executive Officer of the Company to present</p>	3,000 Shares

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Candidate No.	Name (Date of Birth)	Summarized Personal History and Representation at Other Companies	No. of Company Shares Held
12	Toshio Matsuzaki (April 29, 1951)	<p>April 1976 Joined the Company</p> <p>July 2000 Branch Manager, Ibaraki Minami Branch of the Company</p> <p>April 2001 Branch Manager, Ibaraki Branch of the Company</p> <p>April 2002 Branch Manager, Ibaraki Branch, Branch Manager, Ibaraki Minami Branch of the Company</p> <p>July 2002 Senior Deputy Manager, Corporate Business Planning Department, Senior Deputy Manager, Financial Institutions Department of the Company</p> <p>April 2003 Manager, Personal Lines Underwriting Department of the Company</p> <p>April 2005 Executive Officer, Manager, Personal Lines Underwriting Department, Manager, Business Process Planning Department of the Company</p> <p>April 2006 Executive Officer, Manager, Personal Lines Planning & Development Department, Manager, Business Process Planning Department of the Company</p> <p>June 2006 Executive Officer, Manager, Personal Lines Planning & Development Department of the Company</p> <p>Sept. 2006 Executive Officer, Internal Audit Department of the Company</p> <p>April 2007 Managing Executive Officer of the Company to present</p>	11,000 Shares
13	Masami Ishii (Sept. 4, 1952)	<p>April 1976 Joined the Company</p> <p>July 2000 Manager, Planning & Marketing Department of the Company</p> <p>May 2001 Manager, Planning & Marketing Department, Office Manager, Group Organization Development Office of the Company</p> <p>April 2005 Executive Officer, Manager, Planning & Marketing Department, Manager, Group Organization Development Department of the Company</p> <p>July 2005 Executive Officer of the Company</p> <p>March 2006 Executive Officer, Manager, Corporate Business Planning Department of the Company</p> <p>April 2007 Managing Executive Officer, Manager, Corporate Business Planning Department of the Company to present</p>	13,000 Shares
14	Takeshi Oiwa (Dec. 7, 1952)	<p>April 1976 Joined the Company</p> <p>July 1999 Manager, Property & Casualty Underwriting Department of the Company</p> <p>April 2001 Manager, Commercial Risk Solutions Department of the Company</p> <p>June 2001 Manager, Commercial Risk Solutions Department, Manager, Corporate Business Planning Department of the Company</p> <p>April 2002 Manager, Commercial Risk Solutions Department, Office Manager, Reinsurance Office, Manager, Corporate Business Planning Department of the Company</p> <p>July 2002 Manager, Commercial Risk Solutions Department, Manager, Corporate Business Planning Department of the Company</p> <p>Oct. 2002 Manager, Commercial Risk Solutions Department, Manager, Corporate Business Planning Department, Manager, International Planning Department of the Company</p> <p>Nov. 2002 Manager, Commercial Risk Solutions Department, Manager, International Planning Department of the Company</p> <p>Dec. 2004 Manager, International Planning Department of the Company</p> <p>July 2005 Executive Officer, Manager, International Planning Department of the Company</p> <p>April 2007 Managing Executive Officer of the Company to present</p>	7,000 Shares
15	Kengo Sakurada (Feb. 11, 1956)	<p>April 1978 Joined the Company</p> <p>Dec. 2000 Manager, Consolidated Planning Department of the Company</p> <p>April 2001 Manager, Consolidated Planning Department, Manager, DAI-ICHI LIFE Office Integration Planning Department of the Company</p> <p>April 2003 Manager, Business Strategy Planning Department of the Company</p> <p>June 2003 Manager, Corporate Planning Department of the Company</p> <p>July 2005 Executive Officer, Manager, Financial Institutions Department of the Company</p> <p>April 2007 Managing Executive Officer of the Company to present</p>	12,365 Shares

Note There are no special interests between the candidates and the Company.

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Motion No. 4 Granting of Subscription Rights (Stock Options) as Remuneration to Board Members

By resolution of the 63rd Ordinary General Shareholders' Meeting, convened on June 28, 2006, share options (stock options) with a maximum annual value of 400,000,000 yen were issued as remuneration of directors with the purpose of further heightening the morale and desire for improved business performance by the directors and to improve shareholder profits. To continue this practice from the current year forward, approval is being sought for the issuance of share options with the same maximum value and the issuance as follows of applicable share options for board members of the company.

The determination of the above remuneration value takes into account the total number of share options to be allotted multiplied by the fair value of the share options calculated based on the binomial model.

The above-mentioned value for board member remuneration does not include the salary for the employment portion for a director who concurrently acts as an employee.

In addition, there will be 15 board members if Motion No. 3 is passed.

1. Type and number of shares intended for share options

The number of shares which are the objects of share options to be issued during the one year following the day immediately succeeding the day of the convening of the Ordinary General Shareholders' Meeting for each business year shall be limited to a maximum of 800,000 common shares of the company.

If adjustments to the intended number of shares granted are appropriate due to implementation by the company of stock splits (including gratis issues of common shares of the company) or stock mergers, the company shall implement the adjustments as necessary.

2. Total number of share options

Subscription rights to be issued during the one year following the day immediately succeeding the day of the convening of the Ordinary General Shareholders' Meeting for each business year shall be limited to a maximum of 800 stock warrants.

(The number of shares which are the object of share option shall be 1,000 per share. However, if adjustments are implemented to the number of shares as prescribed in 1. above, the number shall be in accordance with said adjustments.)

3. The value of the property contributed when share options are exercised

The value of the property contributed when each share option is exercised shall be the amount of money found by multiplying the number of shares intended per share option as prescribed in 2. by the value per share to be determined as follows.

