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June 12, 2006

Notice to Shareholders

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

Invitation to the 63rd Annual Shareholders' Meeting

Thank you all for your continued patronage.

The 63rd Annual Shareholders' meeting will be held as follows and your attendance is cordially requested.

If you are unable to attend on this date may exercise your voting rights either in writing or via electronic format (internet etc.). In this case, please, you review the Shareholders' Meeting Reference documents (which follow this notice), and exercise your voting rights by 5 p.m. on June 27,2006 (Tuesday). (The new paragraph deadline for exercising voting rights is required by the laws and regulations to be the close of the Company's business hours immediately prior to the date of the Shareholders' Meeting.)

[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 above-mentioned expiration date.

[Exercising voting rights via Internet]

Please access the company's designated website for exercising voting rights (<http://www.it-soukai.com>). Use your "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 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 materials, 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 28, 2006 (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. Presentation of the business report, the balance sheet and statement of income for the 63rd term [FY 2005 (April 1, 2005 to March 31, 2006)]**

2. Presentation of the consolidated balance sheet, the consolidated statement of income, and the audit reports by the independent auditors and the board of corporate auditors for the 63rd term [FY 2005 (April 1, 2005 to March 31, 2006)]

Items to be Resolved

Item #1 **Approval of the proposed appropriation of retained earnings for the 63rd term**

Item #2 **Partial amendments to the Articles of Incorporation**

Item #3 **Appointment of 10 directors**

Item #4 **Granting of subscription rights (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 Vodafone live! (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 Computer, 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.

* "Vodafone live!" is a registered trademark of Vodafone Group Plc.

* "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 27, 2006. (The law stipulates that that the deadline for exercising voting rights be the end of the Company's business hours immediately prior to the day of the Shareholders' Meeting.)**
- 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)

The Business Report for FY2005 (April 1, 2005 - March 31, 2006)

1. Business Progress and Results

The Japanese economy in FY2005 witnessed improved corporate earnings and increased capital investment, supported by increased exports on the back of the robust global economy and firm domestic private demand. A recovery in employment also became more evident, particularly in the latter half of the year, and the economic recovery became stronger as shown by the moderate but steady growth in personal consumption. Amid the recovery, the consumer price index, which had trended down for a long period of time, turned positive toward the end of FY2005, offering the prospect of an exit from deflation. Following this development, the Bank of Japan decided to end its quantitative easing, also holding out the prospect of a return to normalized financial conditions in Japan.

For non-life insurance as well, the economic recovery helped the healthy growth of automobile insurance and medical insurance in the retail market, while robust economic activities as shown by increased capital spending investment and expanding flows of goods led to increased revenue from a wide range of commercial lines such as fire insurance, marine insurance, and general liability insurance.

Sompo Japan marked the fourth year after its foundation with the new business vision of becoming a “Comprehensive Service Provider Group for Risk and Asset Management.” FY2005 was the final year of Sompo Japan’s first medium-term management plan, and guided by this plan, we have been able to achieve “high profitability” and the “establishment of a firm business base” by improving the expense ratio through the decisive implementation of thorough business restructuring.

In the mainstay automobile insurance business, our “innovation comprehensive automobile policy” (product name: needs-segmented automobile insurance “ONE-do”) received high marks for its simple contract procedures and good coverage. In Nov. 2004, we started to provide an easy-to-understand maturity notification service called “Safe Renewal Guide” as well as a user-oriented renewal alarm service called “Safe Renewal Support” to avoid inadvertent termination of contracts. Assisted by the launch of the new services, ONE-do has developed into one of our core products, with the number of insured vehicles reaching 5.24 million units and sales premiums amounting to 348.5 billion yen in the current business year alone.

In the fire insurance business, we have added to the “new household insurance” a line of products with extended natural disaster coverage, including “wind disaster actual loss coverage plan,” “water damage insurance actual loss coverage plan” and “earthquake fire 100% coverage plan” (earthquake fire 50 plan + earthquake insurance), in response to individual customers’ demands for expanded coverage of wind and water damage and earthquake damage.

In the derivatives products, we are constantly developing and providing pioneering derivatives products, including weather derivatives, high-wave derivatives, high-tide derivatives and earthquake derivatives, that meet the needs of customers and lead the industry.

For the new overseas travel insurance **【off!】**, the cumulative number of contracts via the Internet exceeded one million in July 2005, just three years after its launch. We were among the first to anticipate the advent of the Internet era and we believe that products introduced with indirect simplified contract procedures has been steadily accepted by customers.

The new long-term medical insurance (product name: whole-life medical insurance “Dr. Japan”) has also been supported by many customers since its launch in July 2004 as the first insurance product in Japan with the “function of automatically reducing insurance premium rates in conjunction with the average expected rate of interest.” In February 2006, we launched “special provisions for lump-sum payment upon hospital discharge” and “special terms for insurance payment for seeing a doctor on a regular basis after hospital discharge” for the purpose of enabling a wide spectrum of insurance planning to meet customer needs.

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In terms of new product development, we launched the savings-type personal accident insurance “Yutolead” in Sep. 2005. The “Yutolead” consolidates what was previously eight savings-type personal accident insurance products into one. With the extended injury compensation and improved special provisions, it was developed as a product that is easy-to-understand for customers and allows more freedom in insurance planning. We are also developing a range of products to respond to diversified risks, including “information disclosure liability insurance” to cover risks related to corporate disclosure and “school general liability insurance” for comprehensive coverage of a variety of compensation risks at schools.

In overseas operations, we established a subsidiary in Dalian, China in June 2005, being the first Japanese non-life insurance company to do so. Going forward, we will vigorously push ahead with the deployment of branches including Shanghai, Suzhou, Guangzhou and Beijing. In addition to the expansion of overseas bases, we are also proactively seeking to establish alliances with local concerns, and in Jan. 2006, we formed a tie-up with Sunshine Property and Casualty Insurance Co. In Russia, we entered into comprehensive business alliance agreements with Ingosstrakh Insurance Co. and Allianz Russia in July 2005 to establish cooperative ties with them in a wide range of fields including local underwriting of insurance policies, assessment of damage, and legal and accounting matters. Along with the opening of the Moscow representative office in Dec. 2005, we are now able to provide insurance services in a flexible and timely manner to Japanese companies setting up operations in Russia.

The promotion of compliance remains the critical management issue of the Company. The “Compliance Committee,” established in FY1999, is in charge of compliance control at the Company, with the Compliance Department assuming the secretariat role for the promotion of compliance efforts. In order to enhance employee awareness about compliance, in addition to the creation of a dedicated in-house organization and the adoption of internal rules, we hold at least four training sessions a year and conduct compliance examinations on all 13,900 executives and employees.

Regarding operations of affiliated companies, in the life insurance business, we conduct both face-to-face sales through a network of agencies via Sampo Japan Himawari Life Insurance Co. and non-face-to-face sales through Sampo Japan DIY Life Insurance Co. in order to respond to diversified consumer needs. In the asset management business, we regard the defined-contribution pension business as the third important strategic business for the group after non-life insurance and life insurance businesses, and provide the service through Sampo Japan DC Securities Co., a specialty company in defined-contribution pension plans. In the health care business, we established Healthcare Frontier Japan Inc. in Oct. 2005 as a joint venture with Omron Healthcare Co., Ltd and provide services to support health enhancement and disease prevention. NTT Data Corp. took an equity stake in the joint venture in Dec. 2005. In the risk management business, we have strengthened our capabilities to provide risk consulting services as the group, with Sampo Japan Risk Management Inc. appropriately responding to the diversification and sophistication of risk solution methods and developing support plans for comprehensive business continuity management.

In terms of corporate social responsibility (CSR), we are undertaking a variety of activities, with due heed given to the three aspects; i.e., the environment, the economy, and the society (the triple bottom line).

In order to send a clear message about our CSR activities, we issued the “Corporate Social Responsibility Report 2005” in FY2005. We marked the eighth year (the fourth year following the foundation of Sampo Japan) since the publication in 1998 of the “Environment Report,” the first by a Japanese domestic financial institution. In the current business year, as the first attempt in the Japanese non-life insurance industry, we also published a Braille version of “Corporate Social Responsibility Report 2005.” Going forward, we will continue to seek to further upgrade our CSR efforts through an exchange of views with various parties.

In terms of energizing in-house human resources, we are striving to expand and improve the balanced working life support system, aiming to broaden the framework to allow highly motivated and capable employees to further enjoy working for the long term. As part of these efforts, we established the “career transfer system (a system to recognize and authorize individual employees’ preferred work locations)” which was implemented in April 2006. We aim to continue creating an ideal workplace.

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As described above, we have been making efforts to boost our group profitability to become one of the business entities with the highest level of presence in Japan as the “Comprehensive Service Provider Group for Risk and Asset Management.”

In insurance underwriting, underwriting income increased in part because of the milder impact of typhoons and other natural disasters compared to the previous term. In asset management, investment income stayed firm thanks to an increase in dividends on stockholdings due to a recovery in corporate earnings, in addition to our continued efforts to improve the efficiency of asset management. As a result, we recorded the following business results.

Ordinary income came to ¥1,696.6 billion, and ordinary expenses amounted to ¥1,582.3 billion, leaving ordinary profit of ¥114.2 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, reached an all-time high of ¥67.8 billion.

During the current business year, it was discovered that some life insurance contracts were handled inappropriately including failure of payments for insurance benefits associated with certain insurance contracts and employees' payments of insurance premiums on behalf of policyholders. We hereby express our heart-felt apologies for of the considerable inconvenience caused by these developments to policyholders as well as other people concerned. We take these events with the utmost seriousness and are working hard to regain customer confidence through thorough companywide efforts to prevent a recurrence of such events, including the redoubling of efforts to strengthen internal controls and compliance.

Overview of insurance underwriting

Of underwriting income, net premiums written rose 1.4% over the preceding year to ¥1,370.9 billion. Of underwriting expenses, net claims paid declined 4.6% from the preceding year to ¥776.0 billion. As a result, the net loss ratio fell 3.5 points from the preceding year to 61.3%. Operating, general and administrative expenses related to insurance underwriting dropped 4.9% from the preceding year to ¥189.8 billion, thanks to continued promotion for efficiency, with the net expense ratio falling 0.6 points from the preceding year to 30.3%.

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 increased 98.7% over the preceding year to ¥114.8 billion. Underwriting income, i.e. the above balance adjusted for deposits of premiums by policyholders, maturity refunds and dividends to policyholders, provision for reserves for outstanding claims, provision for underwriting reserves, etc., rose 46.5% over the preceding year to ¥24.1 billion.

Overview by insurance category

Fire Insurance

Thanks to smooth growth of new fire insurance products to individuals, robust sales of products for corporate customers and other factors, net premiums written rose 1.1% over the preceding year to ¥152.0 billion.

The net loss ratio fell 35.8 points from the preceding year to 50.5% due to a decline in insurance payments resulting from typhoons and other natural disasters.

Marine Insurance

Thanks in part to firm sales of cargo insurance, net premiums written rose 12.5% over the preceding year to ¥28.3 billion.

The net loss ratio declined 7.8 points from the preceding year to 47.5%.

Personal Accident Insurance

As sales of whole-life medical insurance “Dr. Japan” grew smoothly and overseas travel insurance and other products also showed firm performance, net premiums written rose 5.7% over the preceding year to ¥127.6 billion.

The net loss ratio edged up 0.8 points from the preceding year to 41.3%.

Automobile Insurance

Net premiums written rose 0.7% over the preceding year to ¥674 billion as the number of automobiles covered continued to increase due in part to the higher renewal rate resulting from prompt renewal procedures for the mainstay policy “ONE-do”; the unit value of policies also rose.

The net loss ratio dipped 0.6 points from the preceding year to 63.6%.

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Compulsory Automobile Liability Insurance

Though the number of automobiles covered increased due to the firm trend of compulsory periodical safety inspections, the impact from the revision of the basic premium rate in April 2005 caused net premiums written to drop 2.6% from the preceding year to ¥237.9 billion.

The net loss ratio went up 10.7 points to 71.2% due to the abolition of the government reinsurance scheme and other factors.

Other Insurance

Thanks to robust sales of general liability insurance, net premiums written rose 6.0% over the preceding year to ¥150.8 billion.

The net loss ratio declined 8.8 points from the preceding year to 65.6%.

Overview of asset management

Total assets at the end of FY2005 increased by ¥777.6 billion over the previous year to ¥5,934.7 billion. Of the total assets, securities, loans and other assets under management rose by ¥757.3 billion to ¥5,523.3 billion.

Partly because the stock market held firm during FY2005, the valuation difference in stocks held (unrealized gains) at the end of the current year under review rose by ¥606.0 billion over the previous year to ¥1,488.0 billion. The valuation difference in stocks held after deducting an amount equivalent to corporate income taxes (“Shareholders’ Equity”) increased by ¥396.9 billion to ¥960.6 billion.

In asset management, we exerted our best efforts to enhance the efficiency of investment while maintaining efforts to strengthen and improve the risk control 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, thanks to our continued efforts to enhance investment efficiency, income from interest and dividends rose by ¥12.3 billion to ¥95.0 billion. Investment income, after adjusting for realized gains on sale of securities, transfer of investment income on premiums deposited etc, rose by ¥17.8 billion over the preceding year to ¥98.6 billion.

Meanwhile, investment expenses, including unrealized losses on securities and realized losses on sale of securities, fell by ¥13.0 billion from the preceding year to ¥7.1 billion.

The Japanese economy in FY2006 is expected to show a further robust recovery on the back of the continuing growth of the global economy if the underlying expansion of domestic private-sector demand can be sustained. However, there is a downside risk to the Japanese economy as well, given elements of instability in the global economy such as price fluctuations of crude oil and others, as well as a potential impact on domestic economy from the movement of domestic interest rates and asset prices.

We have mapped out the new medium-term management plan starting from FY2006. Under the new medium-term business plan, we will exert our best efforts toward the creation of further shareholder value by pursuing both the “expansion in scale” and “strengthening of profitability” and by an acceleration of top-line expansion through a focused placement of management resources, building on the operational base achieved under the preceding medium-term management plan through FY2005 and with risk control, compliance and further development of human resources as the basic premises of our business operations.

The continued support and assistance of our shareholders is highly appreciated.

Notes: 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. Business Results and Overview of Assets

Items	FY2002	FY2003	FY2004	FY2005 (Current period)
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Net Premiums Written	1,264,283	1,352,877	1,351,915	1,370,920
(Fire Insurance)	(153,956)	(157,447)	(150,367)	(152,077)
(Marine Insurance)	(22,903)	(24,849)	(25,199)	(28,361)
(Personal Accident Insurance)	(112,992)	(114,802)	(120,794)	(127,634)
(Automobile Insurance)	(643,628)	(673,588)	(669,097)	(674,073)
(Compulsory Automobile Liability Insurance)	(196,707)	(241,858)	(244,156)	(237,918)
(Other Insurance)	(134,095)	(140,331)	(142,300)	(150,856)
Interest and Dividend Incomes Received	68,483	75,114	82,705	95,039
Underwriting Income	39,115	59,804	16,464	24,115
Ordinary Profit (or Loss)	-8,427	134,399	74,236	114,288
Net Profit (or Loss) for the Current Period	-15,472	64,174	56,898	67,858
Net Loss Ratio	54.4%	56.8%	64.8%	61.3%
Net Expense Ratio	33.5%	31.9%	30.9%	30.3%
Invested Assets	4,177,253	4,643,480	4,765,982	5,523,347
Total Assets	4,785,864	5,072,284	5,157,080	5,934,761
Net Profit (or Loss) per Share for the Current Period	-¥16.20	¥65.14	¥57.80	¥68.94

- 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, and land property, and buildings.
 2. Net profit and net loss per share for the current period are calculated on the basis of the average number of shares outstanding during the year (954 million shares for FY2002, 984 million shares for FY2003, 984 million shares for FY2004, and 984 million shares for FY2005).

