

## UNOFFICIAL TRANSLATION

The formal press release document is in Japanese.

November 27, 2007  
Sompo Japan Insurance Inc.

Notice concerning the possible impact related to U.S. subprime loans on Sompo Japan

We would like to disclose the possible impact related to U.S. subprime loans on Sompo Japan as below.

### 1. Impact on our investment assets

In our investment portfolio, we have no asset exposed to subprime loan. Therefore, no realized loss and/or mark-to-market loss related to subprime loan were booked for the interim period ended September 30, 2007.

### 2. Financial Guarantee Insurance

#### (1) Underwriting structure and amount

As one of our P&C underwriting businesses, we provide financial guarantee insurance covering payment of principal and interest of CDOs (Collateralized Debt Obligations).

Guarantee insurance for CDO we provide is only for protection of a senior tranche (not of a whole CDO) which can receive payments of interest and principal with priority. Based on this structure, all the tranches of CDOs we guarantee are rated AAA at present. This CDO structure, Senior-Sub Structure, includes several tranches divided by ratings based on the priority of payments, from first priority AAA tranche to most subordinated equity tranche. Preferred status of our insuring tranches is secured through underlying substantial amount of subordinated tranches. (Please see Appendix.)

All CDOs we insure consist of a large number of high grade MBS (Mortgage-Backed Securities, which also have Senior – Sub Structure) as collaterals.

Total amount of CDO guarantee, which include any (even if only a part) subprime loan exposure, is 240 billion yen.

Current rating profile of underlying collateral of CDOs are 28.8%(AAA), 42.7%(AA), 17.7%(A), and 10.8%(equal to or below BBB) .

#### (2) Risk assessment

We may suffer loss only in case of default of our guaranteeing tranches which might occur as a result of further deterioration of underlying MBSs and erosion of subordinated tranches triggered from increased defaults of original subprime loans. Financial guarantee insurance is not a cover for any loss of the decline in price of CDO or underlying MBS.

We have not suffered any loss by this insurance so far. However, as a further development of the subprime issues is uncertain, we have to consider the possibility of loss due to the increase of default of the collateral loans. We estimate that the possible loss amount could reach 30 billion yen through our thorough review of each CDO.

END

# CDO Structure

## <MBS "Mortgage Backed Securities">

Securitized papers which consist of thousands of Mortgages

Divided to some classes from senior tranche to equity tranche and sold to investors.

## <CDO "Collateral Debt Obligations">

Securitized papers which consist of hundreds of MBS

Divided to some classes from senior tranche to equity tranche and sold to investors.

Collateral		
Mortgage	Mortgage	AAA
Mortgage	Mortgage	
Mortgage	Mortgage	
Mortgage	Mortgage	
Mortgage	Mortgage	
Mortgage	Mortgage	
		AA
		A
		BBB
		BB
		Equity

Collateral		
Mortgage	Mortgage	AAA
Mortgage	Mortgage	
Mortgage	Mortgage	
Mortgage	Mortgage	
Mortgage	Mortgage	
		AA
		A
		BBB
		BB
		Equity

Collateral		
MBS (AAA)	MBS (AAA)	AAA (Super Senior)
MBS (AAA)	MBS (AAA)	
MBS (AAA)	MBS (AAA)	
MBS (AA)	MBS (AA)	
MBS (AA)	MBS (AA)	
MBS (AA)	MBS (AA)	
MBS (AA)	MBS (AA)	
MBS (AA)	MBS (AA)	
MBS (A)	MBS (A)	
MBS (A)	MBS (A)	
MBS (BBB)	MBS (BBB)	AAA (Junior Super Senior)
MBS (BBB)	MBS (BBB)	
MBS (BBB)	MBS (BBB)	
MBS (BBB)	MBS (BBB)	
MBS (BBB)	MBS (BBB)	

AAA (Super Senior)		
AAA (Junior Super Senior)		
		AAA
		A
		BBB
		BB
		Equity

Our Insuring tranche

We guarantee some CDO tranches, which have the same scheme as this.

Sum of our insuring amount  
240 billion yen

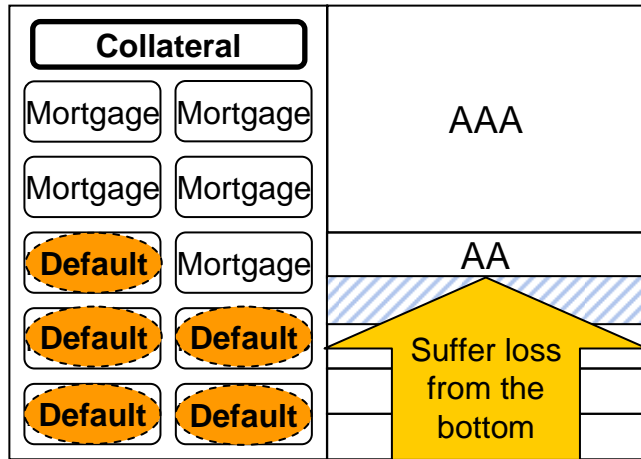
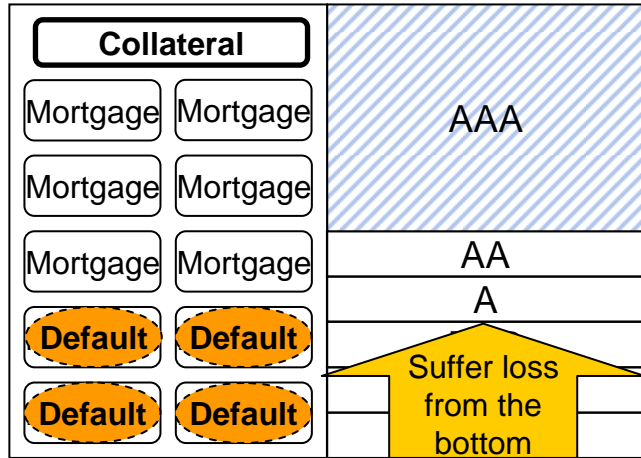
The amount which include any (even if only a part) subprime exposure.

Subordination



The case of suffering the loss

<MBS "Mortgage Backed Securities">



<CDO "Collateral Debt Obligations">