The value per share shall be the amount found by multiplying 1.05 by the average final values for the regular transactions in the Company's shares at the Tokyo Stock Exchange on each day of the month preceding the month in which the share options are issued (excluding days on which share transactions are not approved on that day). (Fractions less than 1 yen will be rounded up.)

However, if the applicable value falls below the final value for the day on which share options are issued (or the final value for the immediately preceding day if share transactions are not approved on that day), the final value for the day on which the share options are issued shall be used.

Following the issuance of share options, if adjustments to the value per share are appropriate due to measures by the company, such as splitting of shares (including allocation of common shares of the Company without consideration) or consolidation of share, the Company shall implement the adjustments as it deems necessary.

4. Period for the exercise of share options

The exercise period for share options shall be decided by the Board of Directors, which will determine matters related to the offering of share options, etc., provided that the period is within the ten years since the day following the date of convening of the Ordinary General Shareholders' Meeting for each business year following the day after two years have passed since the day following the date of the convening of the Ordinary General Shareholders' Meeting for each business year.

5. Conditions on exercise of share option

(1) Each individual with share options has the right to exercise the share options allotted to him or her even if he/she is no longer a director of the Company, in accordance with the conditions prescribed in the "Share option Allotment Contract" described in (3) below.

(2) In the event of the death of an individual with share options, his or her successor (limited, however, to his or her spouse) shall have the right to execute the share options, in accordance with the conditions prescribed in the

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“Share Option Allotment Contract” described in (3) below.

- (3) Other conditions on the exercise of option shall be prescribed in the “Share option Allotment Contract,” concluded between the Company and the individual with share options, based on the resolutions of the Ordinary General Shareholders’ Meeting for each business year and the resolutions of the Board of Directors, which will determine matter related to the offering of share options.
6. Restrictions on the transfer, etc., of share options
Subscription rights may not be transferred, pledged, or otherwise disposed of to a third party. However, share options may be transferred with the approval of the Board of Directors.
7. Other details of share options
Other details relating to share options besides the above shall be decided by the Board of Directors, which will determine matters related to the offering of share options, etc.

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(Reference Materials)

Solvency Margin Ratio

(Units: Millions of Yen)

Item	By term	63rd Term (As of March 31, 2006)	64th Term (As of March 31, 2007)
(A) Total Solvency Margin		2,378,680	2,475,904
Total Capital (Excluding projected amount of distribution, deferred assets and revaluation differences on other securities)		426,295	—
Total Net Assets (Excluding projected amount of outflow, deferred assets and valuation/translation differences)		—	459,020
Price Fluctuation Reserve		24,001	30,598
Contingency reserve		442,994	446,002
General allowance for bad debts		2,171	783
Unrealized gains on other securities (before subtracting tax effect)		1,339,211	1,395,192
Unrealized gains on real estate		23,308	27,260
Mechanism etc., of procurement of liability capital		-	-
Excluded items		52,056	72,218
Others		172,754	189,264
(B) Total Risk			
$\sqrt{(R1)^2+(R2+R3)^2+R4+R5}$		420,687	490,115
General insurance risk (R1)		75,934	79,590
Expected insurance risk (R2)		3,576	3,500
Asset management risk (R3)		270,568	281,256
Business administration risk (R4)		9,535	10,956
Catastrophic risk (R5)		126,685	183,487
(C) Solvency Margin Ratio			
$[(A)/\{(B) \times 1/2\}] \times 100$		1,130.9%	1,010.3%

Note The above-mentioned monetary amounts and figures are calculated in accordance with Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Law, and the provisions of Notification 50 of the Ministry of Finance for 1996.

The method of calculating solvency margin ratios has changed from the current period due to revision in the Ordinance for Enforcement of the Insurance Business Law. However, this change has no impact on the Company.

< Solvency Margin Ratio >

- In addition to having reserves to cover accident claims payments and payments for maturity refunds of savings-type insurance policies, non-life insurance companies must maintain a sufficient level of solvency in order to provide for risks that may exceed their usual estimates, such as in the event of catastrophic disasters or a significant fall in the value of their assets.
- The Solvency Margin Ratio (section (C) of the above table) was developed under the Insurance Business Law and expresses the ratio of “risks that exceed usual estimates” (the risks specified in Section (B) Total Risk of the above table) to the “solvency margin of capital, reserves, etc. of the non-life insurance company” (section (A) Total Solvency Margin of the above table).
- “Risks that exceed usual estimates” is the sum of the following categories of risk:
 - i. Risk of underwriting (General insurance risk): The risk of incurring accident claims payments which exceed the usual estimates (excluding any claims related to catastrophic risks).
 - ii. Risk of expected interest rates (Expected Interest Rate Risk): The risk of actual investment interest rates falling below interest rates forecasted interest rates at the time of calculating premiums for savings-type insurance policies.

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- iii. Risk of asset management (Asset management risk): The risk of asset prices for items such as securities, etc. fluctuating more than forecasted levels.
- iv. Risk of business administration (Business administration risk): The risks during operations which exceed forecasted levels and do not fall within categories i.-iii. and v.
- v. Risk associated with catastrophic events (catastrophic risk): The risk of incurring losses caused by catastrophic events that exceed forecasted levels (such as the Great Kanto Earthquake or the Ise Bay Typhoon).
- The “solvency margin of capital, reserves, etc. of the non-life insurance company” (“Total Solvency Margin”) is the total of the non-life insurance company’s net assets (excluding projected amount of outflow), various reserves (i.e. price fluctuation reserves, catastrophe reserves, etc.), and a portion of unrealized profits from securities and property.
- The “Solvency Margin Ratio” is one of the indices which regulators use in order to evaluate the financial soundness of insurance carriers. Carriers with ratios above 200% are considered to have “adequate claim-paying ability on their insurance policies.”