3. Overview of Branches and Agencies

Category	End of Previous Period Period	End of Current Period	Changes during Current Period
	Number of Branches	Number of Branches	Number of Branches
Branch Offices	62	60	-2
Branch Companies	282	266	-16
Sales Offices	54	56	2
Overseas Branch Offices	1	—	-1
Overseas Representative Offices	32	31	-1
Total	431	413	-18
Agencies	63,385	60,427	-2,958
Overseas Agencies	9	7	-2
Total	63,394	60,434	-2,960

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4. Overview 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
				Year-old	Years	in Thousands of Yen
Office Workers	14,705	14,394	-311	39.4	11.1	421
Sales Agents	—	—	—	—	—	—

- Note
1. Employees do not include directors who are concurrently employees, employees on extended leave and temporary employees.
 2. The average monthly salary is the average monthly salary paid in 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. Overview of Equity Shares (As of March 31, 2006)

Number of Shares	2,000,000 thousand shares
Number of Outstanding Shares	987,733 thousand shares
Number of Shareholders	38,953 persons

6. Major Shareholders (As of March 31, 2006)

Name of Shareholders	Investment in Sompo Japan		Sompo Japan's Investment in the Major Shareholders	
	Number of Shares Held (Thousands of Shares)	Percentage of Ownership (%)	Number of Shares Held (Thousands of Shares)	Percentage of Ownership (%)
The Chase Manhattan Bank N.A., London	73,621	7.5	—	—
Mizuho Corporate Bank, Ltd.	48,824	4.9	—	—
The Master Trust Bank of Japan, Ltd.	45,684	4.6	—	—
The Dai-ichi Mutual Life Insurance Company	40,908	4.1	—	—
Japan Trustee Services Bank, Ltd.	34,800	3.5	—	—
Meiji Yasuda Life Insurance Company	24,000	2.4	—	—
State Street Bank and Trust Company 505103	18,412	1.9	—	—
Sompo Japan Employee Stock Ownership Group	16,920	1.7	—	—
Japan Trustee Services Bank, Ltd. 4	11,775	1.2	—	—
State Street Bank and Trust Company	10,948	1.1	—	—

- Note
- The Company holds a total of 99,360 shares (for an ownership ratio of 0.7%), including 19,000 preferred shares, in Mizuho Financial Group, Inc., the holding company of Mizuho Corporate Bank, Ltd. The ownership ratio is calculated by excluding the preferred shares issued by Mizuho Financial Group.

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7. Acquisition, Disposal and Holding of Treasury Stock

The acquisition and disposal of treasury stock during the current year and treasury shares held at the end of the year are as described below:

Category	Type of Stock	Number of Shares	Total Acquisition or Disposal Amount (Thousands of Yen)
Acquisition	Common Stock	340,512	466,653
Disposal	Common Stock	425,253	331,589
Held	Common Stock	3,508,140	

Note There are no treasury stock purchased from specific persons, treasury stock purchased based on the resolution in 1, Article 211-3 of the Commercial Code, or treasury stock for which invalidation procedures were taken.

8. Directors and Auditors (As of March 31, 2006)

Position	Name	Job Description
President and CEO Representative Director	Hiroshi Hirano Yukiyoshi Doi	Overall Management In charge of Government Housing Loan Corporation Special Fire Insurance Department (Specified Contact), Claims Administration Department, Commercial Line Claims Department, and Property & Casualty Claims Department
Representative Director Representative Director Director	Ryosaku Minato Shigeki Nishikawa Masatoshi Sato	In charge of 1st Kansai Regional Headquarters In charge of Corporate Planning Department In charge of Group Strategy Planning Department, Corporate Communications Department, Personal Lines Planning & Development (in charge of Automobile Business Department), Healthcare Business Development Department, Accounting Department, International Planning Department
Director	Takaaki Komatsu	In charge of Internal Audit Department, Compliance Department, Claims Administration Department, Investment Administrative Department
Director	Yujiro Shimada	In charge of Personal Lines Underwriting Department, Financial Institution Marketing Department, Defined Contribution and Investment Trust Business Development Department, Agency Administrative Support Department
Director	Hiroshi Oguchi	In charge of Secretarial Department, Human Capital Department, General Affairs Department
Director Director	Jun Mochizuki Koki Kazuma	In charge of Business Process Planning, IT Strategy Planning Department In charge of Investment Planning Department, Financial Service Department, Global Securities Investment Department, and Manager, Investment Planning Department
Standing Corporate Auditor (Full-time) Corporate Auditor (Full-time) Corporate Auditor (Full-time) Corporate Auditor (Director) Standing Corporate Auditor (Full-time) Corporate Auditor (Full-time)	Ichiro Suzuki Tsuneo Ando Yoshiki Yagi Tohru Tsuji Toshiaki Hasegawa Izumi Inoue Masao Miyagawa Masahito Ishigami	Board Director (Chair) at Hitachi, Ltd., Director/Chairman at Hitachi Metals, Ltd. Director/Chairman at Marubeni Corporation Attorney-at-law Retired on Sep. 30, 2005 Retired on June 28, 2005 Retired on June 28, 2005

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- Note
1. Messrs. Yoshiki Yagi, Tohru Tsuji and Toshiaki Hasegawa, three of the auditors listed above are external auditors as specified under Paragraph 1, Article 18 of the Law concerning Exceptions under the Commercial Code concerning Auditors of Joint-Stock Corporations.
 2. Mr. Hiroshi Oguchi resigned as director on March 31, 2006.
 3. The Company has adopted the executive officer system, and the list of executive officers as of March 31, 2006, is as follows.
On April 1, 2006, Executive Officers Tetsutaka Nagaoka and Toshio Mitsuuchi were elected as Managing Executive Officers, while Messrs. Yukio Ito and Akihiro Okuhara were elected as Executive Officers, and each took office as the Managing Executive Officers.
Both Managing Executive Officer Shoji Watanabe and Executive Officer Kazushige Tachibana resigned from their posts as of March 31, 2006.

Position	Name	Job Description
President and Senior Managing Executive Officer	Hiroshi Hirano	As specified above
Deputy President and Senior Managing Executive Officer	Yukiyoshi Doi	As specified above
Deputy President and Senior Managing Executive Officer	Ryosaku Minato	As specified above
Deputy President and Senior Managing Executive Officer	Shigeeki Nishikawa	As specified above
Senior Managing Executive Officer	Tsuneo Matsumoto	Financial Institutions Department, Financial Institutions, Production & Marketing Department, 1st Production Department and 3 rd Production Department
Senior Managing Executive Officer	Yukio Nakamura	Manager, Hokuriku-Shinetsu Regional Headquarters
Senior Managing Executive Officer	Yoshio Ito	Manager, Kanto Regional Headquarters
Senior Managing Executive Officer	Yoichi Takamiya	Manager, Chubu Regional Headquarters
Senior Managing Executive Officer	Kenji Kita	Manager, Chugoku Regional Headquarters
Managing Executive Officer	Mitsuo Nishimura	Manager, Kyushu Regional Headquarters
Managing Executive Officer	Masatoshi Sato	As specified above
Managing Executive Officer	Hideo Suzuki	Manager, Tokyo Regional Headquarters
Managing Executive Officer	Osamu Yoneyama	Manager, 2nd Kansai Regional Headquarters
Managing Executive Officer	Mitsuhiko Fuse	Manager, Kanagawa-Shizuoka Regional Headquarters
Managing Executive Officer	Takaaki Komatsu	As specified above
Managing Executive Officer	Junichiro Okawa	Manager, Saitama-Chiba Regional Headquarters
Managing Executive Officer	Shoji Watanabe	Manager, Tohoku Regional Headquarters
Managing Executive Officer	Keishiro Kinoshita	Manager, Asia and Australasia Department, China Administration Department, and Manager, China Administration Department
Managing Executive Officer	Ken-ichi Tomita	Manager, Risk Management Department & Investment Administrative Department
Managing Executive Officer	Yujiro Shimada	As specified above
Managing Executive Officer	Hiroshi Kudo	2nd Production Department, 1st Corporate Account Production Department, Employee Benefit Program Production Department
Managing Executive Officer	Hiroshi Oguchi	As specified above
Managing Executive Officer	Tohru Hara	1st Automobile Business Promotion Department, 2nd Corporate Account Production Department, 3rd Corporate Account Production Department, and Marine Hull Department
Managing Executive Officer	Kazunori Kameyama	Manager, 1st Kyushu Regional Headquarters
Managing Executive Officer	Takakazu Sugishita	Manager, Hokkaido Regional Headquarters
Managing Executive Officer	Jun Mochizuki	As specified above
Managing Executive Officer	Koki Kazuma	As specified above
Managing Executive Officer	Shuichi Murakami	Manager, Shikoku Regional Headquarters
Managing Executive Officer	Ryousuke Hoshino	2nd Automobile Business Promotion Department, 4th Production Department, 1st Production & Marketing Department, 2nd Production & Marketing Department, and Medical & Welfare Market Department

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Position	Name	Job Description
Executive Officer	Tetsutaka Nagaoka	Branch Manager, Kitaosaka Branch
Executive Officer	Kazunori Nakamura	On leave (dispatched)
Executive Officer	Kazushige Tachibana	President, Sompo Japan Heart-full Line Co., Inc On leave (dispatched)
Executive Officer	Akira Shinozaki	President, Yasuda Enterprise Development Co., Ltd. Manager, Internal Audit Department
Executive Officer	Toshio Mitsuuchi	Branch Manager, Okayama Branch
Executive Officer	Ken Endo	Branch Manager, Nagano Branch
Executive Officer	Toshio Asano	Manager, Claims Administration Department
Executive Officer	Toshio Matsuzaki	Automobile Underwriting Department, Personal Lines Planning & Development Department, Manager, Personal Lines Underwriting Department, Manager, Business Process Planning Department
Executive Officer	Toshiro Umezaki	Branch Manager, Ibaraki Branch
Executive Officer	Mitsuhiko Fukui	Manager, 1st Corporate Account Production Department
Executive Officer	Hideaki Anzai	Branch Manager, Yokohama Branch
Executive Officer	Hisashi Nakano	Manager, Human Capital Department
Executive Officer	Masami Ishii	Commercial Risk Solutions Department, Corporate Business Planning Department, Planning & Marketing Department, Group Organization Development, Manager, Corporate Business Planning Department
Executive Officer	Eiichi Yoshimitsu	Manager, Corporate Planning Department
Executive Officer	Takeshi Oiwa	Manager, International Planning Department
Executive Officer	Kengo Sakurada	Manager, Financial Institutions Department
Executive Officer	Hiroshi Inagaki	Manager, Claims Quality Control Department
(Senior Managing Executive Officer)	Ichiro Suzuki	Retired on June 28, 2005
(Managing Executive Officer)	Yutaka Sawada	Retired on June 28, 2005
(Managing Executive Officer)	Izumi Inoue	Retired on Sep. 30, 2005

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9. Parent Company and Subsidiaries (As of March 31, 2006)

(1) Parent Company

Not Applicable

(2) Overview of Subsidiaries

Name of Company	Location	Major Lines of Business	Date of Establishment	Capital Amount	Percentage of Voting Rights Held by Sompo Japan	Other
Sompo Japan Himawari Life Insurance Co., Ltd.	Shinjuku-ku Tokyo	Insurance	July 7, 1981	¥7,250 million	100.0%	—
Sompo Japan DC Securities Co., Ltd.	Shinjuku-ku Tokyo	Defined Contribution Pension Plan, Mutual Fund Sales	May 10, 1999	¥9,820 million	100.0%	—
Sompo Japan DIY Life Insurance Co., Ltd.	Nakano-ku Tokyo	Life Insurance	April 23, 1999	¥8,000 million	100.0%	—
Sompo 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%	—
Sompo Japan Insurance Company of America	New York, USA	Casualty (Non-Life) Insurance	August 9, 1962	US\$12.057 thousand (¥1,416 million)	100.0%	—
Sompo Japan Insurance Company of Europe Ltd.	London, UK	Casualty (Non-Life) Insurance	Dec. 9, 1993	£128,700 thousand (¥26,409 million)	100.0%	—
Sompo Japan Insurance (China) Co., Ltd.	Dalian, China	Casualty (Non-Life) Insurance	June 1, 2005	500,000 yuan (¥7,360 million)	100.0%	—
Sompo Japan Insurance Company (Asia) Pte Ltd.	Singapore (Singapore)	Casualty (Non-Life) Insurance	Dec. 14, 1989	S\$34.600 thousand (¥2,511 million)	100.0%	—
Yasuda Seguros S.A.	Sao Paulo, Brazil	Casualty (Non-Life) Insurance	Sep. 22, 1958	Real 87,913 thousand (¥4,751 million)	99.3%	—

- Note
1. This table lists only subsidiaries of particular importance.
 2. Sompo Japan Financial Guaranty, which was listed in this table at the end of the preceding year as an important subsidiary, was merged into the Company as of July 1, 2005.
 3. Sompo Japan Insurance (China) Co., Ltd. has been newly listed in this table as an important subsidiary from the current year after the Dalian branch of the Company transferred its business to the company

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and the company became a subsidiary of the Company as of July 1, 2005.

4. The combined ordinary income (sales for a company other than insurance companies) of the 12 subsidiaries listed in the table totaled ¥332.4 billion and their combined net income amounted to ¥2.9 billion.
5. The yen-denominated amounts presented in parentheses of the column for capital and the amounts in 4 above are the translated amounts based on the exchange rates on the date of settlement of the Company.

Outline of Important Business Alliances:

The Company provides secretarial and representative services related to life insurance business in commission for Sompo Japan Himawari Life Insurance Co., Ltd.

Under agreements for secretarial and representative services entered into pursuant to the comprehensive business partnership with Dai-ichi Mutual Life Insurance Company, Dai-ichi Mutual Life Insurance Company handles non-life insurance products of the Company, while agencies of the Company handle life insurance products of Dai-ichi Mutual Life Insurance Company.

Under a business partnership arrangement with Credit Saison Co., Ltd. and Saison Automobile and Fire Insurance Co., Ltd., the Company entered into an agreement for secretarial and representative services with Saison Automobile and Fire Insurance Co., Ltd., under which Saison Automobile and Fire Insurance Co., Ltd. handles non-life insurance products of the Company.

10. Remuneration for Directors and Auditors and Compensation for Other Job Performance

These are not specified as the Articles of Incorporation have no provisions regarding Paragraph 12, Article 266 of the Commercial Code (including cases where the said provision, after reinterpreted under Paragraph 18 of Article 266, is applied mutatis mutandis under Paragraph 1 of Article 280 of the Commercial Code, or applied mutatis mutandis under Paragraph 4 or Paragraph 6, Article 21-17 of the Law for Special Provisions for the Commercial Code Concerning Audits, etc.) or Paragraph 19 of Article 266 of the Commercial Code (including cases where it is applied mutatis mutandis under Paragraph 5 of Article 21-17 of the Law for Special Provisions for the Commercial Code Concerning Audits, etc.).

11. Overview of New Share Subscription Rights

[For Subscription rights already issued]

Subject to the resolution adopted at an annual general meeting of shareholders held on June 27, 2002

Number of subscription rights	625 rights
Class of shares subject to Subscription rights	Common Stock
Number of shares subject to subscription rights	625,000 shares
Issue price of shares to be issued pursuant to exercise of subscription rights	¥777 per share (August 1, 2002) ¥712 per share (Nov. 1, 2002) ¥705 per share (Jan. 1, 2003) ¥581 per share (May 1, 2003) ¥574 per share (June 1, 2003)

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Subject to the resolution adopted at an annual general meeting of shareholders held on June 27, 2003

Number of subscription rights	526 rights
Class of shares subject to Subscription rights	Common Stock
Number of shares subject to subscription rights	526,000 shares
Issue price of shares to be issued pursuant to exercise of subscription rights	¥735 per share (August 1, 2003) ¥901 per share (Feb. 2, 2004)

Subject to the resolution adopted at an annual general meeting of shareholders held on June 29, 2004

Number of subscription rights	625 rights
Class of shares subject to Subscription rights	Common Stock
Number of shares subject to subscription rights	625,000 shares
Issue price of shares to be issued pursuant to exercise of subscription rights	¥1,167 per share (August 2, 2004) ¥1,082 per share (Feb. 1, 2005)

Subject to the resolution adopted at an annual general meeting of shareholders held on June 28, 2005

Number of subscription rights	733 rights
Class of shares subject to Subscription rights	Common Stock
Number of shares subject to subscription rights	733,000 shares
Issue price of shares to be issued pursuant to exercise of subscription rights	¥1,148 per share (August 1, 2005) ¥1,665 per share (Feb. 1, 2006)

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[Subscription rights issued with particularly favorable terms to those other than shareholders (excluding *tokuteishiyoninto* (specified employees)) during the business year]

Names of allottees	Date of Grant of stock option		
Figures in parentheses indicate the number of subscription rights allotted	Directors		
	Hiroshi Hirano	(20)	August 1, 2005
			Feb. 1, 2006
	Yukiyoshi Doi	(15)	August 1, 2005
			Feb. 1, 2006
	Ryosaku Minato	(15)	August 1, 2005
			Feb. 1, 2006
	Shigeki Nishikawa	(15)	August 1, 2005
			Feb. 1, 2006
	Masatoshi Sato	(8)	August 1, 2005
			Feb. 1, 2006
	Izumi Inoue	(8)	August 1, 2005
	Takaaki Komatsu	(8)	August 1, 2005
			Feb. 1, 2006
Yujiro Shimada	(8)	August 1, 2005	
		Feb. 1, 2006	
Hiroshi Oguchi	(8)	August 1, 2005	
		Feb. 1, 2006	
Jun Mochizuki	(8)	August 1, 2005	
		Feb. 1, 2006	
Koki Kazuma	(8)	August 1, 2005	
		Feb. 1, 2006	
	Total 234 rights (1,000 shares per subscription right)		
Class of shares subject to subscription rights	Common stock		
Number of shares subject to subscription rights	234,000 shares		
Issue price of shares to be issued pursuant to exercise of subscription rights	¥1,148 per share (Issued on August 1, 2005) ¥1,665 per share (Issued on Feb. 1, 2006)		
Terms for exercise of subscription rights	<p><1> The period of exercise of subscription rights shall be between June 29, 2007 and June 28, 2015.</p> <p><2> When an allottee of subscription rights loses both of his positions as director and executive officer of the Company, he can still exercise his rights within five years of the date when he lost his positions (though limited to until the last day of the exercise period) under the terms and conditions set out in the “subscription rights allotment contract” described in <5> below.</p> <p><3> When an allottee of subscription rights passes away, his heir (though limited to the spouse) can exercise his rights within five years of the date of death (if he passed away after he lost both of his positions as director and executive officer of the Company, within five years of the date when he lost his position) under terms and conditions set out in the “subscription rights allotment contract” described in <5> below.</p> <p><4> An allottee of subscription rights is not allowed to assign those rights to any third party, pledge them as collateral or to dispose them in other ways.</p> <p><5> Other terms and conditions for the exercise of subscription rights are set forth under the “subscription rights allotment contract” to be entered into between the Company and allottees.</p>		
Events and terms for cancellation of subscription rights	<p><1> When a merger agreement making the Company the merging company is approved, or when a general meeting of shareholders votes in favor of a proposal for approval of a share exchange contract that makes the Company a wholly owned subsidiary and also votes in favor of a proposal for the transfer of shares, subscription rights can be canceled without compensation.</p> <p><2> When an allottee of subscription rights loses both of his positions as director and executive officer of the Company before he exercises his rights, the allotted subscription rights can be cancelled without compensation under terms and conditions of “subscription rights allotment contract.”</p>		
Favorable terms for subscription rights	Subscription rights are issued without compensation.		

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[Subscription rights issued with particularly favorable terms to *tokuteishiyoninto* (specified employees) during the business year]

Names of allottees	Date of Grant of stock option		
Figures in parentheses indicate the number of subscription rights allotted	Executive Officers(TOP 10)		
	Tsuneo Matsumoto	(11)	August 1, 2005
			Feb. 1, 2006
	Yukio Nakamura	(11)	August 1, 2005
			Feb. 1, 2006
	Yoshio Itoh	(11)	August 1, 2005
			Feb. 1, 2006
	Yoichi Takamiya	(11)	August 1, 2005
			Feb. 1, 2006
	Kenji Kita	(11)	August 1, 2005
			Feb. 1, 2006
	Mitsuo Nishimura	(8)	August 1, 2005
			Feb. 1, 2006
	Hideo Suzuki	(8)	August 1, 2005
		Feb. 1, 2006	
Osamu Yoneyama	(8)	August 1, 2005	
		Feb. 1, 2006	
Mitsuhiko Fuse	(8)	August 1, 2005	
		Feb. 1, 2006	
Junichiro Okawa	(8)	August 1, 2005	
		Feb. 1, 2006	
Class of shares subject to subscription rights	Common stock		
Number of shares subject to subscription rights	499,000 shares		
Issue price of shares to be issued pursuant to exercise of subscription rights	¥1,148 per share (Issued on August 1, 2005) ¥1,665 per share (Issued on Feb. 1, 2006)		
Terms for exercise of subscription rights	<p><1> The period of exercise of subscription rights shall be between June 29, 2007 and June 28, 2015.</p> <p><2> When an allottee of subscription rights loses both of his positions as director and executive officer of the Company, he can still exercise his rights within five years of the date when he lost his positions (though limited to until the last day of the exercise period) under the terms and conditions set out in the “subscription rights allotment contract” described in <5> below.</p> <p><3> When an allottee of subscription rights passes away, his heir (though limited to the spouse) can exercise his rights within five years of the date of death (if he passed away after he lost both of his positions as director and executive officer of the Company, within five years of the date when he lost his position) under terms and conditions set out in the “subscription rights allotment contract” described in <5> below.</p> <p><4> An allottee of subscription rights is not allowed to assign those rights to any third party pledge them as collateral or to dispose them in other ways.</p> <p><5> Other terms and conditions for the exercise of subscription rights are set forth under the “subscription rights allotment contract” to be entered into between the Company and allottees.</p>		
Events and terms for cancellation of subscription rights	<p><1> When a merger agreement making the Company the merging company is approved, or when a general meeting of shareholders votes in favor of a proposal for approval of a share exchange contract that makes the Company a wholly owned subsidiary and also votes in favor of a proposal for the transfer of shares, subscription rights can be canceled without compensation.</p> <p><2> When an allottee of subscription rights loses both of his positions as director and executive officer of the Company before he exercises his rights, the allotted subscription rights can be cancelled without compensation under terms and conditions of “subscription rights allotment contract.”</p>		
Favorable terms for subscription rights	Subscription rights are issued without compensation.		

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[Subscription rights issued with particularly favorable terms to *tokuteishiyoninto* (specified employees) during the business year]

Category	Employees of the Company
Total number of subscription rights issued	499 rights (1,000 shares per subscription right)
Class of shares subject to subscription rights	Common stock
Number of shares subject to subscription rights	499,000 shares
Total number of allottees	36

12. Important events in regards to the condition of the Company that arose after the Settlement of Accounts

Not applicable

13. Matters necessary for the Board of Corporate Auditors to perform their duties

Not applicable as the Company is not subject to a committee-based corporate governance structure.

14. Policy regarding Determination of Individual Remuneration for Directors and Executive Officers

Not applicable as the Company is not subject to a committee-based corporate governance structure.

15. Remuneration for Accounting Auditors

(Unit: Millions of Yen)

(1) The aggregate sum of remuneration for accounting auditors to be paid by the Company, subsidiaries and subsidiary corporations, etc.	100
(2) out of (1), the aggregate sum of remuneration for accounting auditors to be paid as compensation for audit certification	78
(3) out of (2), the amount of remuneration for accounting auditors to be paid by the Company	48

Note The amount of remuneration for accounting auditors to be paid by the Company is presented as the aggregate sum of remuneration for audit under the Law for Special Provisions for the Commercial Code Concerning Audits, etc. and the Securities and Exchange Law.

16. Other important matters concerning the condition of the Company

Not applicable

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(Information)

In light of the implementation of the Company Law from May 1, 2006, the Company has resolved at the meeting of the Board of Directors held on April 28, 2006, as follows regarding the Basic Policy of Formation of Internal Control Systems.

April 28, 2006
Sompo Japan Insurance, Inc.

Basic Policy on Formation of Internal Control Systems

The directors shall faithfully observe relevant laws, the Articles of Association and the Sompo Japan Insurance Inc. Group Mission Statement in the performance of their duties, and shall prepare systems as described below to ensure that the business of the Company is run effectively and appropriately and to raise the quality of industry controls.

1. Systems for keeping and managing information related to directors' performance of their duties

The Company shall systematically manage and keep information pertaining to performance of duties by directors and executive officers based on regulations prescribed by the board of directors covering information management.

2. Regulations pertaining to loss risk management and other systems

The Company shall implement systems pertaining to risk management, as well as systems that integrate and manage these risks, for those business risks that may have a significant impact on the management of the Company, such as risk associated with group companies and operational risks, liquidity risk, asset management risk and insurance underwriting risk, based on regulations covering risk management prescribed by the board of directors.

3. Systems to ensure that the directors effectively carry out their duties

In order to ensure that each of the directors effectively discharges their 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.

Further, in order to ensure that the 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 and work execution procedures etc. for each organizational unit and shall also employ an executive officers system that designates responsibility for performance.

4. Systems to ensure that directors and employees perform their duties in accordance with relevant laws and the Articles of Association

The Company shall implement systems to comply with the relevant laws such as formulation of standards of conduct, based on regulations pertaining to compliance as prescribed by the board of directors, establishing a compliance committee under the board of directors, mapping out plans that facilitate compliance and training executives and employees, in order to ensure that the directors and employees discharge their duties in compliance with relevant laws and the Articles of Association.

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

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5. Systems to ensure effective operation of the business group comprised of the Company and Company subsidiaries

In order 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, to clearly designate departments having authority for the management of business operations of subsidiary companies and education in furtherance thereof and shall establish procedures for determining matters of importance affecting subsidiary companies.

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

6. Matters relating to employees appointed by the auditors when they require such appointment to assist them in the performance of their work

The Company shall select assistant auditors from among the Company's employees at a meeting of the board of directors, based on regulations covering assistant auditors as prescribed by the board of directors.

7. Ensuring independence of employees assisting the auditors from the directors

In the appointment, dismissal, HR assessment and compensation determination of assistant auditors, the Company shall, based on regulations pertaining to assistant auditors, hear the opinions of the board of auditors and obtain their agreement therefor, to ensure that the assistant auditors are independent of the directors.

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 other managerial staff.

8. Systems to facilitate reporting by directors and employees to the auditors and other systems relating to submission of reports to the auditors

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

The directors, executive officers, and other employees must submit reports based on such determinations above by the Company without fail. Further, the directors, executive offices, and other employees must promptly comply if requested by the auditors to submit a report concerning a matter other than such matters as determined above by the Company.

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

9. Other systems for ensuring the effective performance of audits by the auditors

The Company shall ensure that when an auditor enters a department 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, it shall give priority to such audit work over other work as much as possible and cooperate with 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 or executive officers.

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Attachment (2)

Non-Consolidated Balance Sheet for FY2005 (As of March 31, 2006)

(Unit: Millions of Yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Cash and Deposits	196,194	Insurance Policy Reserve	3,944,996
Cash	58	Outstanding Claims	632,094
Deposits	196,135	Underwriting Reserves	3,312,901
Call Loans	55,000	Other Liabilities	211,068
Repurchase Agreement Account	19,998	Co-Insurance Payable	5,771
Monetary Claims Purchased	18,004	Re-Insurance Payable	71,929
Money Trusts	33,247	Foreign Re-Insurance Payable	17,660
Securities	4,546,229	Agency Borrowing	22
Government Bonds	610,099	Borrowings	746
Municipal Bonds	146,643	Corporate Income Tax and Other	16,413
Corporate Bonds	472,311	Taxes Payable	
Stocks	2,099,904	Deposits Received	4,836
Foreign Securities	1,111,702	Advance Received	86
Other Securities	105,568	Accounts Payable	36,964
Loans	448,525	Temporary Receipts	55,414
Insurance Policy Loans	12,171	Borrowed Securities	242
General Loans	436,353	Derivatives	980
Real Estate and Movable Assets	228,282	Reserve for Retirement Benefits	89,911
Land	106,345	Reserve for Accrued Bonuses	11,992
Buildings	99,859	Reserve for Price Fluctuation	24,001
Movable Assets	21,593	Deferred Tax Liabilities	253,071
Construction in progress	483		
Other Assets	409,304	Total Liabilities	4,535,041
Premiums Receivable	830	(Shareholders' Equity)	
Agent Balances	90,996	Capital	70,000
Foreign Agent Balances	19,091	Additional Paid-In Capital	24,229
Co-Insurance Recoverable	9,616	Reserve for capital	24,229
Reinsurance Recoverable	78,415	Retained Earnings	347,717
Foreign Reinsurance Recoverable	38,185	Earned Surplus Reserve	26,400
Agency Business Receivables	2	Voluntary Reserve	242,483
Accounts Receivable	20,020	(Reserve for Dividend Payment to Shareholders)	(41,300)
Uncollected Income	12,580	(Reserve for Retirement Benefits)	(1,000)
Deposits	48,750	(Reserve for Advanced Depreciation)	(583)
Deposits for Earthquake Insurance	51,637	(Special Reserve for Insurance Policies)	(76,500)
Temporary Payments	36,436	(Special Reserve)	(123,100)
Margin Accounts for Futures	565	Unappropriated Profit for Current Term	78,833
Transactions		(Net Profit)	(67,858)
Derivatives	1,152	Unrealized Gains on Securities	960,629
Other Assets	1,020	Treasury Stock	-2,857
Allowance for Bad Debts	-20,022	Total Shareholders' Equity	1,399,719
Investment Loss Reserve	-4	Total Liabilities and Shareholders' Equity	5,934,761
Total Assets	5,934,761		

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Notes to Non-Consolidated Balance Sheet

1. 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 fiscal year by the market value method.
All valuation differences are added (or subtracted) directly to capital. Moreover, 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.
2. 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.
3. Derivative transactions are valued by the market value method.
4. Depreciation of real estate and movable assets are calculated using the fixed-percentage method. However, straight-line method is applied to buildings (excluding furniture, fixtures and equipment) acquired on or after April 1, 1998.
5. Foreign currency denominated assets and liabilities have been converted into Japanese Yen in accordance with the Accounting Standards Pertaining to Foreign Currency Denominated Transactions.
6. Allowance for bad debts are 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 or 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 the amount 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.

Furthermore, 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.
7. The amount set aside for investment loss reserve is based on the expected losses at the end of the period. This is to provide for losses from possible future non-repayment, etc. in relation to a bond issued by persons who are likely to fail, and such determination is based on the self-assessment standards as well as depreciation/reserve standards for assets.
8. The amount set aside for reserve for retirement benefits is based on the expected retirement benefit obligations at the end of the fiscal year and is applied towards the employees' retirement benefits.

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 fiscal 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, ¥1,142 million has been calculated as reserves for retirement benefits to cover expenditures for executive retirement benefits (including pensions).

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Items related to retirement benefits are as follows:

(1) Retirement benefit obligations and the breakdown

Retirement Benefit Obligations	- ¥	126,592	million
Retirement Benefit Trusts	¥	7,427	million
<hr/>			
Unfunded Retirement Benefit Obligations	- ¥	119,165	million
Unrecognized Actuarial Variances	¥	27,828	million
Unrecognized Past Service Liabilities	¥	1,425	million
<hr/>			
Reserve for Retirement Benefits	- ¥	89,911	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	12 years

(Changes to Accounting Policies)

The Company has changed from treating retirement benefits paid to executives as costs at the time of payment to calculating year-end payments made in accordance with internal regulations as part of the reserves for retirement benefits.

This change was made because it is accounting industry standard to calculate executive retirement benefits as reserves and with the establishment and revision of the new internal regulations concerning benefits from this year, the changes should let the Company properly calculate the year's profits and losses and strengthen the Company's finances by properly distributing the retirement costs of the executives according to their terms of service.

Under these changes, this year the Company had ¥214 million in loss adjustment costs, business costs and general administrative costs, and with ¥927 million calculated as other extraordinary losses, the Company had a lower ordinary profit of ¥214 million and pre-tax net profits of ¥1,142 million both lower than it calculated under the old method.

9. The amount set aside for the reserve for accrued bonuses is based on the estimated amount payable at the end of the fiscal period and is applied towards employee bonuses.
10. 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.
11. 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, and the appropriation method is used for foreign currency loans, future exchange contracts and currency swaps used to hedge fluctuation risks in the currency exchange market related to 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 are 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.

12. Amounts are stated exclusive of national and local consumption taxes. However, such taxes are included in the amounts shown for expenses such as loss adjustment expenses, various commissions and collection expenses, and 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.
13. Finance lease transactions except for leases that transfer ownership to the lessee are treated according to the accounting method used for ordinary loan transactions.

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14. (1) Of the total loan amount, uncollectible loans were ¥27 million and delinquent loans were ¥4,936 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 Corporate Income Tax Law Enforcement Ordinance (Ordinance 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.
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 ¥3,029 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 ¥7,993 million.
15. Accumulated depreciation of real estate and movable assets was ¥222,502 million and the amount of reduced value entry of real estate and movable assets was ¥10,759 million.
16. Net assets as defined in Article 17-3, Paragraph 1, Sub-paragraph 3 of the Enforcement Regulations concerning Insurance Business Law was ¥985,600 million.
17. Total monetary claims against subsidiaries was ¥18,740 million while total monetary liabilities against subsidiaries was ¥982 million.
18. In addition to the movable assets booked under movable assets on the balance sheet, some of the electronic computers were used under lease contracts.
19. Investments in shares of the subsidiaries were ¥137,260 million while capital investment in the subsidiaries was ¥7,379 million.
20. Assets pledged as collateral consist of ¥55,177 million in securities and ¥6,789 million in deposits. These are collateral for borrowings of ¥746 million as well as for obtaining letters of credit.
21. Breakdown of reserves for outstanding claims:
- | | | | |
|---|---|---------|---------|
| Reserve for outstanding claims: (before deducting ceded reinsurance reserve for outstanding claims, excluding insurances stated in (b)) | ¥ | 617,567 | million |
| Ceded reinsurance reserve for outstanding claims relating to the above | ¥ | 44,370 | million |
| Difference (a) | ¥ | 573,197 | million |
| Reserve for outstanding claims involved in earthquake insurance and compulsory automobile liability insurance (b) | ¥ | 58,897 | million |
| Total (a + b) | ¥ | 632,094 | million |
22. Breakdown of underwriting reserves:
- | | | | |
|---|---|-----------|---------|
| Ordinary underwriting reserves (before deducting ceded reinsurance underwriting reserves) | ¥ | 919,315 | million |
| Ceded reinsurance underwriting reserves relating to the above | ¥ | 31,784 | million |
| Difference (a) | ¥ | 887,530 | million |
| Other underwriting reserves (b) | ¥ | 2,425,370 | million |
| Total (a + b) | ¥ | 3,312,901 | million |
23. A total of ¥162,882 million in securities on loan pursuant to loan agreements are included under stocks and foreign securities.
24. The balance of unexecuted loans related to loan commitment agreements were ¥22,815 million.

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25. Deferred tax assets were ¥274,971 million while deferred tax liabilities were ¥528,043 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	¥	169,517	million
Reserve for outstanding claims	¥	36,241	million
Reserve for retirement benefits	¥	32,449	million
Loss on asset valuation	¥	30,956	million
Intangible fixed assets for tax purposes	¥	11,218	million
Other	¥	22,110	million
<hr/>			
Subtotal for deferred tax assets	¥	302,493	million
Allowance account	- ¥	27,521	million
<hr/>			
Total deferred tax assets	¥	274,971	million
Deferred Tax Liabilities			
Unrealized Loss on Securities	- ¥	527,383	million
Other	- ¥	659	million
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Total Deferred Tax Liabilities	- ¥	528,043	million
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Net deferred tax assets (or liabilities)	- ¥	253,071	million

26. Amounts have been rounded off to the decimal place noted.

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Attachment (3)

Non-Consolidated Income Statement for FY2005 (April 1, 2005 - March 31, 2006)

(Units: Millions of Yen)

	Item	Amount
Ordinary Profit or Loss	Ordinary Income	1,696,665
	Underwriting Income	1,581,174
	Net Premiums Written	1,370,920
	Savings-Type Insurance Premiums Written	157,477
	Investment Income on Savings-Type Insurance Premiums Written	45,685
	Foreign Exchange Gain	911
	Other Underwriting Income	6,179
	Asset Investment Income	98,616
	Interest and Dividends Received	95,039
	Investment Gain on Money Trusts	2,808
	Income on Sale of Securities	41,446
	Income on Redemption of Securities	300
	Foreign Exchange Gain	4,322
	Other Investment Income	384
	Transfer of Investment Income on Savings-Type Insurance Premiums Written	-45,685
	Other Ordinary Income	16,875
	Ordinary Expenses	1,582,377
	Underwriting Expenses	1,363,197
	Net Claims Paid	776,042
	Loss Adjustment Expenses	63,985
	Various Commissions and Collection Expenses	226,182
	Maturity Refunds	235,317
	Dividends to Policyholders	44
	Amounts Transferred to Reserves for Outstanding Claims	45,454
	Amounts Transferred to Underwriting reserves	13,624
	Other Underwriting Expenses	2,545
	Asset Management Expenses	7,140
	Investment Loss on Securities held for Trading Purposes	74
	Loss on Sale of Securities	547
	Loss on Revaluation of Securities	308
Loss on Redemption of Securities	197	
Loss on Derivatives	4,484	
Other Asset Management Expenses	1,529	
Operating Expenses and General Administrative Expenses	210,917	
Other Ordinary Expenses	1,122	
Interest Paid	34	
Loss on Bad Debt	22	
Other Ordinary Expenses	1,064	
Ordinary Profit	114,288	
Extraordinary Profit or Loss	Extraordinary Profit	12,813
	Gain on Disposal of Real Estate and Movable Assets	1,315
	Other Extraordinary Profit	11,497
	Extraordinary Loss	10,041
	Loss on Disposal of Real Estate and Movable Assets	1,441
	Impairment Losses	233
	Amounts Transferred to Provision for Price Fluctuation Reserve	6,447
Revaluation Loss of Real Estate	108	
Other Extraordinary Loss	1,810	
Net Profit Before Taxes for Current Term	117,060	
Corporate Income Tax and Inhabitation Tax	16,647	
Adjustments to Corporate Income Tax and Other Taxes	32,554	
Net Profit for Current Term	67,858	
Unappropriated Retained Earnings Brought Forward from Previous Fiscal Year	10,721	
Amount of Unappropriated Retained Profits due to Merger	254	
Loss on Disposal of Treasury Stock	0	
Unappropriated Retained Profit at End of Current Term	78,833	

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Notes to Non-Consolidated Income Statement

1. Total income from transactions with subsidiary companies was ¥17,975 million and total expenses from transactions with subsidiary companies were ¥47,126 million.
2. (1) Breakdown of net premiums written:

Premiums written	¥	1,671,027	million
—) Reinsurance premiums paid	¥	300,106	million
<hr/>			
Net Premiums Written	¥	1,370,920	million
- (2) Breakdown of net losses paid:

Losses paid	¥	1,016,214	million
—) Reinsurance payments collected	¥	240,172	million
<hr/>			
Net losses paid	¥	776,042	million
- (3) Breakdown of various commissions and collection expenses:

Various commissions and collection expenses paid	¥	245,080	million
—) Ceded reinsurance commissions received	¥	18,898	million
<hr/>			
Various commissions and collection expenses	¥	226,182	million
- (4) Breakdown of provisions for amounts transferred to reserves for outstanding claims
(- indicates drawdowns from 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))	¥	20,433	million
Ceded reinsurance amounts transferred to reserves for outstanding claims relating to the above amount	- ¥	23,956	million
<hr/>			
Difference (a)	¥	44,389	million
Amounts transferred to reserves for outstanding claims relating to earthquake insurance and compulsory automobile liability insurance (b)	¥	1,064	million
<hr/>			
Total (a+b)	¥	45,454	million
- (5) Breakdown of provisions for amounts transferred to underwriting reserves
(- indicates drawdowns from amounts transferred to underwriting reserves):

Amounts transferred to ordinary underwriting reserves (before deducting ceded reinsurance underwriting reserve)	¥	9,884	million
Ceded reinsurance amounts transferred to ordinary underwriting reserves relating to the above amount	- ¥	655	million
<hr/>			
Difference (a)	¥	10,539	million
Other amounts transferred to underwriting reserves (b)	¥	3,085	million
<hr/>			
Total (a+b)	¥	13,624	million
- (6) Breakdown of interest and dividends received:

Interest on deposits	¥	256	million
Interest on call loans	¥	5	million
Interest on repurchase agreement accounts	¥	6	million
Interest on monetary claims purchased	¥	130	million
Interest and dividends on securities	¥	80,088	million
Interest on loans	¥	7,501	million
Rent on real estate	¥	5,240	million
Other interest and dividends	¥	1,811	million
<hr/>			
Interest and dividend received	¥	95,039	million
3. The investment losses on securities held for trading purposes consist of losses on sales of ¥47 million and revaluation losses of ¥26 million.
4. The revaluation losses from money trusts were ¥25 million. The revaluation profits from derivatives was ¥22,272 million being the sum of ¥1,029 million in underwriting profit and ¥21,242 million in profit from derivatives.
5. Other extraordinary profit included ¥11,497 million received as settlement from Fortress Re Inc., a US-based insurance agency, and others for losses stemming from an overseas reinsurance deal.

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6. The breakdown of other extraordinary loss is as follows: ¥927 million in past expenses in provisions for amounts transferred to reserves for executive retirement benefits and ¥882 million in litigation expenses related to the damages suit against Fortress Re Inc., a US-based insurance agency, over an overseas reinsurance deal.
7. The total retirement benefit expenses recorded as loss adjustment expenses, and operational and general administrative expenses were ¥18,048 million and the breakdown is as follows. Also, ¥927 million in past expenses in provisions for amounts transferred to reserves for executive retirement benefits was recorded as other extraordinary losses.

Working expenses	¥	7,290	million
Interest expenses	¥	1,849	million
Expected investment income		—	million
Expenses disposition associated with the actuarial variations	¥	3,322	million
Expenses disposition associated with past service liabilities	¥	3,311	million
Sub Total	¥	15,774	million
Extraordinary profit related to liquidation of welfare pension fund	¥	2,273	million
Expense associated with the retirement benefits	¥	18,048	million

8. 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 42.03%. The breakdown of main items in the differences between the two rates are as follows:

Statutory effective tax rate	36.09	%
(Adjustments)		
Increase of allowance account	9.53	%
Dividends received which are excluded from gross revenues	- 3.39	%
Entertainment expenses not qualified as tax deductible expense	0.88	%
Other	- 1.07	%
Burden ratio for corporate and other taxes after the application of deferred tax accounting	42.03	%

9. Net profit per share is ¥68.94. 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 ¥67,858 million, all of which is allocable to the common shareholders. Net income allocable to common shares was ¥67,858 million and the average number of shares outstanding during the period is 984 million shares.
10. 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 is 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

Some properties once used in insurance business operations became idle as a result of the consolidation and shutdown of retail outlets during the Company's restructuring. Accordingly, those properties for which no future plans of utilization are determined have been changed to idle properties. For such properties, the book value of the properties whose recoverable value is below 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
Idle properties and other properties not utilized	Higashi-Osaka Building	—	233	233

(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.

11. Amounts have been rounded off to the decimal place noted.

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Attachment (4)

Proposed Appropriation of Retained Earnings

Unappropriated Retained Profits at end of the current period	78,833,740,859	Yen
Transfer from Voluntary Reserve	241,929,289,890	Yen
Reserve for Shareholder Dividends	41,300,000,000	Yen
Reserve for Retirement Benefits	1,000,000,000	Yen
Reserve for Reduced Value Entry	29,289,890	Yen
Special Reserve for Insurance Contracts	76,500,000,000	Yen
Special Reserves	123,100,000,000	Yen
Total	320,763,030,749	Yen
The above shall be appropriated as follows:		
Amount of Appropriated Profits	304,394,928,692	Yen
Earned Surplus Reserve	2,600,000,000	Yen
Shareholder Dividends (JPY13.00 per share)	12,794,928,692	Yen
Voluntary Reserve (Contingent reserve)	289,000,000,000 (289,000,000,000)	Yen
Unappropriated Retained Earnings Carried Forward to the Next Period	16,368,102,057	Yen

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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 19,2006

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Attachment (6)
Certified Copy of the Audit Report

Audit Report

The Board of Corporate Auditors has reviewed the reports from each auditor describing his or her methods and results pertaining to the duties as performed by the directors of the Company during the 63rd fiscal period between April 1, 2005 and March 31, 2006. The following are the results of the audit:

1. Summary of Auditing Methods Utilized by Auditors

Each auditor, in accordance with the standards set forth by the Board of Corporate Auditors and his or her assigned tasks, has attended meetings of the board of directors and other pertinent meetings, received information from directors and the internal audit division on the performance of their duties, gained access to approval and other important documents, from time to time visited the head office, branch stores, and branch offices to investigate the status of operations, assets and internal regulations, and requested operating reports from subsidiary companies, if and when needed. In addition, the committee has monitored the independence of the accounting auditor, has received reports and explanations regarding the audit performed by the accounting auditor, and has reviewed the financial reports and supplementary schedules.

In addition to the above methods, the Board of Corporate Auditors has, as necessary, requested reports from directors and examined in detail the conditions regarding the following areas: Competing business transactions conducted by directors, transactions between the directors and the Company adverse to the Company, profit sharing conducted by the Company for no consideration, transactions with subsidiary companies and/or shareholders that are out of the ordinary, and acquisitions and/or disposal of treasury stock.

2. Audit Results

- (1) The audit methods used and the results obtained by Ernst & Young ShinNihon, the accounting auditor, are fair and suitable.
- (2) The business reports conform to all related laws and regulations and to the Company's Articles of Incorporation, and fairly represent conditions at the Company.
- (3) In view of the company's financial situation and other relevant conditions, the resolutions relating to the retained earnings appropriation statement are suitable and there are no matters to be pointed out.
- (4) The supplementary schedules contain all necessary items and there are no matters to be pointed out.
- (5) No unfair acts or major violations of any relevant laws and regulations or the Company's Articles of Incorporation have been carried out by the Directors during the performance of their duties including their duties with regards to any subsidiaries of the Company.

In addition, no directors have breached their duties regarding competing business transactions by directors, transactions with the Company adverse to the Company, profit sharing conducted with no consideration, transactions with subsidiary companies and/or shareholders that are out of the ordinary, and acquisitions and/or disposal of treasury stock.

May 22, 2006

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

(Note) Messrs. Yoshiki Yagi, Tohru Tsuji and Toshiaki Hasegawa are external Corporate Auditors as set forth in Article 18-1 of the old "Law for Special Exceptions to the Commercial Code Concerning Audits, etc. for Corporations (Kabushiki Kaisha)."

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Attachment (7)

Consolidated Balance Sheets for FY 2005 (as of March 31, 2006)

(Units: Millions of Yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Cash and Deposits	241,823	Insurance Policy Reserve	4,798,495
Call Loans	55,000	Reserve for Outstanding Losses and Claims	695,167
Repurchase Agreement Accounts	19,998	Underwriting Reserves	4,103,327
Monetary Claims Purchased	18,005	Other Liabilities	232,963
Money Trusts	33,278	Reserve for Retirement Benefits	91,089
Securities	5,262,320	Reserve for Accrued Bonuses	12,650
Loans	458,164	Provision for Price Fluctuation Reserve	24,057
Real Estate and Movable Assets	230,409	Deferred Tax Liabilities	253,503
Other Assets	442,174	Total Liabilities	5,412,760
Deferred Tax Assets	5,832	(Minority Equity)	
Consolidated Adjustment Accounts	28,713	Minority Equity	469
Allowance for Bad Debts	-20,903	(Capital)	
Investment Loss Reserve	-4	Capital	70,000
		Additional Paid-In Capital	24,229
		Retained Earnings	313,357
		Unrealized Gains on Securities	959,485
		Foreign Currency Conversion Adjustments Account	-2,633
		Treasury Stock	-2,857
		Total Capital	1,361,582
Total Assets	6,774,812	Total Liabilities, Minority Equity, and Capital	6,774,812

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Attachment (8)

Consolidated Income Statement for FY2005 (April 1, 2005 – March 31, 2006)

(Units: Millions of Yen)

	Item	Amount
Ordinary Profit and Loss	Ordinary Income	1,931,473
	Underwriting Income	1,802,073
	Net Premiums Written	1,394,783
	Savings-Type Insurance Premiums Written	157,477
	Investment Income on Savings-Type Insurance Premiums Written	45,685
	Life Insurance Premiums	196,508
	Other Underwriting Income	7,619
	Asset Investment Income	116,518
	Interest and Dividend Income	110,321
	Investment Gain on Money Trusts	2,808
	Income on Sale of Securities	41,511
	Income on Redemption of Securities	313
	Extraordinary Account Asset Investment Income	2,340
	Other Investment Income	4,908
	Transfer of Investment Income on Savings-Type Insurance Premiums Written	-45,685
	Other Investment Income	12,881
	Investment Return using Equity Method	302
	Other Ordinary Income	12,578
	Ordinary Expenses	1,816,600
	Underwriting Expenses	1,559,857
	Net Claims Paid	791,268
	Loss Adjustment Expenses	64,986
	Various Commissions and Collection Expenses	253,748
	Maturity Refunds	235,317
	Dividends to Policyholders	44
Life Insurance Premiums	36,898	
Amounts Transferred to Reserves for Outstanding Claims	46,827	
Amounts Transferred to Reserves for Underwriting Expenses	128,213	
Other Underwriting Expenses	2,551	
Asset Management Expenses	7,465	
Management Losses on Securities for Trading Purposes	74	
Loss on Sale of Securities	617	
Loss on Revaluation of Securities	317	
Loss on Redemption of Securities	318	
Expenses from Derivatives	4,556	
Other Asset Management Expense	1,580	
Operating and General Administrative Expenses	246,465	
Other Ordinary Expenses	2,811	
Interest Paid	207	
Loss on Bad Debt	1,055	
Other Ordinary Expenses	1,548	
Ordinary Income or Loss	114,873	
Extraordinary Profit and Loss	Extraordinary Income	12,817
	Income on Disposal of Real Estate and Movable Assets	1,319
	Other Extraordinary Income	11,497
	Extraordinary Loss	10,094
	Loss on Disposal of Real Estate and Movable Assets	1,466
	Impairment Loss	233
	Amounts Transferred to Reserves for Price Fluctuations	6,474
Revaluation Loss of Real Estate	108	
Other Extraordinary Loss	1,810	
Pretax Current Income	117,596	
Corporate Income Tax and Inhabitant Tax	21,462	
Adjustments to Corporate Income Tax and Other Taxes	28,691	
Minority Stockholder Income	65	
Net Income or Loss for the Period	67,377	

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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 Enforcement Regulations of the Commercial Code (Ministry of Justice Ordinance No. 22 of 2002), The Enforcement Regulations Concerning The Rules for Terms, Form, and Preparation Method of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976) and The Enforcement Regulations of the Insurance Business Law (Ministry of Finance Ordinance No. 5 of 1996) promulgated under the provisions of Articles 46 and 68 of the Enforcement Regulations Concerning the Rules for Terms, Form, and Preparation Method of Consolidated Financial Statements.
2. 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.

Sompo Japan Insurance (China) Co., Ltd. became a new subsidiary following the business transfer from the Company's Dalian branch Office on July 1, 2005, and is considered a consolidated subsidiary as of the consolidated fiscal year. Also, the profits and losses of Sompo Japan Financial Guarantee Insurance Co. Ltd., which was a consolidated subsidiary last year, only are reflected for the period prior to its merger into the Company on July 1, 2005.
 - (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 profit for current term (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.
3. Issues Pertaining to Application of Equity Method
 - (1) Related Companies Applying the Equity-method-3 companies
 - Yasuda Enterprise Investment Co., Ltd.
 - Hitachi Capital Insurance Corporation
 - Saison Automobile & Fire Insurance Co., Ltd.

Hitachi Capital Insurance Corporation is listed in the equity-method companies from the current consolidated accounting year as it recently become a related company due to the acquisition of shares.
 - (2) Non-consolidated subsidiaries and affiliates not using 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 affiliates not using the equity method since they had minor impact on the consolidated net profits and losses and retained earnings.
4. Issues Pertaining to Accounting Years of Consolidated Subsidiaries
 - The fiscal year end of all foreign consolidated subsidiaries is Dec. 31. However, as the fiscal year ends were not greater than three (3) months from any other fiscal year end, fiscal year end financial statements as of the same date were used during preparation of the consolidated financial statements.
 - Adjustments required for consolidated accounting were made for important transactions which occurred during the variation period of the consolidated fiscal year end.

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5. 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. For-sale securities are stated at market prices. Cost of sales is calculated using the moving-average method.
- ii. Securities that will be held until maturity are stated at amortized cost, with cost being calculated using the moving-average method.
- iii. Underwriting Reserves Bonds issued under the “Accounting and Auditing of ‘Underwriting Reserves 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 newly issued Underwriting Reserves Bonds this year are as follows: In order to properly manage the changes in interest on assets and debts, 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 related companies not using the equity method are valued at cost using the moving-average method.
- v. All other securities that have a market value are stated at their market values on the final day of the fiscal year.
All valuation differences are added (or subtracted) directly to capital. Moreover, the cost of sales is calculated using the moving-average method.
- vi. Other securities that do not have market values are stated at cost, using the moving-average method, or at amortized cost.
- vii. Securities invested as trust assets for solely managed money trusts to be held as securities and which are not to be held for investment or to maturity are stated using the same methods specified above for other securities.

Securities held by foreign consolidated subsidiaries are generally stated at market prices.

(2) Valuation standards and methods for derivative transactions

Derivative transactions of the Company and domestic consolidated subsidiaries are stated at market value.

(3) Depreciation method of important depreciable assets

i. Real Estate and Movable Assets

Real estate and movable 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.

Real estate and movable 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 other 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 loans and record it as follows using self-assessment standards, as well as depreciation/allowance standards, for assets:

In the case of debtors who have entered into legal and formal bankruptcy procedures, such as bankruptcy or special liquidation, or through an order to suspend trading at a clearinghouse, or where debtors are effectively bankrupt, the Company makes allowances outstanding claims on such debtors minus the amounts that are likely to be recovered from the sale of collateral or from guarantees.

For debtors that are very likely to become bankrupt, the Company makes allowances in the amount of the outstanding claims on such debtors minus the amounts that are likely to be recovered from the sale of collateral or from guarantees, and further reduces it by the amount the debtor can likely pay based on the overall ability of the debtor to pay its debts.

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The Company makes allowances for debtors other than those listed above for the expected loss amount by calculating the amount of expected losses during a specified period of time in the future. This is done by computing actual bad debt ratios based on bad debt history over a specified period of time in the past and by multiplying these ratios by the actual amount of outstanding loans.

Furthermore, all claims are assessed by the local departments and branches responsible for the loans according to the Company's self assessment criteria for assets. The results from these assessments are audited by an independent Board of Corporate Auditors and these results determine the amount of allowance the Company provides for the above scenarios.

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

ii. Investment Loss Reserve

For bonds issued by companies which, based on self assessment standards as well as depreciation/reserve standards for assets, are highly likely to enter into bankruptcy in the future, the Company calculates the expected loss amount to prepare for possible losses from non-repayable debts.

iii. Reserve for Retirement Benefits

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

Statistical variances are treated as expenses incurred 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 service at the time when the variance occurs.

In addition, the Company has included ¥1,142 million in the reserves for retirement benefits to prepare for the payment of retirement benefits (including pensions) to its executives. The Company has changed from treating retirement benefits paid to executives as costs at the time of payment to calculating year-end payments made in accordance with internal regulations as part of the reserves for retirement benefits.

This change was made because it is accounting industry standard to calculate executive retirement benefits as reserves, and with the establishment and revision of the new internal regulations concerning retirement benefits from this year, the changes should let the Company properly calculate the year's profits and losses and strengthen the Company's finances by properly distributing the retirement costs of the executives according to their terms of service.

Under these changes, this year the Company had ¥214 million in loss adjustment costs, business costs and general administrative costs, and with ¥927 million calculated as other extraordinary losses, the Company had a lower ordinary profit of ¥214 million and pre-tax net profits of ¥1,142 million, both lower than if calculated under the old method.

iv. Reserve for Accrued Bonuses

The Company and its domestic consolidated subsidiaries appropriate a bonus reserve for employee bonuses based on an estimated amount payable at the end of the fiscal 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 converting 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 converted into Japanese Yen based on the spot exchange rate of the consolidated accounting date. All conversion differences have been stated as losses.

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

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- (6) Important lease transaction processing method
The Company and consolidated subsidiaries have accounted for finance lease transactions which are not recognized as leases that transfer ownership to the lessee according to the method used for ordinary lease transactions.
 - (7) Important hedge accounting method
The Company applies market value hedging on stock swap transactions performed for the purpose of hedging future share price fluctuation risks of its stocks.
In addition, the Company applies the exceptional disposition of interest rate swaps to those interest rate transactions performed for the purpose of hedging future interest rate fluctuation risks of its bonds which satisfy the requirements for exceptional disposition. The appropriation method is used for those future exchange contracts and currency swap transactions used to hedge fluctuation risks in the currency exchange market related to foreign currency loans, bonds and deposits which satisfy the requirements for the appropriation method.
Please note that the effectiveness of hedges are determined by periodically analyzing the fluctuation amounts between market fluctuations of hedged items and market fluctuations of hedging instruments between the start of the hedging and a pre-determined effective point. However, the analysis of hedge effectiveness is abbreviated for those transactions which clearly have a strong correlation between the hedged items and hedging instruments, and for those interest rate transactions that meet the requirements of the special exception method and 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 and domestic nonlife insurance consolidated subsidiaries 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.
6. Issues Pertaining to Evaluation of Assets and Liabilities of Consolidated Subsidiaries
The market price method was adopted entirely to the evaluation of assets and liabilities of the consolidated subsidiaries.
7. Issues Pertaining to Depreciation of Consolidation Adjustment Accounts
The depreciation of the consolidated adjustment accounts for the consolidated subsidiaries amortizes in equal installments over five years after the time when the accounts were incurred, and the depreciation for domestic life insurance consolidated subsidiaries amortizes in equal installments for 20 years after the time when the accounts were incurred. Domestic securities consolidated subsidiaries fully depreciated at one time in the year when the accounts were incurred. A small amount of adjustments account has been depreciated at one time.

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(Notes on the Consolidated Balance Sheet)

1. Total depreciation of all real estate and moving assets amounts to ¥224,137 million and the amount of reduced value entry of all real estate and moving assets total ¥10,759 million.
2. Shares of non-consolidated subsidiaries and affiliates are as follows:

Securities (stock)	¥ 15,928 million
Securities (investments)	¥ 240 million
3. (1) Of the total loan amount, ¥27 million is in uncollectible loans and ¥4,981 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 Corporate Income Tax Law Enforcement Ordinance (Ordinance 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, none 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, ¥3,029 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 ¥8,037 million.
4. Assets pledged as collateral consist of securities worth ¥63,927 million and deposits worth ¥7,375 million. These assets are used as collateral for borrowings of ¥746 million included in other liabilities and as a deposit to obtain a letter of credit.
5. Securities lent on the basis of consumption loan agreements total ¥162,882 million and are included in Securities.
6. The balance on unexecuted loans related to loan commitment agreements amounts to ¥22,815 million.
7. The number of issued and outstanding shares of the Company is 987,733,424 common stocks.
8. The number of treasury stock held by the consolidated companies and the affiliates to which the equity method is applied totals 3,508,140 common stocks.
9. 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 ¥ 256,694 million

Salary ¥ 114,268 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 are 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 real estate available for use by the insurance division, real estate which, after consolidation of the Company's outlets, becomes newly idled real estate for which future use is not determined is now designated as idle real estate. For the asset groups whose amounts recoverable is below its 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
Idle properties and other properties not utilized	Higashi-Osaka Building	—	233	233

(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 extraordinary profit breakdown is: ¥11,497 million related to the settlement received from Fortress Re, a US-based insurance company, associated with losses attributed to foreign reinsurance transactions.

4. The extraordinary losses breakdown is: ¥927 million in executive retirement benefits transferred last year to the reserves for retirement benefits and ¥882 million in lawsuit related expenses from the Company's lawsuit with Fortress Re, a US based insurance company, relating to foreign reinsurance transactions.

5. Net income per share for the fiscal year is ¥68.46.

The net profit for this term which forms the basis of the above number is ¥67,377 million, not applicable for what is not vested to common shareholders, the net profit from this term related to common stock is ¥67,377 million, and the average number of outstanding common stock during the fiscal year is 984 million shares.

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

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(Notes on Retirement Benefits)

1. Summary of Adopted Retirement Benefits 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).

In addition, the Company abolished the welfare pension fund plan in March 2005 and shifted to the 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 Benefits Obligations

Retirement Benefits Obligations	–¥	130,089 million
<u>Pension Assets</u>	¥	<u>10,197 million</u>
Unfunded Retirement Benefits Obligations	–¥	119,892 million
Unrecognized Statistical Variances	¥	27,422 million
<u>Unrecognized Past Service Liabilities</u>	¥	<u>1,380 million</u>
Net Amount on Consolidated Balance Sheet	–¥	91,089 million
<u>Prepaid Pension Expenses</u>		<u>–</u>
Reserve for Retirement Benefits	–¥	91,089 million

(Note) The Company has calculated ¥1,142 million as part of the reserve for retirement benefits in preparation for payment of executive retirement benefits (including pension).

3. Issues Pertaining to Retirement Benefits Expenses

Working Expenses	¥	7,640 million
Interest Expenses	¥	1,898 million
Anticipated Investment Income	–¥	21 million
Disposal of Expenses Associated with Statistical Expenses	¥	3,334 million
<u>Disposal of Expenses Associated with Past Service Liabilities</u>	¥	<u>3,290 million</u>
Sub-total	¥	16,142 million
Installment Payments into the Defined Contribution Type Pension Plan	¥	<u>2,314 million</u>
Total Retirement Benefit Expenses	¥	18,457 million

(Note) The Company has calculated ¥927 million for executive retirement benefits transferred last year to reserves for retirement benefits as extraordinary losses.

4. Issues Pertaining to Basis of Calculation of Retirement Benefits Obligations

Method of Periodically Allocating

Projected Retirement Benefits Periodically Fixed Amount Standard

Discount Rate 1.5% ~ 2.0%

Expected Investment Return Rate 1.0%

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

Disposal Term of Past Service Liabilities Amounts 5 years

Disposal Term of Statistical Variances 9 ~ 12 years

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(Tax Effect Accounting)

- Deferred tax assets total ¥288,043 million, while deferred tax liabilities total ¥535,715 million. A breakdown of the main factors that generate deferred tax assets and deferred tax liabilities are given below:

Deferred Tax Assets		
Underwriting reserves	¥	173,321 million
Outstanding claims	¥	38,583 million
Reserve for Retirement Benefits	¥	32,748 million
Asset valuation	¥	30,960 million
Loss carried forward for tax purposes	¥	12,645 million
Other	¥	39,965 million
<hr/>		
Subtotal for deferred tax assets	¥	328,226 million
Allowance account	-¥	40,182 million
<hr/>		
Total deferred tax assets	¥	288,043 million
Deferred Tax Liabilities		
Difference in valuation of shares, etc.	-¥	527,227 million
Other	-¥	8,487 million
<hr/>		
Total deferred tax liabilities	-¥	535,715 million
<hr/>		
Net deferred tax assets (or liabilities)	-¥	247,671 million

(Note) The net amount of deferred tax liabilities is split and included in the consolidated balance sheet as deferred tax assets totaling ¥5,832 million and as deferred tax liabilities totaling ¥253,503 million.

- 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 42.65%. The main differences between the two rates are broken down below:

Domestic statutory effective tax rate	36.09%
(Adjustments)	
Increase in Allowance Account	9.87%
Received Dividends Excluded from Gross Revenues	-3.43%
Tax Deductions	-1.64%
Entertainment Expenses Not Qualifying for as Tax Deductible Expenses	1.06%
Per Head Resident Tax	0.43%
Other	0.26%
<hr/>	
Effective Corporate Tax Rate upon Application of Deferred Tax Accounting	42.65%

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Attachment (9)
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 19, 2006

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Attachment (10)

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 reviewed the reports from each auditor describing his or her methods and the results relating to the consolidated financial statements (the consolidated balance sheet and the consolidated income statement) of the 63rd fiscal year from April 1, 2005 through March 31, 2006. The following are the results of the audit:

1. Summary of Auditing Methods used by the Auditors

Each auditor, in accordance with the standards prescribed by the Board of Corporate Auditors and his or her assigned tasks, has received reports and explanations on the consolidated financial statements from the directors and accounting auditors of the Company and audited them.

2. Audit results

It is confirmed that the audit methods used and results obtained by the accounting auditor, Ernst & Young ShinNihon, are fair and correct.

May 22, 2006.

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

(Note) Messrs. Yoshiki Yagi, Tohru Tsuji and Toshiaki Hasegawa are external Corporate Auditors as set forth in Article 18-1 of the old "Law for Special Exceptions to the Commercial Code Concerning Audits, etc. for Corporations (Kabushiki Kaisha)."

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Shareholders' Meeting Reference Materials

Motions and Related Reference Materials

Motion No. 1 Approval of Proposed Earnings Appropriation Statement for the 63rd Fiscal Year

Details regarding the motion are in Attachment (4) "Proposed Appropriation of Retained Earnings" (page 30). Dividends paid to shareholders are being increased ¥4 per share over the previous term to ¥13 per share in furtherance of our drive towards steadily increasing dividend allocations. This comes on the back of achieving "high profitability" and "establishing our business base" by achieving our midterm business plan from 2002 to 2005. In order to maintain transparency of the capital in voluntary reserves, we wish to apply the reserves for shareholders' dividends, retirement benefit reserves, special reserves for insurance contracts and extraordinary reserves to the establishment of a special contingent reserve fund having no specific purpose.

Motion No. 2 Amendment of a Part of the Articles

1. Reasons for the changes

- (1) In order to use a more efficient and economical electronic notification system to issue public notices Article 4 (Method of Disclosure) of the current Articles of Association must be amended and alternative measures must be prescribed in the event that electronic disclosure is rendered impossible for unavoidable reasons.
- (2) In connection with the implementation of the Company Law (Law No. 86 of 2005) and the Law Concerning Preparation, Etc. of Laws Related to Implementation of the Company Law (Law No. 87 of 2005) on May 1, 2006, new provisions and changes are required with respect to provisions seen as providing certain prescriptions in the Articles, while certain changes, additions, and deletions will also be required to accommodate changes in referenced articles and terminology used in the Company Law.
- (3) The following changes are being made for matters that become possible only by being prescribed in the Articles, as set out in the Company Law.
 1. Article 10 (Rights Concerning Fractional Shares) will be newly inserted in order to clarify the rights that shareholders have concerning fractional shares.
 2. Article 19 (Deemed Internet Disclosure of Shareholders' General Meeting Materials) will be newly inserted as a means for providing a method for adequately posting information inexpensively as disclosing a part or all of the shareholders' general meeting reference materials, business reports, financial statements or consolidated financial statements on the internet for a specified time is deemed to be providing such documents to shareholders.
 3. Article 28 (Method of Passing Resolutions by the Board of Directors) will be changed to allow a resolution of the Board to be deemed as existing without the Board having actually convened in order to promote the dynamic and efficient functioning of the Board of Directors. Also, appropriate provisions are being newly established in order to clarify the procedures for convening meetings of the Board of Directors and Board of Auditors.
 4. Article 44 (Authority Delineation Agreements with Outside Auditors) will be newly inserted to allow the Company to enter into contracts with outside auditors to delineate their authority and allow the outside auditors to more adequately fulfill the roles expected of them. Further, Article 34 (Authority Delineation Agreements with Outside Executives) is being added to attract highly independent and top-class outside executives. The approval of all of the corporate auditors has been obtained for these new provisions.
- (4) In line with the above described changes, the article numbering will be altered as required and changes will be made throughout the Articles to reflect the appropriate Chinese characters, kana orthography and notation of numbers.

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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
<p>Chapter <u>1</u> General Provisions (Trade Name) Article <u>1</u> The Company shall be called Kabushiki Kaisha Songai Hoken Japan. 2 In English, the Company will be indicated as Sompo Japan Insurance Inc.</p>	<p>Chapter <u>1</u> General Provisions (Trade Name) Article <u>1</u> The Company shall be called Kabushiki Kaisha Songai Hoken Japan. 2 In English, the Company will be indicated as Sompo Japan Insurance Inc.</p>
<p>(Objective) Article <u>2</u> The objective of the Company is to <u>conduct the following business</u>. (1) Non-life insurance business. (2) Acting as an agent <u>or</u> representative for business related to the insurance business of other insurance companies, including overseas insurance operators, guaranteeing liabilities and other work associated with all of the above. (3) Underwriting and soliciting <u>or</u> handling the offering of government bonds, municipal bonds and government guaranteed bonds, or trading or otherwise handling the same. (4) Any other business other than described above that can be performed by a non-life insurance company in accordance with the Insurance Business Law or other relevant laws. (5) Handling any other matters ancillary to <u>or</u> related to any of the above business.</p>	<p>(Objective) Article <u>2</u> The objective of the Company is to <u>practice the following business</u>. (1) Non-life insurance business. (2) Acting as an agent <u>or</u> representative for business work related to the insurance business of other insurance companies, including overseas insurance operators, guaranteeing liabilities and other work associated with all of the above. (3) Underwriting and soliciting <u>or</u> handling the offering of government bonds, municipal bonds and government guaranteed bonds, or trading or otherwise handling the same. (4) Any other business other than described above that can be performed by a non-life insurance company in accordance with the Insurance Business Law or other relevant laws. (5) Handling any other matters ancillary to <u>or</u> related to any of the above business.</p>
<p>(Location of Head Office) Article <u>3</u> The head office of the Company shall be located in Shinjuku, Tokyo.</p>	<p>(Location of Head Office) Article <u>3</u> The head office of the Company shall be located in Shinjuku, Tokyo.</p>
<p>[New establishment]</p>	<p>(Corporate Organs) Article <u>4</u> <u>The Company shall establish the following Corporate Organs in addition to the shareholders and the directors</u>. (1) <u>The board of directors</u> (2) <u>Auditors</u> (3) <u>The board of auditors</u> (4) <u>Accounting auditors</u></p>
<p>(Methods of Publicity) Article <u>4</u> <u>Public notifications by the Company will be posted in the Nihon Keizai Shinbun published in Tokyo.</u></p>	<p>(Methods of Publicity) Article <u>5</u> <u>The method of public notification used by the Company shall be electronic public notification, provided that if due to a mishap or other unavoidable reason public notification by electronic means is not possible, the Company will post information for public notification in the Nihon Keizai Shinbun published in Tokyo.</u></p>
<p>Chapter <u>2</u> Company Stock (Number of <u>Issued Shares</u>) Article <u>5</u> The total number of shares <u>to be issued</u> by the Company is <u>2 billion</u> shares.</p>	<p>Chapter <u>2</u> Company Stock (Number of <u>Shares That Can Be Issued</u>) Article <u>6</u> The total number of shares that can be <u>issued</u> by the Company is <u>2,000,000,000</u> shares.</p>

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Current Articles	New Articles
[New establishment]	(Share Certificate Issuance) Article <u>7</u> <u>Share certificates shall be issued for shares of the Company.</u>
(Share Buybacks) Article <u>6</u> The Company may, in accordance with <u>Article 211-3, Clause (2) of the Commercial Code</u> , buy back shares of the Company by resolution of the board of directors.	(Share Buybacks) Article <u>8</u> The Company may, in accordance with <u>Article 165, Clause 2 of the Company Law</u> , acquire shares of the Company from the market and other locations by resolution of the board of directors.
(Number of Shares in One Unit and Nonissuance of Fractional Shares) Article <u>7</u> The number of <u>shares in one unit of the Company's shares is one thousand.</u> 2. A share certificate will not be issued <u>in respect of shares the number of which do not amount to one unit (hereinafter "fractional shares")</u> , provided that, when considered <u>necessary in the interests of a shareholder (including here and hereinafter, a nominal shareholder)</u> , a share certificate may be issued for fractional shares in accordance with the Share Handling Regulations (hereinafter the "Share Handling Regulations") prescribed by the board of directors.	(Number of One Unit of Shares Per Unit and Nonissuance of Fractional Shares) Article <u>9</u> <u>One unit of shares of the company is one thousand shares.</u> 2. <u>Notwithstanding Article 7</u> , a share certificate will not be issued <u>in respect of fractional shares, however</u> , when considered necessary in the interests of a shareholder (<u>including here and hereinafter a nominal shareholder</u>), a share certificate may be issued for fractional shares in accordance with the Share Handling Regulations (hereinafter the "Share Handling Regulations") prescribed by the board of directors.
[New establishment]	(Rights in Relation to Fractional Shares) Article <u>10</u> <u>A shareholder may not exercise any rights in respect of fractional shares other than the following.</u> <u>(1) Rights described in Article 189, Clause 2 of the Company Law.</u> <u>(2) Rights that may be requested as prescribed in Article 166, Clause 1 of the Company Law.</u> <u>(3) The right to receive an allocation of subscription shares and an allocation of subscription rights corresponding to the number of shares held by the shareholder.</u> <u>(4) The right to make a request as prescribed in the following article.</u>
(Increased Purchase Request in Relation to Fractional Shares) Article <u>8</u> <u>A shareholder of the Company holding fractional shares</u> may, in accordance with the Share Handling Regulations, make a request <u>to the effect that its fractional shares and the number of additional shares that would comprise a single unit of shares combined with the number of fractional shares should be sold.</u>	(Increased Purchase Request in Relation to Fractional Shares) Article <u>11</u> A shareholder of the Company <u>may</u> , in accordance with the Share Handling Regulations, make a request to sell its fractional shares and that number of additional shares that <u>would total a unit of shares.</u>
(Types of Share Certificates) Article <u>9</u> The types of share certificates issued by the Company shall be determined by the board of directors.	(Types of Share Certificates) Article <u>12</u> The types of share certificates issued by the Company shall be determined by the board of directors.

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Current Articles	New Articles
<p>(Transfer Agent)</p> <p>Article 10 The Company shall appoint a <u>transfer agent for its shares.</u></p> <p>2. <u>The transfer agent and the associated administrative office shall be appointed</u> by a resolution of the board of directors and publicized.</p> <p>3. <u>The shareholders register (including here and hereinafter, the register of nominal shareholders), and the register of lost shares shall be kept at the administrative office of the transfer agent, and the work of transferring shares to another name, handling buybacks or increased purchases of shares for fractional shares and other administrative work related to shares shall be conducted by the transfer agent and not by the Company.</u></p>	<p>(Shareholder Register Agent)</p> <p>Article 13 The Company shall appoint a <u>shareholder register agent.</u></p> <p>2. <u>The shareholder register agent and the associated administrative office shall be determined</u> by a resolution of the board of directors and publicized.</p> <p>3. <u>The production and storage of and other administrative work associated with the shareholders register (including here and hereinafter, the register of nominal shareholders), the original ledger of new share subscription rights and the register of lost shares shall be entrusted to the shareholder register agent and shall not be handled by the Company.</u></p>
<p>(Administration of Shares)</p> <p>Article 11 <u>The transfer of Company shares to another name, buyback and purchases for fractional shares, and other administrative work related to the shares, as well as any associated charges, shall be conducted in accordance with the Share Handling Regulations.</u></p>	<p>(Share Handling Regulations)</p> <p>Article 14 <u>The handling of the Company's shares, charges and procedures performed when a shareholder exercises its rights shall be conducted in accordance with the Share Handling Regulations, relevant laws and regulations legal prescriptions and these Articles.</u></p>
<p>(Notification of Address and Seals)</p> <p>Article 12 <u>A shareholder, registered pledgee or its legal representative, shall provide notification of its name, title or trade name, as well as its address and seals in compliance with the Share Handling Regulations, and shall provide additional notification in the event of any changes to such information, provided that a non-Japanese entity or individual may use an authorized signature instead of a seal.</u></p> <p>2. <u>An entity that is a shareholder, a registered pledgee or its legal representative who does not have an address or domicile in Japan must establish a provisional address in Japan, or must appoint a representative having an address or domicile in Japan and must provide notification thereof in compliance with the Share Handling Regulations and provide further notification of any changes to such information.</u></p>	<p>(Notification of Address and Seals)</p> <p>Article 15 <u>The prescribed forms must be used when a shareholder and a registered share pledgee or its legal representative, provides notification of its name or trade name, as well as its address and seals in accordance with the provisions of these Articles, and the same applies also with respect to any changes to such information, provided however, that a non-Japanese entity or individual may use an authorized signature instead of a seal.</u></p> <p>2. <u>An entity that is a shareholder, a nominal shareholder, and a registered share pledgee or its legal representative who does not have an address or domicile in Japan, shall, in accordance with the provisions of these Articles, establish a provisional address in Japan or appoint a representative having an address or domicile in Japan, and shall comply with the provisions of the preceding clause when providing notification of any changes thereto.</u></p>
<p>(Record Date)</p> <p>Article 13 <u>The Company shall determine that shareholders noted or recorded in the final shareholders register as at March 31 of each year are the shareholders that may exercise voting rights at the regular shareholders general meeting for the current term.</u></p> <p>2. <u>Except where prescribed otherwise in the preceding clause or these Articles, when necessary, a resolution of the board of directors may deem shareholders or registered pledgees noted or recorded in the final shareholders register as at a certain specified date publicized in advance, the shareholders or registered pledgees capable of exercising voting rights.</u></p>	<p>Chapter 3 General Shareholders Meeting (Record Date for General Shareholders' General Meeting)</p> <p>Article 16 <u>The record date for voting rights at the General Shareholders' Meeting of the Company is March 31 of each year.</u></p> <p>[Deleted]</p>

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Current Articles	New Articles
<p>Chapter 3 General Shareholders' Meeting (Convening a General Meeting) Article 14 <u>An ordinary general meeting</u> shall be convened between the period running from April 1 of each year until four months thereafter, while extraordinary general meetings may be convened as necessary.</p>	<p>(Convening a General Meeting) Article 17 <u>An ordinary general Shareholders' Meeting of the Company</u> shall be convened between the period running from April 1 of each year until four months thereafter, while extraordinary general <u>Shareholders' Meetings</u> may be convened as necessary.</p>
<p>(Chairman of General Meetings) Article 15 <u>The president of the Company shall be the chairman of the general meeting.</u> If, due to unforeseen circumstances, the president cannot chair a meeting, another representative director shall chair the meeting and if, due to unforeseen circumstances, a representative director cannot chair the meeting, a director shall fulfill this role.</p>	<p>(Attendees and Chairman) Article 18 <u>The president shall convene a general shareholders' meeting and shall act as the chairman.</u> If, due to unforeseen circumstances, the president cannot chair a meeting, another representative director shall chair the meeting and if, due to unforeseen circumstances, a representative director cannot chair the meeting, a director shall fulfill this role.</p>
<p>[New establishment]</p>	<p>(Presentations of General Shareholders' Meeting Reference Materials Deemed Disclosed on the Internet) Article 19 <u>When convening a general shareholders meeting, the Company may deem that information pertaining to matters required to be recorded or disclosed in general shareholders' meeting reference materials, business reports, accounting materials and consolidated accounting materials which is disclosed over the Internet in accordance with the ordinance of the Ministry of Justice, has been provided to shareholders.</u></p>
<p>(Method of Passing Resolutions) Article 16 Except where prescribed otherwise according to law or these Articles, a resolution at a <u>general meeting</u> may be passed by a majority of the voting rights of <u>the shareholders</u> present at the meeting. 2. A shareholder or its legal representative may act as the representative of another shareholder holding voting rights present at the meeting and can exercise the voting rights of such other shareholder. 3. A resolution made in accordance with <u>Article 343 of the Commercial Code</u> may be passed by a two thirds or greater majority of the voting rights exercised at a meeting where shareholders having one third or more of all of <u>the voting rights</u> are present.</p>	<p>(Method of Passing Resolutions) Article 20 Except where prescribed otherwise according to law or these Articles, a resolution at a <u>general shareholders' meeting</u> may be passed by a majority of the voting rights of <u>shareholders who are eligible to exercise voting rights and are present</u> at the meeting. [Regulation split to Article 21] 2. A resolution made in accordance with <u>Article 309, Clause 2 of the Company Law</u> may be passed by a two thirds or greater majority of all of the voting rights exercised at a meeting where shareholders having one third or more of all of the voting rights of the <u>shareholders authorized to exercise voting rights</u> are present.</p>
<p>[Regulation separated from Article 16.]</p>	<p>(Exercise of Voting Rights by Proxy) Article 21 <u>A shareholder may act as the representative of one other shareholder holding voting rights and exercise the voting rights of such other shareholder.</u></p>
<p>Chapter 4 Directors and the Board of Directors (Number of Directors) Article 17 <u>No more than fifteen directors shall be appointed to the Company.</u></p>	<p>Chapter 4 Directors and the Board of Directors (Number of Directors) Article 22 <u>The number of directors appointed to the Company shall be not greater than fifteen.</u></p>

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Current Articles	New Articles
<p>(Appointment of Directors)</p> <p>Article 18 The directors shall be appointed by a general shareholders' meeting.</p> <p>2. <u>A resolution made in accordance with the preceding clause requires attendance by shareholders having a one third or more majority of the total voting rights of the shareholders.</u></p> <p>3. A resolution appointing a director shall not be passed by a cumulative vote.</p>	<p>(Method of Appointing Directors)</p> <p>Article 23 The directors shall be appointed by a general shareholders' meeting.</p> <p>2. <u>A resolution to appoint a director may be passed by exercise of a majority of the voting rights at a meeting where shareholders having one third or more of all of the voting rights of the shareholders authorized to exercise voting rights are present.</u></p> <p>3. A resolution appointing a director shall not be passed by a cumulative vote.</p>
<p>(Term of Appointment of Directors)</p> <p>Article 19 The term of appointment of a director shall <u>end at the time of the conclusion of the ordinary general shareholders' meeting for the final accounting period falling within one year from when the director concerned takes up the office of director.</u></p> <p>2. The term of appointment of a director appointed to fill a vacancy or to increase the number of directors shall <u>end simultaneously with the completion of the term of appointment of the other directors presently in office.</u></p>	<p>(Term of Appointment)</p> <p>Article 24 The term of appointment of a director shall <u>be until the time of the conclusion of the ordinary general shareholders' meeting held in the final business period within one year from the appointment of the director concerned.</u></p> <p>2. The term of appointment of a director appointed to fill a vacancy or to increase the number of directors shall <u>be until completion of the term of appointment of the other directors presently in office.</u></p>
<p>(Appointment of a Director to Fill a Vacancy)</p> <p>Article 20 Even where there is a vacant post for directors, an appointment of a director to fill the vacancy need not be made where the number of directors is not below the legal requirement.</p>	<p>(Appointment of a Director to Fill a Vacancy)</p> <p>Article 25 Even where there is a vacant post for directors, an appointment of a director to fill the vacancy need not be made where the number of directors is not below the legal requirement.</p>
<p>[New establishment]</p>	<p>(Person Having Authority to Convene the Meeting of the Board Of Directors and the Chairman of the Board)</p> <p>Article 26 <u>The meeting of the board of directors shall be convened by the president who shall also be the chairman. If the president is prevented from so doing due to unforeseen circumstances, these duties may be performed by another director appointed in advance by the board of directors.</u></p>
<p>(Convening a Meeting of the Board Of Directors)</p> <p>Article 21 Notice that a meeting of the board of directors will be convened shall be issued to each director and each auditor at least three days prior to the date of the meeting, <u>provided that this may be shortened when necessary due to an emergency.</u></p>	<p>(Notice of Meeting of the Board Of Directors)</p> <p>Article 27 Notice that a meeting of the board of directors will be convened shall be issued to each director and each auditor at least three days prior to the date of the meeting, <u>provided however that this period may be shortened when necessary due to an emergency.</u></p> <p>2. <u>A meeting of the board of directors may be convened without performance of the procedures to convene a meeting with the agreement of all of the directors and the auditors is obtained.</u></p>

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Current Articles	New Articles
<p>(Method of Passing a Resolution by the Board Of Directors) Article <u>22</u> A resolution of the board of directors may be passed by a majority of the directors present at a meeting attended by a majority of the directors.</p>	<p>(Method of Passing a Resolution by the Board Of Directors) Article <u>28</u> A resolution of the board of directors may be passed by a majority of the directors present at a meeting attended by a majority of the directors with authority to vote on the resolution. <u>2. The Company shall deem that a resolution of the board of directors has been passed when the requirements of Article 370 of the Company Law have been fulfilled.</u></p>
<p>(Authority of the Board Of Directors) Article <u>23</u> Unless otherwise prescribed by law or these Articles, the board of directors shall determine important matters relating to performance of the Company's business.</p>	<p>(Authority of the Board Of Directors) Article <u>29</u> Unless otherwise prescribed by law or these Articles, the board of directors shall determine important matters relating to performance of the Company's business.</p>
<p>(Representative Director) Article <u>24</u> The board of directors shall <u>establish a representative director by resolution.</u> 2. Each representative director shall represent the Company. [Moved from Article 25 and integrated]</p>	<p>(Representative Director <u>and Executive Directors</u>) Article <u>30</u> The board of directors shall <u>appoint a representative director by passing a resolution.</u> 2. Each representative director shall represent the Company. <u>3. The board of directors may appoint a chairman and director and a president and director by resolution.</u></p>
<p>(Executive System of Directors) Article <u>25</u> The board of directors shall pass a resolution appointing <u>a president from among themselves.</u> 2. The board of directors may pass a resolution appointing <u>a single</u> chairman of the board and director.</p>	<p>[Moved to and integrated with Article 30]</p>
<p>(Board of Directors Regulations) Article <u>26</u> <u>The board of directors shall pass a resolution establishing the Board of Directors Regulations.</u></p>	<p>(Board of Directors Regulations) Article <u>31</u> <u>In addition to the prescriptions of these Articles and applicable laws, matters pertaining to the board of directors shall comply with the Board of Directors Regulations established at a meeting of the board of directors.</u></p>
<p>(Executive Advisor) Article <u>27</u> The board of directors shall pass a resolution appointing an executive advisor.</p>	<p>(Executive Advisor) Article <u>32</u> The board of directors shall pass a resolution appointing an executive advisor.</p>
<p>(Remuneration of Directors) Article <u>28</u> <u>The remuneration and retirement benefits for directors shall be determined at a general shareholders' meeting.</u></p>	<p>(Remuneration Etc.) Article <u>33</u> <u>Remuneration, bonuses and other asset benefits for directors received from the Company as consideration for duties performed (hereinafter "remuneration etc.") shall be determined at a general shareholders' meeting.</u></p>
<p>[New establishment]</p>	<p>(<u>Agreement with Outside Directors Delineating Responsibilities</u>) <u>Article 34</u> <u>The Company may, in accordance with Article 427, Clause 1 of the Company Law, enter into an agreement with an outside director limiting liability for damages caused by a breach of such outside director's duties, provided however that the maximum amount to which such responsibility may be limited shall be the amount as prescribed by law.</u></p>

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Current Articles	New Articles
<p>Chapter 5 Auditors and the Board of Auditors (Number of <u>Auditors</u>) Article <u>29</u> <u>No more than six auditors shall be appointed to the Company.</u></p>	<p>Chapter 5 Auditors and the Board of Auditors (Number of <u>Members</u>) Article <u>35</u> <u>The number of auditors appointed to the Company shall not be greater than six.</u></p>
<p>(Appointment of Auditors) Article <u>30</u> <u>Auditors shall be appointed at a general shareholders' meeting.</u> 2. <u>A resolution passed to accomplish the preceding clause requires attendance by shareholders having at least one third of all of the voting rights of the shareholders.</u></p>	<p>(Method of Appointment) Article <u>36</u> <u>The auditors shall be appointed by a general shareholders' meeting.</u> 2. <u>A resolution to appoint an auditor may be passed by exercise of a majority of the voting rights at a meeting attended by one third or more of those shareholders authorized to exercise voting rights.</u></p>
<p>(Term of Appointment of Auditors) Article <u>31</u> <u>The term of appointment of an auditor shall end at the time of the conclusion of the ordinary general shareholders' meeting for the final accounting period falling within four years from when the auditor concerned takes up the office of auditor.</u> 2. <u>The term of appointment of an auditor appointed to fill a vacancy created by an auditor resigning prior to the conclusion of his term of appointment shall end simultaneously with the completion of the term of appointment of the auditor who resigned.</u></p>	<p>(Term of Appointment) Article <u>37</u> <u>The term of appointment of an auditor shall be until the time of the conclusion of the ordinary general shareholders' general meeting held in the final business period finishing within four years from the appointment of the auditor concerned.</u> 2. <u>The term of appointment of an auditor appointed to fill a vacancy created by an auditor resigning prior to fulfillment of his term of appointment shall end simultaneously with the completion of the term of appointment of the auditor who resigned.</u></p>
<p>(Appointment of an Auditor to Fill a Vacancy) Article <u>32</u> <u>Even where there is a vacant position for an auditor, an appointment of an auditor to fill the vacancy need not be made where the number of auditors is not below the legal requirement.</u></p>	<p>(Appointment of an Auditor to Fill a Vacancy) Article <u>38</u> <u>Even where there is a vacant position for an auditor, an appointment of an auditor to fill the vacancy need not be made where the number of auditors is not below the legal requirement.</u></p>
<p>(Convening a Meeting of the Board Of Auditors) Article <u>33</u> <u>Notice that a meeting of the board of auditors will be convened shall be issued to each auditor at least three days prior to the date of the meeting, provided that this may be shortened when necessary due to an emergency.</u> [New establishment]</p>	<p>(Notice of Meeting of the Board Of Auditors) Article <u>39</u> <u>Notice that a meeting of the board of auditors will be convened shall be issued to each auditor at least three days prior to the date of the meeting, provided however that this period may be shortened when necessary due to an emergency.</u> 2. <u>A meeting of the board of auditors may be convened without performance of the procedures to convene a meeting with the agreement of all of the auditors.</u></p>
<p>(Method of Passing a Resolution by the Board Of Auditors) Article <u>34</u> <u>Unless otherwise prescribed by law, a resolution of the board of auditors shall be passed by a majority of auditors.</u></p>	<p>[Deleted]</p>
<p>(Authority of the Board Of Auditors) Article <u>35</u> <u>The board of auditors has authority to determine matters relating to the performance of duties by auditors in addition to the authority as prescribed by law, provided that, the board of auditors may not hinder the auditors in the exercise of their authority.</u></p>	<p>(Authority of the Board Of Auditors) Article <u>40</u> <u>The board of auditors has authority to determine matters relating to the performance of duties by auditors in addition to the authority as prescribed by law, provided however that, the board of auditors may not hinder the auditors in the exercise of their authority.</u></p>

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Current Articles	New Articles
<p>(Board of Auditors Regulations) Article <u>36</u> <u>The board of auditors shall pass a resolution establishing the Board of Auditors Regulations.</u></p>	<p>(Board of Auditors Regulations) Article <u>41</u> <u>In addition to the prescriptions of these Articles and applicable laws, matters pertaining to the board of auditors shall comply with the Board of Auditors Regulations established at a meeting of the board of auditors.</u></p>
<p>(Full-Time Auditors and Standing Auditors) Article <u>37</u> <u>The board of auditors shall determine full-time auditors by mutual selection.</u> 2. <u>The board of auditors shall determine standing auditors by mutual selection.</u></p>	<p>(Full-Time Auditors) Article <u>42</u> <u>The board of auditors shall appoint full-time auditors by passing a resolution.</u> 2. <u>The board of auditors shall determine standing auditors by mutual selection.</u></p>
<p>(Remuneration of Auditors) Article <u>38</u> <u>The remuneration and retirement benefits for auditors shall be determined at a general shareholders' meeting.</u></p>	<p>(Remuneration Etc. of Auditors) Article <u>43</u> <u>Remuneration etc. for auditors shall be determined by a resolution at a general shareholders' meeting.</u></p>
<p>[New establishment]</p>	<p>(Agreement with Outside Auditors Delineating Responsibilities) Article <u>44</u> <u>The Company may, in accordance with Article 427, Clause 1 of the Company Law, enter into an agreement with an outside auditor limiting liability for damages caused by a breach of such outside auditor's duties, provided however that the maximum amount to which such responsibility may be limited shall be the amount as prescribed by law.</u></p>
<p>Chapter 6 Accounting (Fiscal Year) Article <u>39</u> <u>The fiscal year of the Company shall commence on April 1 of each year and end on March 31 of the following year.</u></p>	<p>Chapter 6 Accounting (Fiscal Year) Article <u>45</u> <u>The fiscal year of the Company shall be for one year from April 1 of each year until March 31 of the following year.</u></p>
<p>(Payment of Dividends) Article <u>40</u> <u>Shareholder dividends will be paid to shareholders or registered pledgees noted or recorded in the final shareholders register as at March 31 of each year.</u> <u>2. The Company shall have no duty to pay shareholder dividends after three full years have passed from the date of such payment.</u> <u>3. No interest shall be paid on any shareholder dividends.</u></p>	<p>(Record Date for Distribution of Retained Earnings) Article <u>46</u> <u>The record date for term-end dividend distributions shall be March 31 of each year.</u> (Statute of Limitation for Dividend Payment) Article <u>47</u> <u>When cash dividends are available, the Company shall have no duty to make payment of such dividends if such dividends have not been received after three years have passed from the payment date.</u> <u>2. Interest shall not be paid on the cash prescribed in the preceding clause.</u></p>

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Motion No. 3 Election of Ten (10) Directors

Five (5) directors will complete their current term of service on the board of directors as of the conclusion of this General Shareholders' Meeting. Accordingly, the Company moves to elect ten (10) directors.

The candidates for the position of director are listed below:

Candidates for Directors (10 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 System 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 System 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 to present</p>	35,693 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 and 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 and 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 to present</p>	19,000 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 Nissan Fire & Marine Insurance Co.,Ltd</p> <p>April 1996 Branch Manager, Sanin Branch of the said Company</p> <p>June 1998 Manager, Sales Development of the said Company</p> <p>April 2000 Manager, Sales Service Development of the said Company</p> <p>June 2000 Executive Officer, Manager, Sales Development of the said Company</p> <p>April 2002 Executive Officer, Manager, KitaNihon Regional Headquarters, Sales Development of the said Company</p> <p>June 2002 Director, Executive Officer, Manager, KitaNihon Regional Headquarters, & Kansai Regional Headquarters, Sales Development of the said Company</p> <p>July 2002 Director, Managing Executive Officer, Manager, Kanto Regional Headquarters of the Company</p> <p>June 2003 Managing Executive Officer, Manager, Kanto Regional Headquarters of the Company</p> <p>April 2005 Senior Managing Executive Officer, Manager, Hokuriku and Shinetsu Regional Headquarters of the Company to present</p>	15,338 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 Department of the Company</p> <p>July 2000 Branch Manager, Sendai Branch of the Company</p> <p>Oct. 2002 Managing Executive Officer, Manager, Saitama Regional Headquarters, Manager, Saitama Production Promotion Department and Office Manager, Saitama Business Development of the Company</p> <p>April 2004 Managing Executive Officer, Manager, Tokyo Regional Headquarters of the Company to present</p>	33,000 Shares
5	Osamu Yoneyama (April 19, 1949)	<p>April 1973 Joined the Company</p> <p>April 1997 Manager, Kinki Production Promotion Department of the Company</p> <p>July 1999 Manager, Financial Institutions Department of the Company</p> <p>April 2002 Manager, Financial Institutions Department and Manager ,Financial Institutions Production & Marketing Department of the Company</p> <p>July 2002 Manager, Financial Institutions Department of the Company</p> <p>April 2003 Managing Executive Officer, Manager, Kansai Regional Headquarters, Mnaager, Kansai Production Promotion Department of the Company</p> <p>April 2004 Managing Executive Officer, Manager, 2nd Kansai Regional Headquarters, Manager, 2nd Kansai Production Promotion of the Company</p> <p>April 2006 Managing Executive Officer of the Company</p> <p>June 2006 Managing Executive Officer, Manager, Defined Contribution and Investment Trust Business Development Department of the Company to Present</p>	19,000 Shares
6	Takaaki Komatsu (Aug. 15 1950)	<p>April 1974 Joined the Company</p> <p>April 1997 Branch Manager, Kochi Branch of the Company</p> <p>July 1999 Office Manager, Office of Presidential Staff Group Strategy Development of the Company</p> <p>June 2001 Manager, Claims Administration Department of the Company</p> <p>June 2003 Managing Executive Officer, Manager, Shikoku Regional Headquarters, and Manager, Shikoku Production Promotion Department of the Company</p> <p>Oct. 2004 Managing Executive Officer, Manager, Shikoku Regional Headquarters of the Company</p> <p>April 2005 Managing Executive Officer of the Company</p> <p>June 2005 Director, Managing Executive Officer of the Company</p> <p>Sep. 2005 Director, Managing Executive Officer and Manager, Claims Quality Control Department of the Company</p> <p>Dec.2005 Director, Managing Executive Officer of the Company to Present</p> <p>Responsible Officer, Internal Audit Department, Compliance Department, Claims Quality Control Department, Investment Administrative Department</p>	19,000 Shares

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Candidate No.	Name (Date of Birth)	Summarized Personal History and Representation at Other Companies	No. of Company Shares Held
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</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, Manager, Chiba Regional Headquarters, Manager, Chiba Production Promotion Department, Office Manager, Chiba Business Development Office of the Company</p> <p>April 2004 Managing Executive Officer, Manager, Saitama and Chiba Regional Headquarters of the Company</p> <p>April 2006 Managing Executive Officer of the Company to Present</p>	25,365 Shares
8	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, and Accounting Processing Department, 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 to Present</p> <p>Responsible Officer, Group Strategy Planning Department, Corporate Communications Department, Agency Administrative Support Department, Accounting Department, IT Strategy Planning Department, IR</p>	13,000 Shares
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, Manager, Equity 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, General Manager, Equity 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, Investment Planning Department of the Company</p> <p>June 2005 Director, Managing Executive Officer, Investment Planning Department of the Company</p> <p>April 2006 Director, Managing Executive Officer of the Company to present</p> <p>Responsible Officer, General Affairs Department, Investment Planning Department, Financial Services Department, Global Securities Investment Department, International Planning Department</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
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 SOMPO JAPAN HIMAWARI LIFE INSURANCE)</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, Human Capital Department of the Company</p> <p>June 2006 Managing Executive Officer, Manager, Human Capital Department of the Company</p> <p style="text-align: center;">to present</p>	10,000 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

It was resolved at the 59th Ordinary General Shareholders' Meeting, convened on June 27, 2002, that remuneration for board members of the company would have a maximum monthly value of 60,000,000 yen, a limit which has continued to the present. However, approval is being sought for a separate line of remuneration from said board member remuneration, in the form of the issuance of subscription rights with a maximum annual value of 400,000,000 yen and the issuance as follows of applicable subscription rights, for board members of the company. The purpose is to further heighten the morale and desire for improved business performance by the board members and to improve shareholder profits.

The applicable remuneration value takes into account the total number of subscription rights to be allotted multiplied by the fair value of the subscription rights calculated based on the binomial model.

The above-mentioned value for board member remuneration still does not include the salary for the employment portion for employees-cum-board members.

In addition, while there are currently 5 board members, there will be 10 members if Motion No. 3 is passed.

1. Type and number of shares intended for subscription rights

The number of shares intended for subscription rights to be issued during the 1 year following the day after the convening of the Ordinary General Shareholder's Meeting for each fiscal year shall be limited to a maximum of 800,000 common shares of the company.

If adjustments to the 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 subscription rights

Subscription rights to be issued during the 1 year following the day after the convening of the Ordinary General Shareholders' Meeting for each fiscal year shall be limited to a maximum of 800 stock warrants.

(The number of shares intended per share warrant shall be 1,000. 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. Financial value received when subscription rights are exercised

The financial value received when each share warrant is exercised shall be the amount of money found by multiplying the number of shares intended per share warrant 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 shares of the Company at the Tokyo Stock Exchange on each day of the month preceding the month in which the subscription rights are issued (excluding days on which share transactions are not approved at that day). (Fractions under 1 yen will be rounded up.)

However, if the applicable value falls below the final value for the day on which subscription rights 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 subscription rights are issued shall be used.

Following the issuance of subscription rights, if adjustments to the value per share are appropriate due to measures by the company such as stock splits (including gratis issues of common shares of the company) and share mergers, the company shall implement the adjustments as necessary.

4. Period for the exercise of subscription rights

From June 29, 2008 to June 28, 2016

5. Conditions on exercise of share warrant rights

- (1) Each individual with subscription rights has the right to exercise the subscription rights allotted to him even if he is no longer a director of the Company, in accordance with the conditions prescribed in the "Share Warrant Allotment Contract" described in (4) below.
- (2) In the event of the death of an individual with subscription rights, his or her successor (limited, however, to his or her spouse) shall have the right to execute the subscription rights, in accordance with the conditions prescribed in the "Share Warrant Allotment Contract" described in (4) below.
- (3) An individual with subscription rights may not sell, pledge, or otherwise dispose of his or her warrants to a third party.
- (4) Other conditions on the rights of execution shall be prescribed in the "Share Warrant Allotment Contract", concluded between the Company and the individual with subscription rights, based on the resolutions of this general Shareholders' Meeting, and the resolutions of the Board of Directors for the issuance of subscription rights.

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(Reference Materials)

Solvency Margin Ratio

(Units: Millions of Yen)

By term	62nd Term (As of March 31, 2005)	63rd Term (As of March 31, 2006)
Item		
(A) Total Solvency Margin	1,719,838	2,378,680
Total Capital (Excluding projected amount of distribution, deferred assets and unrealized gains on other securities)	371,112	426,295
Price Fluctuation Reserve	17,546	24,001
Contingency reserve (including earthquake insurance reserve)	426,560	442,994
General allowance for bad debts	2,993	2,171
90% of unrealized gains on other securities (before subtracting tax effect)	793,760	1,339,211
85% of unrealized gains on real estate	26,935	23,308
Mechanism etc. of procurement of liability capital	-	-
Excluded items	62,056	52,056
Others	142,984	172,754
(B) Total Risk $\sqrt{(R1)^2+(R2+R3)^2+R4+R5}$	321,186	420,687
General insurance risk (R1)	72,933	75,934
Expected insurance risk (R2)	3,637	3,576
Asset management risk (R3)	213,731	270,568
Business administration risk (R4)	7,494	9,535
Catastrophic risk (R5)	84,413	126,685
(C) Solvency Margin Ratio $[(A)/\{(B) \times 1/2\}] \times 100$	1,070.9%	1,130.9%

Note The above-mentioned monetary amounts and figures are calculated in accordance with Articles 86 and 87 of the Enforcement Regulations 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 this term due to revision in the Enforcement Regulations of the Insurance Business Law. For this reason, figures for this term and the previous term have been calculated based on different criteria.

<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 capital, 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.”